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**EDIMAX TECHNOLOGY CO., LTD.**  
**2022 ANNUAL REPORT**

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## Notice to Readers

This English-version Annual Report is a summary translation of the Chinese version and is not an official document of the Shareholders' Meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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- VI. Company Website: <http://www.edimax.com.tw>

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# One. Letter to Shareholders

Ladies and Gentlemen,

First of all, we would like to thank all our shareholders, for your support and encouragement of the Company in the past year. We hereby present the following business report for the year 2022:

## I. Operating results for the year ended December 31, 2022

### (1) Implementation of business plan

In 2022, the short- and long-term material problems caused by the shortage of key parts and components that were affected by the pandemic in the past were gradually relieved, and the backlog of orders continued to be shipped, thus boosting the company's revenue to rise, and the exchange rate boosted by the appreciation of the U.S. dollar generated significant translation gains, resulting in an outstanding performance in both Company's own businesses and external businesses. Overall, the Company's consolidated revenue was NT\$5,963,157 thousand, consolidated operating income was NT\$155,100 thousand, consolidated net income was NT\$258,977 thousand, net income attributable to the owners of the parent company was NT\$252,658 thousand, and earnings per share was NT\$1.30. The operating condition was better than the previous year.

This year, we will continue to focus on the 4S (Software, Solution, Service, Security) and 3H (high unit price, high value-added, high gross margin) strategies. In addition to developing the existing Switch, WIFI SMB and Industrial Grade Networking Solutions market, we will introduce more AIOT applications and solutions to enhance our overall competitive strength; For the telecom market, we will continue to build on our advantages in broadband communications equipment and provide customers with professional, customized, differentiated and competitive products to satisfy the deployment needs of various telecom and broadband service providers. At the same time, we are seeking more customers for telecom and broadband services to expand the market and diversify the risk of customer concentration.

The Group has been restructuring its operations and the business is making steady progress. In the future, the Company's management team will continue to focus on innovation, strengthen inventory control, develop customers and products, and continue to move towards becoming a professional network communications company.

### (2) Financial income and expense and profitability analysis



Item		2021	2022
Analysis of financial structure	Ratio of liabilities to assets (%)	61.18	55.98
	Ratio of long-term capital to property, plant and equipment (%)	207.66	209.53
Profitability analysis	Return on total assets (%)	(0.89)	3.55
	Ratio of return on shareholders' equity (%)	(2.44)	8.33
	Pre-tax income to paid-in capital (%)	(2.85)	14.32
	Profit margin (%)	(1.38)	4.34
	Earnings per share (NT\$)	(0.29)	1.30

The financial structure analysis shows that, in FY2022, the inventory of Group was significantly lower than in the previous period due to better operating conditions. However, the cash position increased significantly, and the total assets increased as the subsidiaries acquired real property, resulting in a lower debt ratio. In addition, the increase in retained earnings due to higher profitability led to an increase in shareholder equity and a higher ratio of long-term capital to property, plant and equipment. Various profit indicators also showed a significant increase, mainly due to the increase in profits.

### (3) Research and Development Status

The products developed in year 2022 are listed as below:

Enterprise and Consumer Communication Equipments:

#### 1. Enterprise and Consumer Network Products Series:

##### (1) WiFi 6 (IEEE 802.11ax) Products Series

- A. WiFi 6/6E Network Interface Card (NIC)
- B. WiFi 6/6E Mesh Roaming Range Extenders
- C. WiFi 6/6E Routers

##### (2) Enterprise WiFi 6 Products Series

- A. Fast Hopping AI Mesh WiFi Access Points for Enterprise
- B. WiFi 6/6E Access Points
- C. Outdoor 5G Industrial Routers, Portable 5G Routers
- D. High Security Protection Cloud Management System for Enterprise

#### 2. Hi-End Networks Switches Series for Enterprise:

##### (1) Intelligent Management and Backbone Networks Equipments Series

- A. 10G Intelligent Management Network Switches
- B. IEEE 10G, 100G Backbone Network Switches
- C. Network Security Management System for Enterprise

##### (2) Network Products for Enterprise

- A. Outdoor High Power 5GHz Bridges
- B. Smart ONVIF PoE Switches

#### 3. AIOT Products, Services and Others:

- (1) IP Camera Series
  - A. High Definition IP Camera with Multi-level Security Key Protection for Enterprise
  - B. Hyperfocal Distance IP camera with Multi-Security Key Protection
  - C. Integrated Network Camera, Cloud Recording Management System
  - D. Wireless presentation projection products
  - E. Image, Voice Recognition AI System
- (2) Cloud Integration Systems Series
  - A. Video Streaming and Recording Cloud Management System with High Security Protection
  - B. AI Dongle
  - C. Integrated ALPR (Automatic License Plate Recognition) System
  - D. Cross-Industry Integration Cloud Management System

Telecommunications business communication equipments:

- 1.Home Networking Products Series:
  - (1) Smart Roaming Solution Crossing Multi Platforms
  - (2) WiFi 6E Mesh Roaming Repeaters
- 2.Broadband Customer Premise Equipment (CPE) Series:
  - (1) GPON Network Gateway/IAD with WIFI 6 Feature
  - (2) VDSL2+ 35b Broadband WiFi 6 Routers Complied to Plume
  - (3) MoCA 2.5 Broadband Bridge
- 3.Fiber-optic Communication Solution Series:
  - (1) FTTdp XGS-PON Multi-ports G.fast Wave 2 Solution
  - (2) 5G to Multi-ports G.fast Wave 2 Solution
  - (3) 10G XGS-PON Broadband Gateway with Tri-bands WiFi 6E Feature
  - (4) FTTdp fiber to multi-port G.hn coax distribution points with reverse power supply

## II. 2023 business overview

### (I) Operating policy

- 1. Regarding the product strategy in the enterprise and retail markets, the Company continues to develop its existing products in three major directions: WIFI, S/W, and AIOT, and we have been focusing on developing niche products (including Wireless HDMI, High density AP, Cloud for IOT, ESL, and IP CAM AP). We continue to develop Industrial Grade Networking Solutions, and invest in the research and development of Time Sensitive Network related technologies and applications, and integrate industrial control and broadband network applications.
- 2. As for the product strategy in the telecom market, we are actively developing the next generation of Broadband CPE, DPU, MDU, 10GPON and other products based on our existing advantage in broadband communication devices to provide customers with professional,

customized, differentiated and competitive products to satisfy the deployment needs in various telecom and broadband service industries. However, due to the impact on the global economic environment, bids and product life cycle, the telecom consumer market is likely to experience fluctuations in operation. This year, we are faced with rising inflation, recession, and an uncertain international situation and economic environment. So we need to be proactive and try our best to overcome the situation.

3. Control the core technology and R&D of product innovation, keep up with the timing and expand the differentiated competitive advantage.
4. Combine external expertise and division of labor to build a complete ecosystem and product line to enhance the competitive advantage.
5. Improve corporate governance, implement corporate social responsibility, and create the value of sustainable operation.

#### (II) Important production and marketing policies

1. The Company will continue to strengthen its supply chain management, improve the quality of goods supplied, reduce costs and shorten delivery time to enhance overall operating performance. Currently, there is still a shortage of key components in the network and communications industry, so we must be prepared and strengthen inventory control.
2. The Company will continue to enhance production efficiency, effectiveness and quality and introduce automated production and smart manufacturing to strengthen its manufacturing competitiveness.
3. The Company keeps up with market changes, controls 3H (high unit price, high value-added, high gross margin) and 4S (Software, Solution, Service, Security) development strategies and directions, and provides customers with competitive solutions to satisfy the needs of various industries and customers.

#### III. The Company's development strategies

In order to continue to maintain stability and growth in both profitability and sales, the Company continues to implement the following development strategies:

##### (1) Focus on its own businesses to grow steadily

The Company does not make high-risk investments and continues to make efforts in business development to prioritize stable profit. It also actively develops new markets, new product lines and key customers to reduce the impact of changes in market conditions.

##### (2) Continue to strengthen research and development

We continue to invest more in research and development and strengthen our hardware and software R&D capabilities to continuously develop high-end and integrated products and to stay ahead in technology.

(3) Insist on quality and cost reduction

The Company has imposed more strict control on product quality and cost to reduce quality issues and improve profitability.

(4) Strengthen operation management

The Company follows the core values of integrity, quality, service, and innovation to establish long-term partnerships with customers, suppliers, and employees, while continuing to improve management systems, streamline processes, and enhance the Company's competitive advantage.

IV. Impact of the external competition, legal, and overall business environments

As the global environment is still facing trade conflicts between the U.S. and China, the war between Russia and Ukraine, inflation, exchange rate instability and economic recession, the Company should be conservative and cautious about the future. However, how to reduce the impact and challenges brought by the external environment in production, sales and logistics, turn the crisis into an opportunity and capture the market opportunity will become an important task for the Company this year.

The Company has a strong R&D, marketing and management team. Regarding the direction of future development, besides maintaining long-term relationships with our existing customers, we are also actively developing markets and niche products in order to strive for long-term and stable success.

On behalf of the Board of Directors and the management team, I would like to express my sincere gratitude to all shareholders of the Company and our employees for their contributions and efforts to its development over time. We would also like to thank all of you for your encouragement and support, which has enabled the Company to continue to prosper and grow. I hereby wish you

All the Best!

Chairman-cum-President  
Guan-Sheng Renn

Chief Accounting Officer  
Han-Shen Lee

## Two. Company Profile

I. Date of Establishment: June 28, 1986

II. Company History

### Major Events of the Company and Subsidiaries:

Year	Major Events
1986	The Company was incorporated in June 1986 in Taipei City under the name "Edimax International Co., Ltd." with paid-in capital of NT\$5 million. Its main business activities included the sale of computer peripherals, interface cards, controllers, and keyboards.
1988	Completed a cash issue that increased paid-in capital to NT\$8 million.
1989	Completed a cash issue that increased paid-in capital to NT\$16 million.
1991	Launched NE2000 Compatible NIC.
1992	Joined and became an EISA member.
1993	Joined and became a PCMCIA member.
1994	Ventured into the networking industry.
1995	The Company changed its name to "Edimax Technology Co., Ltd.". Created an R&D department for the networking industry.
1996	Completed a cash issue that increased paid-in capital to NT\$32 million. Marketed the proprietary brand EDIMAX worldwide.
1997	Completed a cash issue that increased paid-in capital to NT\$60 million. Joined and became a Gigabit Ethernet Alliance member.
1998	Completed a NT\$110,910,000 cash issue and capitalized NT\$9,090,000 of earnings, increasing paid-in capital to NT\$180,000,000. The proceeds were used entirely to repay bank borrowings and provide working capital. Joined and became a PCI member. Established a factory at 5F-1 and 5F-2, No. 24, Wuquan Second Road (Wugu Industrial Park) and added an automated SMT production line. Transitioned from trading to manufacturing. Passed certification for ISO 9001 and received the market's affirmation for product quality. Invested into the establishment of subsidiary EDIMAX USA. Passed the review of the Securities and Exchange Commission, Ministry of Finance, to become a public company.

- 1999 Capitalized NT\$9,600,000 of earnings and NT\$12,600,000 of additional paid-in capital, increasing paid-in capital to NT\$202,200,000.  
Invested into the establishment of subsidiaries EDIMAX Netherlands and EDIMAX BVI.  
Ranked among the Fastest Growing Medium Enterprise Top 100 by CommonWealth Magazine.
- 2000 Capitalized NT\$33,740,000 of earnings, increasing paid-in capital to NT\$235,940,000.  
HUB TOOL and IP Telephony Gateway, two proprietary products, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.  
Won the “National Award of Outstanding SMEs”.
- 2001 Completed a NT\$25,000,000 cash issue and capitalized NT\$39,480,000 of earnings and NT\$9,440,000 of additional paid-in capital, increasing paid-in capital to NT\$309,860,000.  
Shares were listed for trading on the Taipei Exchange on March 20.  
Hub Performance Analyzer V.3 and Module Gigabit Switch with Management, two proprietary products, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.
- 2002 Capitalized NT\$65,880,000 of earnings and NT\$3,100,000 of additional paid-in capital, converted NT\$1,700,000 of corporate bonds into equity, increasing paid-in capital to NT\$380,540,000.  
Invested in the establishment of subsidiary ABS Telecom Inc., and integrated networking and communication products for business diversification.  
Issued NT\$200,000,000 of unsecured convertible bonds in June for equipment acquisition, plant renovation, loan repayment, and working capital.  
An application was submitted on July 1 to list on the Taiwan Stock Exchange Corporation.  
Relocated the factory to No. 3, Wuquan Third Road (Wugu Industrial Park) and constructed additional production lines for business expansion.  
Shares were listed for trading on the Taiwan Stock Exchange Corporation on August 26.  
The “Layer 3 Module Gigabit Switch With Management” and “Ethernet Product for Community Broadband Networking”, two proprietary products, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.

- 2003 Capitalized NT\$32,340,000 of earnings, NT\$5,710,000 of additional paid-in capital, and NT\$3,690,000 of employee profit sharing, increasing paid-in capital to NT\$422,280,000.  
The “Multi Lease Line Broadband Networking Router” and “Wireless USB Print Server”, two proprietary products, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.
- 2004 Converted NT\$176,620,000 of corporate bonds into equity, increasing paid-in capital to NT\$598,900,000.  
The “Multifunctional Office Machine Print Server”, a proprietary product, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.
- 2006 Capitalized NT\$35,930,000 of earnings and NT\$4,510,000 of employee profit sharing, increasing paid-in capital to NT\$639,350,000.  
Completed a NT\$50,000,000 cash issue, increasing paid-in capital to NT\$689,350,000.  
The “Wireless MIMO Network Storage Server” and “Multifunctional Office Machine Print Server”, two proprietary products, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.
- 2007 Capitalized NT\$75,830,000 of earnings, NT\$6,890,000 of additional paid-in capital, and NT\$8,860,000 of employee profit sharing, increasing paid-in capital to NT\$780,940,000.  
Converted NT\$13,170,000 of corporate bonds into equity and issued NT\$10,080,000 of shares against the exercise of employee stock warrants, increasing paid-in capital to NT\$804,190,000.  
The “802.11g Wireless MIMO Multifunctional Router”, a proprietary product, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.
- 2008 Passed certification for ISO 14001 - Environmental Management System.  
Converted NT\$760,000 of corporate bonds into equity and issued NT\$7,070,000 of shares against the exercise of employee stock warrants, increasing paid-in capital to NT\$812,010,000.  
Capitalized NT\$149,100,000 of earnings, NT\$12,090,000 of additional paid-in capital, and NT\$21,710,000 of employee profit sharing, increasing paid-in capital to NT\$994,920,000.  
The “802.11n Wireless Presentation and Video Server”, a proprietary product, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.

- 2009 Capitalized NT\$50,800,000 of earnings and NT\$7,810,000 of additional paid-in capital, increasing paid-in capital to NT\$1,053,530,000.  
Converted NT\$147,570,000 of corporate bonds into equity and issued NT\$4,560,000 of shares against the exercise of employee stock warrants, increasing paid-in capital to NT\$1,205,660,000.  
The “802.11n 3dBi High Power USB WiFi Adapter”, a proprietary product, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.
- 2010 The “Portable 3G Access Point”, a proprietary product, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.  
Converted NT\$73,210,000 of corporate bonds into equity and issued NT\$3,250,000 of shares against the exercise of employee stock warrants, increasing paid-in capital to NT\$1,282,120,000.  
Capitalized NT\$15,160,000 of earnings and NT\$35,390,000 of additional paid-in capital, increasing paid-in capital to NT\$1,332,670,000.  
Invested in the establishment of subsidiary SMAX Technology.
- 2011 The “Network Router with Smart Bandwidth Management”, “Home Plug Wireless 3G Router”, “Energy-efficient Wireless Broadband Router”, and “Energy-efficient USB High Speed Mini Network Adapter”, four proprietary products, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.  
Acquired investee Comtrend Corporation through issuance of new shares and cash.  
NT\$99,890,000 of new shares were issued for the acquisition, increasing paid-in capital to NT\$1,432,560,000.  
Capitalized NT\$31,120,000 of earnings and NT\$32,540,000 of additional paid-in capital, increasing paid-in capital to NT\$1,496,220,000.  
Retired NT\$18,000,000 of treasury stock, reducing paid-in capital to NT\$1,478,220,000.
- 2012 The “2-Bay 4 Channel Network DVR”, a proprietary product, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.  
Converted NT\$261,370,000 of corporate bonds into equity and issued NT\$1,740,000 of shares against the exercise of employee stock warrants, increasing paid-in capital to NT\$1,741,330,000.



- 2013 Issued NT\$9,780,000 of shares against the exercise of Edimax employee stock warrants, and capitalized NT\$86,690,000 of earnings and NT\$69,350,000 of additional paid-in capital, increasing paid-in capital to NT\$1,907,150,000.
- The “CV-7438nDM Anti-interference Multimedia Wi-Fi Bridge” won the “D&I Awards” during Computex Taipei, an event organized by the Taiwan External Trade Development Council and world’s reputable design forum - iF, and won the “Design Award” and “Special Recommendation Award” during the 2013 Technology Trend Gold Award.
- The “CV- 7438nDM Anti-interference Multimedia Wi-Fi Bridge”, “EW-7438RPn Wi-Fi Extender”, and “Plug-n-View - Smart Cloud Monitoring Technology” won the “IT Month - Top 100 Innovative Products” in 2013.
- 2014 Converted NT\$66,570,000 of corporate bonds of Edimax into equity and issued NT\$15,170,000 of shares against the exercise of employee stock warrants, increasing paid-in capital to NT\$1,988,890,000.
- The “CV-7438nDM Anti-interference Multimedia Wi-Fi Bridge” won the iF product design award.
- The “AC1200 Long Range Ceiling-Mount Access Point”, “CV-7438nDM Anti-interference Multimedia Wi-Fi Bridge”, and “PT-112E Auto Tracking Mini Dome Network Camera”, three proprietary products, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.
- The “AC1200 Long Range Ceiling-Mount Access Point CAP1200” won the Gold Award, the award of highest honor, in IT Month - Top 100 Innovative Products in 2014.
- EDIMAX was ranked among Taiwan’s top 35 global brands in “Top Taiwan Global Brands 2014”.
- 2015 The “Wi-Fi Range Extender - EW-7438RPn Air” won the “Special Recommendation Award” in the 2014 Technology Trend Gold Award.
- The “Wi-Fi Range Extender - EW-7438RPn Air” and “802.11ac Ceiling-Mount Access Point - CAP1750” won the Red Dot Design Award before CeBIT 2015.
- The “AC600 Multi-mode Smart Wi-Fi Router” and “Smart Power Manager”, two proprietary products, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.
- 2016 Converted NT\$10,460,000 of corporate bonds of Edimax into equity, increasing paid-in capital to NT\$1,999,350,000.

The “AC1750 Long Range Ceiling-Mount Access Point”, “EdiLife - Smart Home Network Solution”, “IC-7113W - Cloud Network Camera with H.264 and Night Vision Support (Including Temperature and Humidity Sensors)”, “Outdoor Cloud Network Camera With H.264 and Night Vision Support”, and “Mini Smart Power Manager (With Smart Meter Features)”, five proprietary products, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.

The “EdiLife - Smart Home Network Solution” received the Taiwan Excellence Silver from the Ministry of Economic Affairs.

Executed the AirBox Project, in which the Company donated “AirBoxes” to more than 1300 public elementary schools located in six municipalities to help improve children’s learning environment.

Edimax Group relocated its headquarters to No. 278, Xinhua First Road, Neihu District, Taipei City.

2017

The “AC Long Range Outdoor Access Point”, “Integrated PM2.5 Smart Monitoring for Air Box”, and “Peephole Door Camera System”, three proprietary products, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.

Converted NT\$13,890,000 of corporate bonds of Edimax into equity, increasing paid-in capital to NT\$2,013,240,000.

2018

The “AC2600 Long Range High Speed Dual Band Ceiling-Mount Access Point”, “AirTracker - Outdoor Positioning and Tracking Solution”, “RTLS - Indoor Real-time Positioning Solution”, “AirBox - Public Indoor Air Quality Monitoring and Digital Display Solution”, “AC1200 3-in-1 High Performance Dual Band Wall-Mount Access Point”, “Office 1-2-3 SME Wi-Fi Networking System”, and “Home Smart Wi-Fi Solution With Alexa Support”, seven proprietary products, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.

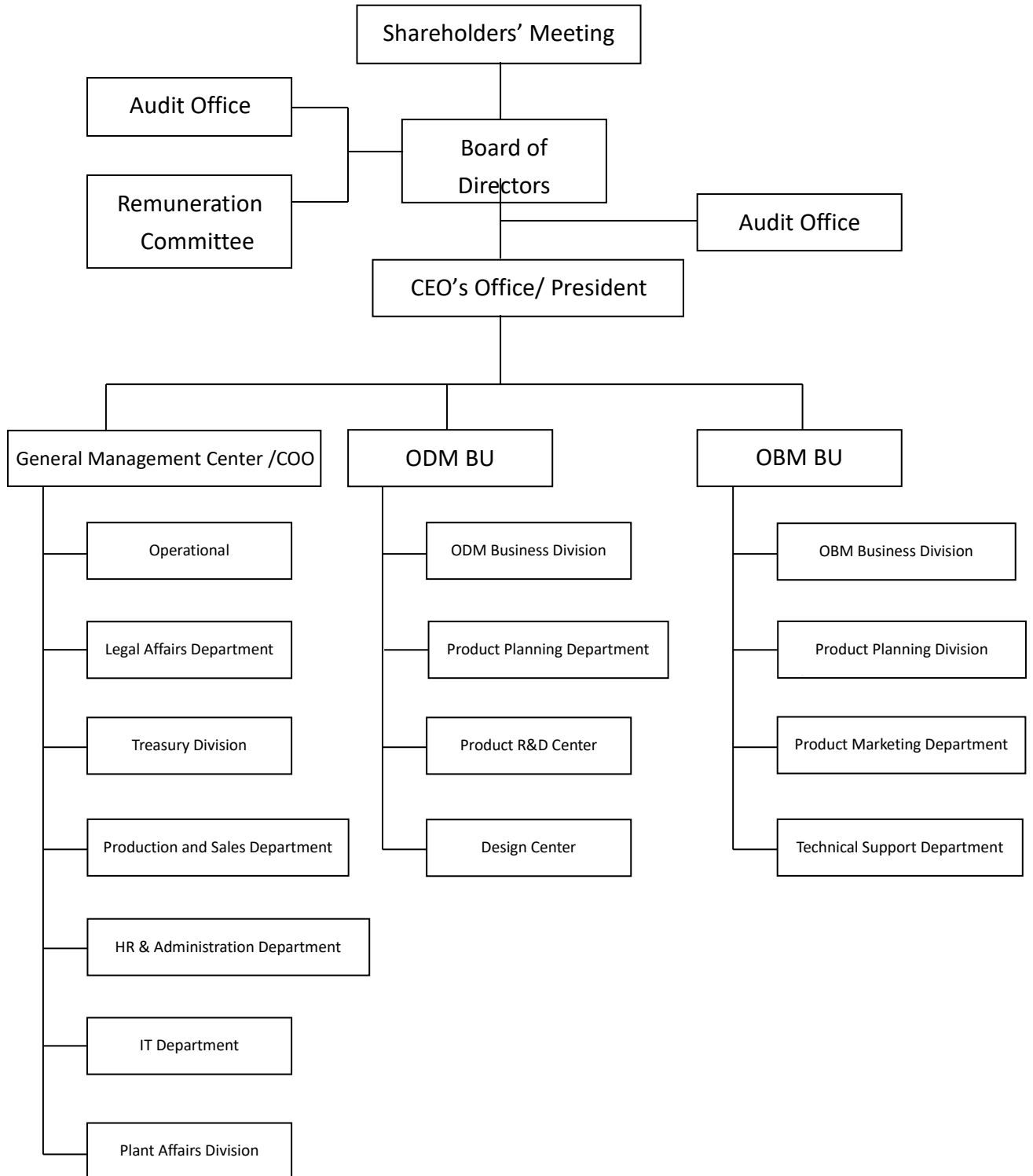
Retired NT\$148,330,000 of treasury stock, reducing paid-in capital to NT\$1,864,910,000.

- 2019 The “Gemini+ Whole Home Wi-Fi System”, “MESH Business Wi-Fi System”, and “EdiGreen - PM2.5 Sensor Module for AirBox”, three proprietary products, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.
- The Edimax IoT Kiosk, an IoT multimedia station jointly developed by Edimax and the Taipei City Government, was formally commissioned at the Taipei Xinyi Place. The kiosk incorporates the latest outdoor AirBox as well as advanced IoT technology to provide citizens with convenient one-stop services.
- Passed certification for IECQ QC080000 - Hazardous Substance Process Management.
- 2020 The “Total Air Quality Solution”, a proprietary product, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.
- Passed certifications for ISO/IEC 27001:2013 and CNS 27001:2014 - Cybersecurity Management.
- 2021 The “4K Wireless HDMI Project Solution”, “Smart City IoT Kiosk Solution”, and “Smart Retail IoT ESL Solution”, three proprietary products, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.
- Issued NT\$28,790,000 of shares against the exercise of employee stock warrants, increasing paid-in capital to NT\$1,893,700,000.
- 2022 The “AX1800 Wi-Fi 6 Management System” and “360 AI Home Security Guard”, two proprietary products, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.
- Issued NT\$27,360,000 of shares against the exercise of employee stock warrants and converted NT\$149,040,000 of corporate bonds into equity, increasing paid-in capital to NT\$2,070,100,000.
- 2023 The “4K UHD Multimedia Server and Wireless Sharing Equipment” and “AI Open Design Platform”, two proprietary products, received the “Taiwan Excellence Award” from the Ministry of Economic Affairs.
- Issued NT\$1,450,000 of shares against the exercise of employee stock warrants and converted NT\$8,070,000 of corporate bonds into equity, increasing paid-in capital to NT\$2,079,620,000.

# Three. Corporate Governance Report

## I. Organization

### (1) Organizational structure



(2) Responsibilities of Main Departments

Segment	Responsibilities
Audit Office	Assists the Board of Directors in the auditing of internal policies and systems, and provides improvement suggestions to the management.
CEO's Office	Executes Board of Directors' resolutions and oversees operational planning and business expansion within the Company; monitors execution of various tasks to ensure attainment of operational goals.
Administration Center	Responsible for general management, legal affairs, finance, human resources, administration, information, and factory affairs; conducts operational planning and analysis; coordinates job specialization between plants; maintains an operational alert system; and provides the President with the analyses and information needed to make decisions.
-Operational Management Department	Responsible for operational planning and analysis within the Company.
-Legal Affairs Department	Responsible for contract drafting and review, legal advisory, litigation, and patent, trademark, and intellectual property rights affairs.
-Treasury Division	Responsible for bookkeeping, treasury investment, funding, banking relations, shareholder service, and various tasks instructed by the authority.
-Production and Sales Department	Responsible for production planning and management; coordinates and communicates across departments on matters concerning capacity planning and production; conducts supply and inventory analysis.
-HR & Administration Department	Responsible for personnel recruitment, training, performance evaluation, reward, discipline, and promotion; and acquisition, custody, and maintenance of common, sundry equipment.
-IT Department	Responsible for the planning, analysis, and acquisition of information systems and enforcement of cybersecurity.

-Plant Affairs Division	<p>Responsible for production scheduling, integration of production procedures, and delivering zero-defect products and services that meet the timing and level of quality requested by customers.</p> <p>Responsible for exploring materials suppliers, adopting cost reduction measures, negotiating the price and volume of materials purchased, and production scheduling and materials control for each sales order.</p> <p>Responsible for the introduction and management of new products and production procedures, customer service management, and mass production management.</p> <p>Responsible for the establishment and maintenance of the quality assurance system; coordinates across departments to ensure that all procedures and outputs conform with quality requirements; handles quality incidents and implements preventive/corrective measures for ongoing quality improvements; responsible for the establishment and execution of quality inspection standards; and monitors the quality of products made.</p>
ODM BU	Responsible for the overall planning of ODM growth strategies.
-ODM Business Division	<p>Responsible for ODM business expansion, customer management, sales sourcing, and customer service.</p> <p>Gathers industry trends, market information, and customers' needs that can be used for new product development.</p> <p>Monitors changes in the market and customer preferences and product applications.</p>
-Product Planning Department	Responsible for the planning of ODM products.
-Product R&D Center	Responsible for software/hardware R&D, technology management, structural design, safety inspection, layout design, parts validation, product inspection, and production technology development of various products.
-Design Center	Responsible for the design of various products.
OBM BU	Responsible for the overall planning of OBM growth strategies.
-OBM Business Division	<p>Responsible for OBM business expansion, customer management, sales sourcing, and customer service.</p> <p>Monitors changes in the market and customer preferences and product applications.</p>
-Product Planning Division	Responsible for the planning of OBM products.
-Product Marketing Department	Responsible for global marketing of the proprietary brand, establishment of brand development and product marketing strategies, and integration of global marketing resources.

-Technical Support Department	Provides technical service for OBM products.
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II. Information on directors, supervisors, the President, Vice Presidents, Assistant Vice Presidents, and the heads of various departments and branches

(1) Director

1. Directors' Background

April 30, 2023

Title	Nationality or place of registration	Name	Gender	Age	Date elected	Term of office	Date first elected	Shareholding when elected		Number of shares currently held		Current shareholding of spouse or minor children		Shareholding by nominee arrangement		Major education and experience	Concurrent duties in the Company and in other companies	Spouse or relatives within second degree of kinship who are other managers, directors, or supervisors of the Company			Remarks
								Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Name	Relations	
Chairman	R.O.C.	Guan-Sheng Renn	Male	61-70	June 12, 2020	3	June 15, 1999	4,210,676	2.26	4,360,676	2.06	2,828	—	—	—	Master's Degree, University of California, Berkeley Chairman-cum-President of Edimax	Chairman-cum-President of Edimax; Director of UIC Industrial Inc.; Chairman of ABS Telecom; Chairman of EDIMAX B.V.; General Manager of Edimax Technology (Dong Guan); Chairman of SMAX Technology; Chairman of Comtrend; Director of Comtrend Technology (Netherlands) B.V.; Director of EcoBear Technology; Director of Onward Security; Director of Smax Japan	—	—	—	Note 2
Director	R.O.C.	Han-Shen Lee	Male	61-70	June 12, 2020	3	June 15, 1999	2,470,089	1.32	2,912,089	1.38	—	—	—	—	Department of Business Administration, National Cheng Kung University Vice President of Edimax	Vice President of Edimax; Director of EDIMAX B.V.; Director of EDIMAX (BVI); Director of ABS Telecom; Director of Edimax Technology (Dong Guan); Director of SMAX Technology; Director of Comtrend Corporation	—	—	—	—



Title	Nationality or place of registration	Name	Gender Age	Date elected	Term of office	Date first elected	Shareholding when elected		Number of shares currently held		Current shareholding of spouse or minor children		Shareholding by nominee arrangement		Major education and experience	Concurrent duties in the Company and in other companies	Spouse or relatives within second degree of kinship who are other managers, directors, or supervisors of the Company			Remarks
							Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Name	Relations	
Director	R.O.C.	Liang-Jung Pan	Male 61-70	June 12, 2020	3	June 14, 2005	1,092,833	0.59	1,312,833	0.62	—	—	—	—	Master of Industrial Engineering, National Tsing Hua University Senior Vice President of Edimax	Senior Vice President of Edimax; Chairman of Edimax Technology (Dong Guan); Director of ABS Telecom; Chairman of EDIMAX (BVI); Director of EDIMAX COMPUTER; Chairman of DATAMAX (HK); Director of SMAX Technology; Director of Comtrend	—	—	—	—
Corporate director	R.O.C.	Chia Hua Investment Co., Ltd.	—	June 12, 2020	3	June 9, 2011	359,755	0.19	509,755	0.24	—	—	—	—	—	—	—	—	—	—
Representative of the corporate director	R.O.C.	Yu-Chang Chiu	Male 51-60	June 12, 2020	3	June 12, 2014	754,494	0.40	754,494	0.36	—	—	—	—	Master of Electronic and Computer Engineering, National Taiwan University of Science and Technology EMBA, National Taiwan University General Manager of Comtrend	General Manager-cum-Director of Comtrend; Director of Comtrend Technology (Netherlands) B.V.; Chairman of Comtrend Central Europe; Chairman of Comtrend Iberia S.L.; Director of Comtrend Corporation USA	—	—	—	—

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term of office	Date first elected	Shareholding when elected		Number of shares currently held		Current shareholding of spouse or minor children		Shareholding by nominee arrangement		Major education and experience	Concurrent duties in the Company and in other companies	Spouse or relatives within second degree of kinship who are other managers, directors, or supervisors of the Company			Remarks
							Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Name	Relations	
Representative of the corporate director	R.O.C.	Jung-Lung Hung	Male 51-60	June 12, 2020	3	December 31, 2008	255,163	0.14	255,163	0.12	—	—	—	—	Department of Electrical Engineering, National Taiwan University of Science and Technology MBA, National Chengchi University College of Commerce President of Edimax ODM BU	President of Edimax ODM BU; Director-cum-General Manager of SMAX Technology; Director of ABS Telecom; Director of Smax Japan	—	—	—	—
Director	R.O.C.	Jiann-Shing Ding	Male 51-60	June 12, 2020	3	June 13, 2017	808,229	0.43	1,808,229	0.86	—	—	—	—	Masters Degree, Industrial Engineering and Engineering Management, Tsing Hua University General Manager of RDIPC Taiwan	Independent Director of LIWANLI Innovation; Director of Albatron Technology; Director of NTHU IEEM Culture and Education Foundation; General Manager of RDIPC Taiwan	—	—	—	—
Director	R.O.C.	Ching-Te Hou	Male 61-70	June 12, 2020	3	December 31, 2008	97,237	0.05	157,237	0.07	—	—	—	—	Department of Electronic and Computer Engineering, National Taiwan University of Science and Technology General Manager of ABS Telecom	General Manager-cum-Director of ABS Telecom; Chairman of ABST Information International Inc.; Chairman of ABST Information Telecom Service	—	—	—	—
Independent Director	R.O.C.	Chung-Ming Tsao	Male 61-70	June 12, 2020	3	December 31, 2008	—	—	—	—	—	—	—	—	Department of Accounting and Statistics, Tamsui Institute of Business Administration Person-in-charge of Chung-Ming Tsao & CPAs	Person-in-charge of Chung-Ming Tsao & CPAs	—	—	—	—

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term of office	Date first elected	Shareholding when elected		Number of shares currently held		Current shareholding of spouse or minor children		Shareholding by nominee arrangement		Major education and experience	Concurrent duties in the Company and in other companies	Spouse or relatives within second degree of kinship who are other managers, directors, or supervisors of the Company			Remarks
							Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Name	Relations	
Independent Director	R.O.C.	Jin-Sheng Luo	Male 61-70	June 12, 2020	3	June 12, 2020	—	—	—	—	13,000	0.01	—	—	Department of Computer Science and Information Engineering, Tamkang University Supervisor of Ever Flow Calendar Co., Ltd.	Supervisor of Ever Flow Calendar Co., Ltd.	—	—	—	—
Independent Director	R.O.C.	Yu-Liang Lin	Male 61-70	June 12, 2020	3	June 13, 2017	700,000	0.38	600,000	0.28	—	—	—	—	Department of Chemistry, Tunghai University Vice President of Henme Chemical Industrial	Vice President-cum-Director of Henme Chemical Industrial; Director of Henme Trading; Director of Asia Optical	—	—	—	—

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term of office	Date first elected	Shareholding when elected		Number of shares currently held		Current shareholding of spouse or minor children		Shareholding by nominee arrangement		Major education and experience	Concurrent duties in the Company and in other companies	Spouse or relatives within second degree of kinship who are other managers, directors, or supervisors of the Company			Remarks
							Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Name	Relations	
Independent Director	R.O. C.	Jian-Chao Zeng	Male 61-70	June 12, 2020	3	June 12, 2020	—	—	—	—	—	—	—	—	Bachelors Degree, Industrial Engineering and Engineering Management, National Tsing Hua University Master's/Ph.D. Degree in Computer Science, Southern Methodist University Professor/Head of Computer Science at National Yang Ming Chiao Tung University Deputy Head of the Information Technology Service Center, National Yang Ming Chiao Tung University Chairman of Institute of Network Engineering, National Yang Ming Chiao Tung University	Distinguished Professor/Associate Dean, National Yang Ming Chiao Tung University; Independent Director, Analog Integrations	—	—	—	—

Note 1: The Company assembled an Audit Committee to replace supervisors during the re-election held on June 13, 2017.

Note 2: In situations where the Company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, please explain the reasons, rationality, and necessity of such an arrangement and any response measures taken (such as introduction of independent directors); furthermore, disclose whether more than half of the directors are involved in concurrent duty as employees or managers: Please see page 33 for details.

Table 1: Major Shareholder of Corporate Shareholders Serving as Directors

April 30, 2023

Name of institutional shareholder	Major shareholders of institutional shareholders
Chia Hua Investment Co., Ltd.	Hui-Ching Chang (90%), Su-Fen Chen (10%)

2. Directors' Expertise and Independent Directors' Independence

Name	Professional qualifications and experience (Note)	Independence	Number of other public companies where the individual serves as an independent director concurrently
Chairman Guan-Sheng Renn	Graduated with a master's degree from the University of California, Berkeley. Currently serves as the Chairman-cum-President of the Company, and concurrently serves as the Chairman, Director, and General Manager in various subsidiaries and business investments under the group. With more than 30 years in the telecommunication industry, Ren has the leadership, marketing, operational management, research, development, and strategic planning skills needed to lead the Company toward growth.	Not applicable.	None
Director Han-Shen Lee	Graduated from the Department of Business Administration, National Cheng Kung University, currently serves as Vice President at the Company and concurrently assumes director duties in various subsidiaries of the group. A veteran Chief Accounting Officer since 1999, specializes in accounting and operational risk management and has accumulated extensive experience in related fields.		None

Name	Professional qualifications and experience (Note)	Independence	Number of other public companies where the individual serves as an independent director concurrently
Director Liang-Jung Pan	Graduated with a master's degree in Industrial Engineering and Engineering Management from the National Tsing Hua University, Pan currently serves as Senior Vice President at the Company and concurrently assumes Chairman and director duties in various subsidiaries of the group. Formerly employed at the Institute for Information Industry, Pan has served many roles in Edimax since 1995 including research, development, production, sales, plant affairs, finance, and corporate governance. Pan currently serves as the COO of the Administration Center and CFO, and has accumulated extensive experience in related fields.		None
Representative of the corporate director Yu-Chang Chiu	Graduated with a master's degree in Electronic and Computer Engineering from the National Taiwan University of Science and Technology and an EMBA degree from the National Taiwan University, Chiu currently serves as the general manager at subsidiary Comtrend and concurrently assumes Chairman and director duties in various subsidiaries of the group. Former Vice President of Ralink Technology and President of Edimax, Chiu not only possesses leadership, marketing, operational management, research, development, and strategic planning skills, but also has extensive experience in the networking and communications industry.		None

Name	Professional qualifications and experience (Note)	Independence	Number of other public companies where the individual serves as an independent director concurrently
Representative of the corporate director Jung-Lung Hung	Graduated from the Department of Electrical Engineering, National Taiwan University of Science and Technology, and National Chengchi University College of Commerce with a MBA degree, Hung currently serves as the President of Edimax ODM BU and general manager of subsidiary SMAX Technology, and concurrently assumes director duties in various subsidiaries of the group. Formerly served as the Vice Chairman of Alpha Networks Japan Branch; specializes in marketing strategy, product planning, and market competition and has extensive experience in the networking and communications industry.		None
Director Jiann-Shing Ding	Graduated with a master's degree in Industrial Engineering and Engineering Management from National Tsing Hua University, Ding currently serves as the general manager of RDIPC Taiwan and specializes in information technology, marketing, international procurement, and business administration, and offers extensive experience in relevant fields.		1
Director Ching-Te Hou	Graduated from the Department of Electronic and Computer Engineering, National Taiwan University of Science and Technology, Hou currently serves as the general manager of subsidiary ABS Telecom and concurrently assumes Chairman and director duties in various subsidiaries of the group. Hou offers expertise in leadership, marketing, operational management, and risk control, and has extensive experience in the communications service industry.		None

Note: None of the Company's directors exhibited any of the conditions listed in Article 30 of the Company Act, for which they issued statements at the time of election (June 12, 2020).

Name	Professional qualifications and experience (Note)	Independence	Number of other public companies where the individual serves as an independent director concurrently
Independent Director Chung-Ming Tsao	Graduated from the Department of Accounting and Statistics, Tamsui Institute of Business Administration, Tsao is currently the person-in-charge of Chung-Ming Tsao & CPAs and a certified public accountant (since 1984), and serves as the Audit Committee convener and Remuneration Committee convener at the Company. Tsao specializes in financial planning and accounting, and has many years of experience in related fields.	1. Whether the individual, spouse, or any 2nd-degree relative or closer serves as a director, supervisor, or employee in the Company or any of its related enterprises: No. 2. Number and percentage of the Company's shares held in the name of self, spouse, or 2nd-degree relatives or closer (or proxies): 0. 3. Whether the individual	None
Independent Director Jian-Chao Zeng	Graduated with a bachelor's degree in Industrial Engineering and Engineering Management from National Tsing Hua University and a master's and Ph.D degree in Computer Science from Southern Methodist University, Zeng is currently a distinguished professor of Computer Science and Associate Dean of College of Computer Science at National Yang Ming Chiao Tung University and an independent director of Analog Integrations. Former experiences include: Chairman of Institute of Network Engineering, Deputy Head of Information Technology Service Center, and professor/head of Computer Science at National Chiao Tung University. A member of the Company's Audit Committee, Zeng	assumes a concurrent position as a director, supervisor, or employee in any entity that has a certain relationship with the Company: No. 4. Amount of compensation received from the Company or its affiliated enterprises for commercial, legal, financial, or accounting services rendered in the last two years: 0.	1



	specializes in computer science, networking, and communication, and has extensive experience in both the industry and academia.		
Independent Director Jin-Sheng Luo	Graduated from the Department of Computer Science and Information Engineering, Tamkang University, Luo currently serves as a supervisor of Ever Flow Calendar Co., Ltd. and is a member of the Company's Audit Committee and Remuneration Committee. Luo specializes in operational management, product marketing, and packaging design, and has many years of experience in related fields.	<ol style="list-style-type: none"> <li>1. Whether the individual, spouse, or any 2nd-degree relative or closer serves as a director, supervisor, or employee in the Company or any of its related enterprises: No.</li> <li>2. Number and percentage of the Company's shares held in the name of self, spouse, or 2nd-degree relatives or closer (or proxies): Spouse holds 13,000 shares or 0.01%.</li> <li>3. Whether the individual assumes a concurrent position as a director, supervisor, or employee in any entity that has a certain relationship with the Company: No.</li> <li>4. Amount of compensation received from the Company or its affiliated enterprises for commercial, legal, financial, or accounting services rendered in the last two years: 0.</li> </ol>	None

<p>Independent Director Yu-Liang Lin</p>	<p>Graduated from the Department of Chemistry, Tunghai University, Lin currently serves as a Vice President of Henme Chemical Industrial and director of Asia Optical, and is a member of the Company's Audit Committee and Remuneration Committee. Lin specializes in optoelectronics, operational management, and financial planning, and has extensive experience in related fields.</p>	<ol style="list-style-type: none"> <li>1. Whether the individual, spouse, or any 2nd-degree relative or closer serves as a director, supervisor, or employee in the Company or any of its related enterprises: No.</li> <li>2. Number and percentage of the Company's shares held in the name of self, spouse, or 2nd-degree relatives or closer (or proxies): The individual holds 600,000 shares or 0.28%.</li> <li>3. Whether the individual assumes a concurrent position as a director, supervisor, or employee in any entity that has a certain relationship with the Company: No.</li> <li>4. Amount of compensation received from the Company or its affiliated enterprises for commercial, legal, financial, or accounting services rendered in the last two years: 0.</li> </ol>	<p>None</p>
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Note: None of the Company's independent directors exhibited any of the conditions listed in Article 30 of the Company Act, for which they issued statements at the time of election (June 12, 2020).

Name	Compliance of Independence (Note)											
	1	2	3	4	5	6	7	8	9	10	11	12
Guan-Sheng Renn				✓		✓			✓	✓	✓	✓
Han-Shen Lee				✓	✓	✓	✓		✓	✓	✓	✓
Liang-Jung Pan				✓	✓	✓	✓		✓	✓	✓	✓
Yu-Chang Chiu			✓	✓		✓	✓		✓	✓	✓	
Jung-Lung Hung			✓	✓		✓	✓		✓	✓	✓	
Jiann-Shing Ding	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ching-Te Hou			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chung-Ming Tsao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jin-Sheng Luo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Yu-Liang Lin	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jian-Chao Zeng	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Note: A “✓” is placed in the box if the director met the following conditions during active duty and two years prior to the date elected.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary, or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (3) Not a director, spouse, minor child thereof, or other natural person shareholders who hold more than 1% of the total issued shares of the Company by nominee arrangement or with top ten ownership.
- (4) Not the manager listed in (1) or the spouse, relatives within the second degree of kinship or direct blood relative within the third degree of kinship of the person listed in (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder who directly holds more than 5% of the Company's total issued shares, who are among the top five shareholders, or who designates its representative to serve as a director or supervisor of the Company in accordance with Article 27, paragraph 1 or 2 of the Company Act (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (6) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (7) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (8) Not a director (managing director), supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% and no more than 50% of the total issued shares of the Company and for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Security and Exchanges Act or to the Business Mergers and Acquisitions Act or relevant laws

or regulations.

- (10) Not a spouse or relative within the second degree of kinship of any other director.
- (11) Not under any of the circumstances under the subparagraphs of Article 30 of the Company Act.
- (12) Not the government, juridical person, or representative thereof elected as per Article 27 of the Companies Act.

### 3. Diversity and Independence of the Board of Directors

#### (1) Board Diversity

The Company has established diversity rules for Board members as part of the “Corporate Governance Code of Conduct” and “Directors Election Policy”. For the diversity and robustness of Board composition and enhancement of corporate governance, the Company nominates director candidates using the candidate nomination system mentioned in the Articles of Incorporation, and assesses each candidate for their academic (career) history, professional background, integrity, and related qualifications. The list of candidates is approved by the Board of Directors and subsequently presented for election in a shareholders’ meeting. No more than half of Board members shall have a relationship characterized as spouse or second-degree relative or closer to each other. The Company shall also adjust the composition of Board members based on the outcome of performance evaluations, and introduce diversity guidelines as deemed appropriate after taking into account the organization’s practices, operations, and growth requirements. The diversity guidelines shall include, but are not limited to, the following two principles:

- I. Background and Value: Gender, age, nationality, culture, etc.
- II. Knowledge and Skills: Career background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

All Board members shall possess the knowledge, skills, and character needed to exercise their duties. The Board as a whole shall possess the following capabilities:

- I. Operational judgment.
- II. Accounting and financial analysis.
- III. Business administration.
- IV. Crisis management.
- V. Industry knowledge.
- VI. Vision of the global market.
- VII. Leadership.
- VIII. Decision making.

#### Management Goals for Diversity Policy and Attainment:

Management Goal	Progress
Introduce Directors of Different Industry Backgrounds and Professional Capabilities	Achieved; The current Board consists of 11 directors, including four independent directors and seven non-independent directors; all of them are distinguished talents from industries and academies. Among the four independent directors, Chung-Ming Tsao is a principal of his own accounting firm, and his expertise is financial planning and professional accounting affairs. Jin-Sheng Luo’s expertise is business management and marketing design. Yu-Liang Lin is seasoned in optical industry. Jian-Chao

	Zeng is a Distinguished Professor/Associate Dean of National Yang Ming Chiao Tung University, and has rich industrial and academic experiences. Among the seven non-independent directors, Chairman Guan-Sheng Renn and Director Yu-Chang Chiu serve as the chairman and president of TWSE/GTSM listed companies, with practical experience in operating and managing TWSE/GTSM listed companies. Liang-Jung Pan has experience in business management, and Han-Shen Lee has experience in finance and accounting. Jung-Lung Hung, Jiann-Shing Ding, and Ching-Te Hou have served as executives in the netcom industry, information technology industry, and communication service industry for many years. Therefore, the aforesaid directors have the professional abilities in business management, accounting and financial analysis, knowledge of the industry, leadership and decision-making abilities, and ability to make judgments about operations.
Independent directors are more than one-third of the director seats.	Not yet achieved; The plan is that in the full re-election in 2023, the elected independent directors will be more than one-third of the director seats (it is expected to establish 11 directors and four of them will be independent directors).
Emphasis on the gender equality of the Board composition.	Not yet achieved; The Company will spare no effort to increase the female directors in the future to achieve this goal.

#### Implementation of Board Diversity Policy:

Diversity Criteria	Basic Composition								Industry Experience				Professional Capacity							
	Nationality	Gender	Concurrent Employment at the Company	Age				Terms and Years as Independent Director			Telecommunication and Networking	Optoelectronics	Finance and Accounting	Information and Communication	Marketing	Operational Management	Accounting/Finance	Risk management	Industry Knowledge/Global Vision	Leadership and Decision-making
				51 to 65	56 to 60	61 to 65	66 to 70	Below 3 years	3 ~ 9 years	Over 9 years										
Name of director																				
Guan-Sheng Renn	R.O.C.	Male	✓		✓					✓					✓	✓	✓	✓	✓	
Han-Shen Lee			✓			✓				✓					✓	✓	✓	✓	✓	
Liang-Jung Pan			✓		✓					✓					✓	✓	✓	✓	✓	
Chia Hua Investment Co., Ltd.					✓						✓					✓		✓	✓	✓

Representative: Yu-Chang Chiu																			
Chia Hua Investment Co., Ltd. Representative: Jung-Lung Hung	✓	✓						✓					✓			✓	✓	✓	✓
Jiann-Shing Ding			✓									✓	✓				✓	✓	✓
Ching-Te Hou				✓				✓					✓			✓	✓	✓	✓
Chung-Ming Tsao				✓			✓				✓		✓	✓	✓	✓	✓	✓	✓
Jin-Sheng Luo					✓	✓							✓	✓				✓	✓
Yu-Liang Lin					✓		✓			✓				✓				✓	✓
Jian-Chao Zeng				✓		✓			✓			✓		✓				✓	✓

(2) Board Independence

The Company currently has 11 members on the Board, including 4 independent directors that represent 36.36% of total Board members. All independent directors meet the requirements set forth by the Securities and Futures Bureau, Financial Supervisory Commission, and none of the independent and non-independent directors exhibit any of the conditions described in Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act. None of the directors have any relationship characterized as spouse or 2nd-degree relative or closer.

(2) Background Information of the President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

April 30, 2023

Title	Nationality	Name	Gender	Date elected	Shareholding		Shareholding of spouse or minor children		Shareholding by nominee arrangement		Major education and experience	Current employment with other companies	Spouse or relatives within second degree of kinship who are other managers of the Company			Remarks
					Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Name	Relationship	
President	R.O.C.	Guan-Sheng Renn	Male	1994.9.1	4,360,676	2.06	2,828	—	—	—	Master's Degree, University of California, Berkeley Chairman-cum-President of Edimax	Chairman-cum-President of Edimax; Director of UIC Industrial Inc.; Chairman of ABS Telecom; Chairman of EDIMAX B.V.; General Manager of Edimax Technology (Dong Guan); Chairman of SMAX Technology; Chairman of Comtrend; Director of Comtrend Technology (Netherlands) B.V.; Director of EcoBear Technology; Director of Onward Security; Director of Smax Japan	—	—	—	Note
Senior Vice President	R.O.C.	Liang-Jung Pan	Male	1999.1.1	1,312,833	0.62	—	—	—	—	Master of Industrial Engineering, National Tsing Hua University Senior Vice President of Edimax	Senior Vice President of Edimax; Chairman of Edimax Technology (Dong Guan); Director of ABS Telecom; Chairman of EDIMAX (BVI); Director of EDIMAX COMPUTER; Chairman of DATAMAX (HK); Director of SMAX Technology; Director of Comtrend	—	—	—	—
Vice President	R.O.C.	Han-Shen Lee	Male	1999.1.1	2,912,089	1.38	—	—	—	—	Department of Business Administration, National Cheng Kung University Vice President of Edimax	Vice President of Edimax; Director of EDIMAX B.V.; Director of EDIMAX (BVI); Director of ABS Telecom; Director of Edimax Technology (Dong Guan); Director of SMAX Technology; Director of Comtrend Corporation	—	—	—	—

Title	Nationality	Name	Gender	Date elected	Shareholding		Shareholding of spouse or minor children		Shareholding by nominee arrangement		Major education and experience	Current employment with other companies	Spouse or relatives within second degree of kinship who are other managers of the Company			Remarks
					Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Name	Relationship	
President of ODM BU	R.O.C.	Jung-Lung Hung	Male	2011.4.22	255,163	0.12	—	—	—	—	Department of Electrical Engineering, National Taiwan University of Science and Technology MBA, National Chengchi University College of Commerce President of Edimax ODM BU	President of Edimax ODM BU; Director-cum-General Manager of SMAX Technology; Director of ABS Telecom; Director of Smax Japan	—	—	—	—

Note: In situations where the Company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, please explain the reasons, rationality, and necessity of such an arrangement and any response measures taken, such as introduction of independent directors; furthermore, disclose whether more than half of directors are involved in concurrent duty as employees or managers: Please see page 33 for details.

(3) In Situations Where the Company's President or Manager of the Highest Equivalent Grade is the Same Person as or a Spouse or First-degree Relative of the Chairman, Please Explain the Reasons, Rationality, and Necessity of Such an Arrangement and Any Response Measures Taken

The Chairman concurrently assumes the position of President for enhanced operational efficiency and better execution of decisions. The Chairman communicates regularly with directors about the Company's operations, plans, and strategies. During the re-election of directors in 2020, an independent director seat was added to support the Board of Directors in various duties and enhance its supervisory capacity. The Company currently has the following measures in place:

1. The four independent directors currently on the Board offer expertise in areas including finance and accounting, operational management, optoelectronics, and computer science; they provide effective support to the Board's supervisory capacity and are able to offer professional advice at appropriate times.
2. Yearly arrangements are made for directors to participate in courses organized by external institutions such as the Taiwan Corporate Governance Association, Accounting Research and Development Foundation, Securities & Futures Institute, etc., and thereby improve



Board function.

3. Independent directors are able to discuss important issues and present recommendations to the Board of Directors through involvement in various functional committees, and therefore contribute to corporate governance.
4. No more than half of Board members are involved in concurrent duty as employees or managers.

III. Compensation to directors, supervisors, the President, and Vice Presidents in the last year

(1) Remuneration to Ordinary Directors and Independent Directors

Unit: NT\$ Thousand

Title	Name	Remuneration of directors								Sum of A, B, C, and D as a % of the net income after tax				Remuneration received for serving as an employee concurrently								Sum of A, B, C, D, E, F, and G as a % of the net income after tax				Remuneration from investees other than subsidiaries or from the parent company
		Returns (A)		Severance and pension (B)		Remuneration of directors (C)		Business execution expenses (D)						Remuneration, bonus, and allowance (E)		Severance and pension (F)		Remuneration of employees (G) (Note 3)								
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements (estimates)	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company (Note 1)	All companies in the financial statements (Note 2)	The Company (estimates)		All companies in the financial statements (estimates)		The Company	All companies in the financial statements							
Chairman-cum-President	Guan-Sheng Renn	180	396	0	0	615	811	0	0	795	0.31%	1,207	0.48%	3,126	4,549	131	131	558	0	558	0	4,610	1.82%	6,445	2.55%	None
Director-cum-Vice President	Han-Shen Lee	180	240	0	0	461	559	0	0	641	0.25%	799	0.32%	2,840	2,840	131	131	139	0	139	0	3,751	1.48%	3,909	1.55%	None
Director-cum-Senior Vice President	Liang-Jung Pan	180	396	0	0	461	596	0	0	641	0.25%	992	0.39%	2,551	2,551	131	131	511	0	511	0	3,834	1.52%	4,185	1.66%	None
Corporate director	Chia Hua Investment Co., Ltd.	0	0	0	0	0	0	0	0	0	0.00%	0	0.00%	0	0	0	0	0	0	0	0	0	0.00%	0	0.00%	None
Representative of the corporate director (Note 4)	Yu-Chang Chiu	180	360	0	0	308	356	0	0	488	0.19%	716	0.28%	0	5,264	0	108	0	0	80	0	488	0.19%	6,168	2.44%	None
Representative of the corporate director and ODM BU President	Jung-Lung Hung	180	216	0	0	461	539	0	0	641	0.25%	755	0.30%	2,966	2,966	131	131	511	0	511	0	4,249	1.68%	4,363	1.73%	None
Director	Jiann-Shing Ding	180	180	0	0	308	308	0	0	488	0.19%	488	0.19%	0	0	0	0	0	0	0	0	488	0.19%	488	0.19%	None
Director (Note 4)	Ching-Te Hou	180	456	0	0	308	455	0	0	488	0.19%	911	0.36%	0	4,171	0	108	0	0	84	0	488	0.19%	5,274	2.09%	None

Director (Note 5)	Chueh-Hsi Wang	15	15	0	0	0	0	0	0	15	0.01%	15	0.01%	0	0	0	0	0	0	0	0	15	0.01%	15	0.01%	None
Director (Note 5)	Yung-Shao Teng	15	15	0	0	0	0	0	0	15	0.01%	15	0.01%	0	0	0	0	0	0	0	0	15	0.01%	15	0.01%	None
Independent Director	Chung-Ming Tsao	300	300	0	0	308	308	0	0	608	0.24%	608	0.24%	0	0	0	0	0	0	0	0	608	0.24%	608	0.24%	None
Independent Director	Jin-Sheng Luo	300	300	0	0	308	308	0	0	608	0.24%	608	0.24%	0	0	0	0	0	0	0	0	608	0.24%	608	0.24%	None
Independent Director	Yu-Liang Lin	300	300	0	0	308	308	0	0	608	0.24%	608	0.24%	0	0	0	0	0	0	0	0	608	0.24%	608	0.24%	None
Independent Director	Jian-Chao Zeng	240	240	0	0	308	308	0	0	548	0.22%	548	0.22%	0	0	0	0	0	0	0	0	548	0.22%	548	0.22%	None

1. Please describe the policy, system, standards, and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid.

The independent directors of the Company receive a fixed compensation every month, and their participation in various functional committees also receives individual compensation respectively depending on the responsibilities and risks; the distribution of their remuneration is based on the evaluation results from the performance evaluation of directors. In addition, pursuant to Article 21 of the Company's Articles of Incorporation, the Board of Directors is authorized to determine such remuneration based on the degree of directors' participation in the Company's operations and the value of their contributions, as well as the usual standards among peers.

2. Except as disclosed in the above table, the remuneration received by the Company's directors for providing services to all companies in the financial statements (such as serving as a consultant in a non-employee capacity) in the most recent year: None.

Note 1: For 2022, the Company actually paid retirement pay and pension of NT\$0; the contributed amount of the costs of retirement pay and pension was NT\$524 thousand.

Note 2: For 2022, all consolidated entities actually paid retirement pay and pension of NT\$0; the contributed amount of the costs of retirement pay and pension was NT\$740 thousand.

Note 3: Regarding the amount of employee remuneration, the amount proposed for distribution is calculated proportionally to the previous actual distributed amount.

Note 4: Representative of Corporate Director, Yu-Chang Chiu, concurrently serves as the President of the subsidiary, Comtrend Corporation; Director Ching-Te Hou concurrently serves as the President of the subsidiary, ABS Telecom Inc.

Note 5: Directors Chueh-Hsi Wang and Yung-Shao Teng were discharged on January 11, 2022.

(2) Remuneration to Supervisors: The Company has replaced supervisors with the Audit Committee and thus this is not applicable.

(3) Remuneration to the President and Vice Presidents

Unit: NT\$ Thousand

Title	Name	Salary (A)		Severance and pension (B) (Note 1)		Bonus and allowance (C)		Employee remuneration (D)				Sum of A, B, C, and D as a % of the net income after tax				Remuneration from investees other than subsidiaries or from the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements			
								Cash amount	Stock amount	Cash amount	Stock amount					
President	Guan-Sheng Renn	3,120	4,347	131	131	6	202	558	0	558	0	3,815	1.51%	5,238	2.07%	None
Senior Vice President	Liang-Jung Pan	2,448	2,448	131	131	103	103	511	0	511	0	3,193	1.26%	3,193	1.26%	None
Vice President	Han-Shen Lee	2,424	2,424	131	131	416	416	139	0	139	0	3,110	1.23%	3,110	1.23%	None
President of ODM B	Jung-Lung Hung	2,298	2,298	131	131	668	668	511	0	511	0	3,608	1.43%	3,608	1.43%	None

Note 1: For 2022, the Company actually paid retirement pay and pension of NT\$0; the contributed amount of the costs of retirement pay and pension was NT\$524 thousand.  
 For 2022, all consolidated entities actually paid retirement pay and pension of NT\$0; the contributed amount of the costs of retirement pay and pension was NT\$524 thousand.

(4) The individual remuneration paid to each of its five highest remunerated management personnel: The Company is not subject to this disclosure requirement and thus this is not applicable.

(5) Name of the manager who receives employee remuneration and distribution

April 30, 2023

	Title	Name	Stock amount	Cash amount	Total	Total as a percentage of net income after tax
Managers	President	Guan-Sheng Renn	0	1,719 thousand	1,719 thousand	0.68%
	Senior Vice President	Liang-Jung Pan				
	Vice President	Han-Shen Lee				
	President of ODM BU	Jung-Lung Hung				

Note: Regarding the amount of employee remuneration to managerial officers, the amount proposed for distribution is calculated proportionally to the previous (in 2021, the remuneration of 2020 was distributed) actual distributed amount.

(6) An analysis of the total remuneration paid to the Company’s directors, supervisors, the President, and Vice Presidents by the Company and all companies in the consolidated financial statements as a percentage of the net income after tax in the standalone or individual financial report for the most recent two years, and a description of the remuneration policy, standard, and package, the procedure for determining the remuneration, and the association between business performance and future risks

1. Analysis of Compensation Paid to the Company’s Directors, Supervisors, President, and Vice Presidents in the Last 2 Years, and Percentages Relative to Standalone or Individual Net Income

Unit: NT\$ Thousand

Subject of Compensation	2021				2022			
	Total Compensation		Total Compensation as a Percentage of Net Income (%)		Total Compensation		Total Compensation as a Percentage of Net Income Percentage (%)	
	The Company	All Companies Included in the Consolidated Statements	The Company	All Companies Included in the Consolidated Statements	The Company	All Companies Included in the Consolidated Statements	The Company	All Companies Included in the Consolidated Statements
Director	2,760	4,549	(5.02)	(8.27)	6,584	8,270	2.61	3.27
President and Vice Presidents	11,925	13,543	(21.67)	(24.61)	13,726	15,149	5.43	6.00

Note: The Company assembled an Audit Committee to replace supervisors during the re-election of directors held on June 13, 2017.

2. Compensation Policies, Standards, Packages and Procedures, and Association With Future Risks and Business Performance

(1) The Company compensates directors according to the rules approved by the Remuneration Committee, and pays fixed compensation to each director (including independent directors) on a monthly basis. Director remuneration is determined according to Article 24 of the Articles of Incorporation, which states that profits concluded from a year may have up to 5% allocated as director remuneration and proposed in a shareholders’ meeting. However, the amount of remuneration allocated to individual directors is determined based on the outcome of performance evaluations conducted in accordance with the Company’s “Board Performance Evaluation Policy” while taking into consideration the overall business performance, industry prospects, risks, and trends, individual directors’ participation and contribution to operations, and peer levels. These proposals are subject to the Remuneration Committee’s review and the Board’s approval. Directors who assume concurrent roles as employees are also entitled to the compensation described in (2) and (3) below.

- (2) Appointment, dismissal, and compensation of the Company's President and Vice Presidents are executed according to Company policies. Compensation includes salary, bonus, and amounts of employee remuneration and stock warrants estimated for the year. Standards for the above compensations are determined by the Human Resources unit after taking into consideration the Company's overall performance, the roles and responsibilities of individual employees, and performance evaluation policy; these standards cover a broad range of aspects including: fulfillment of corporate values, operational management capacity, financial and business performance, management indicators, and financial as well as non-financial indicators such as ongoing education, participation in sustainability, other special contributions (such as helping the Company obtain international certifications or awards), and major adverse incidents (improper internal management, fraud, etc.). Compensation standards are examined and revised as deemed appropriate given the state of operation and prevailing laws, whereas the outcome of evaluation is reviewed by the Remuneration Committee and passed by the Board of Directors before execution.
- (3) The Company's compensation policy aims to compensate individual employees for their professional capacity, contribution, and performance in a manner that is positively correlated with operational performance. Given that the Company has adopted controls over future risks, there is a relatively low level of association between the compensation policy and future risks. Employees' compensation comprises three main components: basic salary, bonus and profit sharing, and benefits. Basic salary is determined at market level depending on an employee's job role; bonus and profit sharing are associated with the accomplishment of individual and department goals and the Company's overall performance; lastly, benefits are designed to cater for employees' needs subject to compliance with laws, which are uniform across employees.

#### IV. Implementation of corporate governance

##### (I) Functionality of the Board of Directors

A total of 6 Board meetings were held in 2022; below are the attendance records:

Title	Name	Attendance in person	Attendance by proxy	Attendance (%)	Remarks
Chairman	Guan-Sheng Renn	6	0	100.00%	—
Director	Han-Shen Lee	6	0	100.00%	—
Director	Liang-Jung Pan	6	0	100.00%	—
Corporate director	Chia Hua Investment Co., Ltd. Representative: Yu-Chang Chiu	6	0	100.00%	—

Corporate director	Chia Hua Investment Co., Ltd. Representative: Jung-Lung Hung	6	0	100.00%	—
Director	Jiann-Shing Ding	6	0	100.00%	—
Director	Ching-Te Hou	6	0	100.00%	—
Independent Director	Chung-Ming Tsao	6	0	100.00%	—
Independent Director	Jin-Sheng Luo	6	0	100.00%	—
Independent Director	Yu-Liang Lin	5	1	83.33%	—
Independent Director	Jian-Chao Zeng	6	0	100.00%	—

Additional information:

- I. If the operations of the Board of Directors is under any of the circumstances below, the date of the board meeting, the session, the content of the proposal, all independent directors' opinions, and the Company's response to said opinions shall be specified:
  - (I) Conditions mentioned in Article 14-3 of the Securities and Exchange Act: Not applicable. The Company has assembled an Audit Committee and is therefore subject to Article 14-5 of the Securities and Exchange Act.
  - (II) Any other documented objections or reservations raised by independent directors against Board resolutions in relation to matters other than those described above: N/A.
- II. In the event of directors' recusal from proposals, the name of director, the content of proposal, the reasons for recusal, and the participation in voting shall be specified:

Board of directors	Avoidance of Conflicting-interest Motions by Independent Directors
December 1, 2022 6th Meeting in 2022	<p>Passed the Remuneration Committee's review of managers' year-end bonus for 2022.</p> <p>Recusal to avoid conflict of interest: Directors Guan-Sheng Renn, Liang-Jung Pan, Han-Shen Lee, and Jung-Lung Hung were recused due to concurrent managerial duties.</p> <p>Resolution results: Passed unanimously by all attending directors except those who were recused.</p>



III. Cycle, Duration, Scope, Method, and Detail of Board Performance Self (Peer) Evaluation

Cycle	Period	Scope	Method	Content
Once a year	January 1, 2022 - December 31, 2022.	Covers Performance of the Board as a Whole, the Individual Directors, and Functional Committees (Audit Committee and Remuneration Committee)	Internal board self-evaluation and board members' self-evaluation	Board performance evaluations cover five main aspects: "participation in the Company's operations", "quality of the Board's decisions", "Board composition", "election and ongoing education of Board members", and "internal control". Director performance evaluations cover six main aspects: "awareness of the Company's goals and missions", "awareness of duties", "participation in the Company's operations", "internal relations and communication", "director's professionalism and ongoing education", and "internal control". Functional Committee performance evaluations cover five main aspects: "participation in the Company's operations", "awareness of duties", "quality of the Committee's decisions", "composition and member selection", and "internal control".

IV. Enhancements to the functionality of the Board of Directors in the current and the most recent year (e.g., assembly of an Audit Committee, improvement of information transparency, etc.), and progress of such enhancements:

- (1) The Board currently has a total of 11 seats, including 4 independent director seats that represent more than one-third of the Board. An Audit Committee comprising the entirety of the independent directors and a Remuneration Committee comprising 3 of the independent directors were assembled to support the Board of Directors in various duties and enhance its supervisory capacity.
- (2) The Company has set up "Investor Relations" and "Stakeholders" sections on its website to promote information transparency, and disclosed contact information that can be used for various inquiries.

(II) Functionality of the Audit Committee

The Company first assembled an Audit Committee to replace supervisors in 2017. Following the re-election held during the shareholders' meeting dated June 12, 2020, an Audit Committee comprising four independent directors was assembled, and Independent Director Chung-Ming Tsao was elected as the convener. The Committee convenes meetings at least once a quarter, and is responsible for conducting reviews on: fair presentation of financial statements, appointment (dismissal) and independence/performance assessment of financial statement auditors,

implementation of internal control, compliance with relevant laws and rules, and control of existing or potential risks. Main duties of the Audit Committee are as follows:

1. Establishment or amendment of the internal control system according to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. Establishment or amendment of asset acquisition and disposal procedures, derivative trading procedures, external party lending procedures, external party endorsement and guarantee procedures, and other procedures of major financial or business consequences according to Article 36-1 of the Securities and Exchange Act.
4. A matter bearing on the personal interest of a director or supervisor.
5. A transaction involving material asset or derivatives trading.
6. A material monetary loan, endorsement, or provision of guarantee.
7. The offering, issuance, or private placement of any equity-type securities.
8. The hiring, dismissal or remuneration of an attesting certified public accountant.
9. The appointment or dismissal of a financial, accounting, or internal auditing officer.
10. Annual and semi-annual financial reports.
11. Any other material matter so determined by the company or the competent authority.

A total of 6 Audit Committee meetings were held in 2022; independent directors' attendance records are summarized below:

Title	Name	Number of in-person attendances	Attendance by proxy	Attendance (%)	Remarks
Independent Director	Chung-Ming Tsao	6	0	100.00%	Convener
Independent Director	Jin-Sheng Luo	6	0	100.00%	—
Independent Director	Yu-Liang Lin	6	0	100.00%	—
Independent Director	Jian-Chao Zeng	6	0	100.00%	—

Additional information:

- I. For Audit Committee meetings that concern any of the following, state the date and session of the Audit Committee meeting, the motions discussed, the Audit Committee's resolutions, and how the Company has handled the Audit Committee's opinions:
  - (1) Conditions described in Article 14-5 of the Securities and Exchange Act: See Table 1 for details.
  - (2) Other than those described above, any resolutions not supported by the Audit Committee but approved by more than two-thirds of directors: N/A.

II. In the event of independent directors' recusal from proposals, the name of independent director, the content of proposal, the reasons for recusal, and the participation in voting shall be specified: N/A.

III. Communication between independent directors and the chief internal auditor/CPAs (including material financial and business matters communicated and communication methods and results).

Independent directors of the Company are able to communicate directly with the chief internal auditor and the financial statement auditor, and have maintained productive communication to date. The Company also invites CPAs, the chief internal auditor, and heads of relevant departments to attend Audit Committee meetings as needed. In addition to presenting monthly audit reports to independent directors, the chief internal auditor also makes separate reports to independent directors at least once a quarter, whereas the CPAs make aggregate reports on the audit of semiannual and annual financial statements at least three times a year.

Communication between independent directors and the chief internal auditor: See Table 2 for details.

Communication between independent directors and CPAs: See Table 3 for details.

IV. Annual Focus and Progress:

(1) Annual Focus

1. Regular communication on the audit outcome with the chief internal auditor in accordance with to the annual audit plan.
2. Regular communication with financial statement auditors on the review or audit of financial statements.
3. Review of financial statements.
4. Evaluation on the effectiveness of the internal control system.
5. Review on the appointment, dismissal, compensation, and scope of service of financial statement auditors.
6. CPA independence assessment.
7. Review of major asset transactions, derivative transactions, and external party lending/endorsement/guarantee.
8. Compliance.

(2) Operations

All motions presented to Audit Committee meetings have been reviewed or approved by the Audit Committee, with no objection from independent directors.

1. Review of Financial Statements

The Company has prepared its 2021 business report, financial statements, and loss reimbursement proposal; in particular, the financial statements have been audited by Deloitte Taiwan, to which they have issued an independent auditor's report. The Audit Committee found no misstatement in the above business report, financial statements, and loss reimbursement proposal.

2. Assessment of Effectiveness of the Internal Control System

The Audit Committee evaluates the effectiveness of the Company's internal control system, policy, and procedures (including control measures on financial, operational, risk management, cybersecurity, and compliance aspects), and considers the Company's risk management and internal control systems to be effective, and that the Company has adopted necessary control mechanisms to monitor and rectify violations.

3. Independence of Financial Statement Auditors

The Audit Committee is tasked with the duty to evaluate the independence of its CPA firm, and thereby ensure fair presentation of financial statements. To ensure independence of the CPA firm, the Audit Committee has created an independence assessment worksheet in accordance with Article 47 of the Certified Public Accountant Act and the "Integrity, Fairness, Objectivity, and Independence" principles of Statement of CPA Professional Ethics No. 10 for the assessment of CPA's independence, professionalism, and suitability. Investigations are conducted to determine whether CPAs are related parties or whether they hold business or financial interests in the Company.

Table 1: Proposal of Matters Described in Article 14-5 of the Securities and Exchange Act

Audit Committee	Contents of proposal and subsequent actions taken	Resolution of the Audit Committee	The Company's response to the Audit Committee's opinions
March 11, 2022 2nd term 11th meeting	Passed the conversion of 2016 employee stock warrants into common shares	Passed unanimously by all attending members	Proposed to the Board of Directors Passed unanimously by all attending directors
	Passed the 2021 business report, financial statements, and consolidated financial statements of the Company		
	Passed the 2021 loss reimbursement proposal		
	Passed the 2021 self-assessment of the internal		

Audit Committee	Contents of proposal and subsequent actions taken	Resolution of the Audit Committee	The Company's response to the Audit Committee's opinions
	control system Passed amendments to the Company's "Asset Acquisition and Disposal Procedures" Passed assessment of financial statement auditors' independence Passed review of CPA remuneration for 2022 Acknowledged the extension of endorsement/guarantee for SMAX Technology Co., Ltd.		
April 15, 2022 2nd term 12th meeting	Passed private placement of common shares for cash	Passed unanimously by all attending members	Proposed to the Board of Directors Passed unanimously by all attending directors
May 6, 2022 2nd term 13th meeting	Passed the Company's 2022 first-quarter consolidated financial statements	Passed unanimously by all attending members	Proposed to the Board of Directors Passed unanimously by all attending directors
August 5, 2022 2nd term 14th meeting	Passed the conversion of 2016 employee stock warrants into common shares Passed the Company's 2022 second-quarter consolidated financial statements Acknowledged the extension of endorsement/guarantee for Edimax Technology Europe B.V.	Passed unanimously by all attending members	Proposed to the Board of Directors Passed unanimously by all attending directors
November 4, 2022 2nd term 15th meeting	Passed the Company's 2022 third-quarter consolidated financial statements Passed amendments to the Company's "Financial Statement Preparation Procedures"	Passed unanimously by all attending members	Proposed to the Board of Directors Passed unanimously by

Audit Committee	Contents of proposal and subsequent actions taken	Resolution of the Audit Committee	The Company's response to the Audit Committee's opinions
			all attending directors
December 1, 2022 2nd term 16th meeting	Passed the conversion of 2016 employee stock warrants into common shares	Passed unanimously by all attending members	Proposed to the Board of Directors Passed unanimously by all attending directors
	Passed the conversion of the 7th domestic secured convertible bonds into common shares		
	Passed establishment of the 2023 audit plan		

Table 2: Communication Between Independent Directors and the Chief Internal Auditor

Date	Method of Communication	Summary of Matters Communicated	Independent Directors' Opinions
March 11, 2022	Face-to-face	Audit report for the period from November 2021 to January 2022 2021 self-assessment of the internal control system and issuance of the "Declaration of the Internal Control System"	None
April 15, 2022	Face-to-face	Audit report for February 2022	None
August 5, 2022	Face-to-face	Audit report for the period from March to May 2022	None
November 4, 2022	Face-to-face	Audit report for the period from June to August 2022	None
December 1, 2022	Face-to-face	Audit report for September 2022 Annual audit plan for 2023	None

Table 3: Summary of Communication Between Independent Directors and CPAs

Date	Method of Communication	Summary of Matters Communicated	Independent Directors' Opinions
March 4, 2022	Video Conferencing	Audit coverage and method Aggregate report on communications with the governance body	None

		Summary of the 2021 internal control audit 2021 consolidated financial statements and financial information 2021 key audit issues	
August 4, 2022	Video Conferencing	Summary of the 2022 first-half review 2022 first-half consolidated financial statements and financial information Other matters communicated	None
December 1, 2022	Written Correspondence	Responsibilities of the governance body Audit coverage and method Group audit Key Audit Matters	None

(III) The operations of corporate governance and the deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor

The Board of Directors passed a resolution on May 7, 2019 to create one corporate governance officer position; this role is currently undertaken by Senior Vice President Liang-Jung Pan of the Administration Center, who has served in a managerial role relating to financial, shareholder service, and corporate governance affairs in a public company for at least 3 years.

Responsibilities of the corporate governance officer include the following:

1. Handling of matters relating to board of directors meetings and shareholders meetings in compliance with law.
2. Preparation of minutes of the board of directors meetings and shareholders meetings.
3. Assisting directors with their duties and ongoing education.
4. Providing directors with the information needed to perform duties.
5. Assisting directors with compliance issues.
6. Reporting to the Board of Directors the results of the examination of whether the qualifications of the independent director comply with relevant laws and regulations during the nomination, appointment, and tenure.
7. Handling matters related to changes in the Board of Directors.
8. Other matters described or established in the articles of incorporation or under contract.

The following tasks were performed throughout 2022:

1. Assisted independent and non-independent directors with their duties, provided directors with the needed information, and arranged directors' training;
  - (1) Notified Board members in a timely manner of the latest regulations, amendments, and trends that are relevant to business management and corporate governance.
  - (2) Provided directors with Company information as needed.
  - (3) Arranged meetings for independent directors with the chief internal auditor and financial statement auditors for insight into the Company's financial and business performance.
  - (4) Helped arrange training plans and courses for independent and non-independent directors that were relevant to the Company's industry characteristics and directors' education and career backgrounds.
2. Assisted the Board of Directors and shareholders with meeting procedures, resolutions, and compliance issues:



- (1) Reported to the Board of Directors, independent directors, and the Audit Committee on matters concerning corporate governance, and ensured that shareholders' meetings and Board meetings were convened in compliance with laws and corporate governance best practices.
  - (2) Assisted and reminded directors of the regulations to comply with when performing duties or forming resolutions at Board meetings.
  - (3) Checked announcements of major Board resolutions, ensured compliance and accuracy of the information conveyed, and protected investors' rights to information symmetry.
3. Maintenance of investor relations: made arrangements as needed for directors to communicate with major shareholders, institutional investors, or general shareholders, so that investors are given adequate information to value the organization rationally on the capital market, thereby protecting shareholders' interest.
  4. Prepared Board meeting agendas and notified all directors at least 7 days before meeting, and provided participants with relevant materials for the meetings; reminders were sent in advance for motions that involved conflicts of interest, and minutes were produced within 20 days after each Board meeting.
  5. Registered shareholders' meeting details in compliance with laws, and produced meeting advices, conference manuals and minutes, updated amendments to the Articles of Incorporation, and registered newly elected directors in a timely manner.

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
1. Has the Company formulated and disclosed the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	V		To establish a good corporate governance system, the Company established the "Corporate Governance Best Practice Principles" based on the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" upon resolution of the Board of Directors on December	No material difference

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			26, 2014, and disclosed such on the Company's website and MOPS.	
<p>2. The Company's shareholding structure and shareholders' equity</p> <p>(1) Has the Company formulated internal operating procedures for handling shareholders' suggestions or questions or disputes and litigation with them and complied with the procedures?</p> <p>(2) Does the Company have a list of the major shareholders with ultimate control over the Company and a list of the ultimate controllers of the major shareholders?</p> <p>(3) Has the Company established and implemented a risk control and a firewall mechanism between itself and affiliates?</p> <p>(4) Has the Company formulated internal regulations to prohibit insiders from using information undisclosed in the market to buy and sell</p>	V		<p>In the "Corporate Governance Best Practice Principles", the Company has established the related regulations, and the "Investors" and "Stakeholders" sections are established on the Company's website for the dedicated personnel to handle related affairs.</p> <p>A professional shareholder service agency is engaged by the Company with full authorization to handle shareholder services. In addition, the changes in shareholdings of the Company's directors, managerial officers, and shareholders with a 10% or more stake are reported to the MOPS monthly as required by law.</p> <p>The Company has established the "Operating Procedures for Transactions With Related Parties of Specific Companies and Group Enterprises" and the "Procedures for Supervising and Managing Subsidiaries". The finance,</p>	No material difference

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Brief description	
securities?			business, and accounting of affiliates are run independently and taken charge by dedicated personnel, under the control and audit of the parent company. We formulated the Procedures for Insider Trading Prevention Policy to prohibit insiders from using information undisclosed in the market to buy and sell securities.	
3. Composition and responsibilities of the Board of Directors (1) Have a diversity policy and specific management objectives been adopted for the Board and have they been fully implemented?	V		The diversity policy of the Company's Board of Directors is stipulated in the "Corporate Governance Best Practice Principles". When selecting the composition of Board members, the Company's "Procedures for Election of Directors" are complied with by considering the diversity of the Board members. The directors of the Company have different professional backgrounds and industrial practical experience, and meet the standards of professional knowledge and academic experience required by the Company. One independent director seat was added to the Board in the regular annual general	No material difference

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>meeting held on June 12, 2020, increasing independent director seats to a total of four. This additional independent director seat was intended to support the Board in various duties and to strengthen its supervisory capacity and for better diversity of directors.</p> <p>The current Board consists of 11 directors, including four independent directors and seven non-independent directors; all of them are distinguished talents from industries and academies. Among the four independent directors, Chung-Ming Tsao is a principal of his own accounting firm, and his expertise is financial planning and professional accounting affairs. Jin-Sheng Luo's expertise is business management and marketing design. Yu-Liang Lin is seasoned in optical industry. Jian-Chao Zeng is a Distinguished Professor/Associate Dean of National Yang Ming Chiao Tung University, and has rich industrial and academic experiences. Among the seven non-independent directors, Chairman Guan-Sheng Renn and Director Yu-Chang Chiu serve as the chairman and president of TWSE/GTSM listed companies, with practical</p>	

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Brief description	
<p>(2) Has the Company voluntarily established other functional committees in addition to the remuneration and the audit committees established in accordance with the law?</p> <p>(3) Has the Company formulated board performance evaluation regulations and evaluation methods, conducted performance evaluations annually and regularly, reported the results of performance evaluations to the board of directors, and adopted such results as a reference for deciding the remuneration of and nominating candidates for individual directors?</p> <p>(4) Does the Company regularly assess the independence of the CPAs?</p>	V	V	<p>experience in operating and managing TWSE/GTSM listed companies. Liang-Jung Pan has experience in business management, and Han-Shen Lee has experience in finance and accounting. Jung-Lung Hung, Jiann-Shing Ding, and Ching-Te Hou have served as executives in the netcom industry, information technology industry, and communication service industry for many years. Therefore, the aforesaid directors have the professional abilities in business management, accounting and financial analysis, knowledge of the industry, leadership and decision-making abilities, and ability to make judgments about operations.</p> <p>The ratio of directors equipped with the identify of employees of the Company accounts for 36.36% of all directors, the ratio of independent directors accounts for 36.33% of all directors. The Company also values gender equality, and the goal is to install at least one more female director in the future.</p> <p>For information regarding directors' diversity, please refer to pages 16-17, the description of the Diversity and</p>	

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>Independence of the Board of Directors.</p> <p>Other than the Remuneration and the Audit Committees established in accordance with the law, the Company will establish other functional committees in a timely manner if the practice requires.</p> <p>On November 4, 2016, the Company established the “Rules for Performance Evaluation of Board of Directors” and evaluate the overall performances of the Board and individual performance of Board members and the functional committees before the end of each year. The evaluation results are quantified based on the evaluation indicators and reported in the soonest Board meeting. The Company reported the performance evaluation results in the Board meeting on March 3, 2023. The quantified evaluation results of 2022 showed that the operations fully met the Company’s demands, and effectively promote the Company’s sustainable operation, social responsibility, risk management, and long-term strategic development while implementing the spirit of corporate</p>	

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>governance. The overall performance evaluation results are good.</p> <p>The Company regularly assesses the independence, competence, and audit quality of the engaged CPAs pursuant to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, the Company’s “Corporate Governance Best Practice Principles”, and the Audit Quality Indicators (AQI) issued by the FSC (refer to Table 1). On March 3, 2023, the Board of Directors evaluated the independence and competence of the CPAs, and obtained a statement of independence and the Audit Quality Indicator report issued by the CPAs; there was no violation of independence.</p>	

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Brief description	
4. Has the Company has appointed an appropriate number of competent corporate governance personnel and designated a corporate governance officer to be responsible for corporate governance affairs (including but not limited to providing directors and supervisors with the materials required for performance of their duties, assisting directors and supervisors with compliance, handling matters related to board meetings and the shareholders' meetings, and preparing minutes of board meetings and shareholders' meetings)?	V		The Company established the post of corporate governance officer on May 7, 2019 upon the resolution of the Board of Directors. Liang-Jung Pan, the Senior Vice President of the General Management Center, is responsible for planning and leading corporate governance related affairs. His scope of authorities includes handling matters related to the Board and shareholders' meetings pursuant to laws, preparing minutes of Board and shareholders' meetings, assisting directors to take office and their continuing education, providing directors with information needed to perform their duties, and assist directors to comply with laws and regulations, among other things.	No material difference



Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
5. Has the Company has established communication channels with stakeholders (including but not limited to shareholders, employees, clients, and suppliers) and set up a section dedicated to stakeholders on the Company's website to properly respond to stakeholders' major CSR issues of concern?	V		The Company has set up a "Stakeholder" section on the Company's website, and dedicated personnel take charge of related matters, providing corporate social responsibility, corporate governance, financial information and other issues, and respond to stakeholders. As of now, the Company insists on the principle of good faith in its communication with all stakeholders, and maintains good communication channels, with good interactions.	No material difference
6. Does the Company appoint a professional stock affairs agency to handle the affairs related to shareholders' meetings?	V		The Company has engaged the Shareholder Service Agent Department of Capital Securities Corp., a professional shareholder service agency to handle the affairs of shareholders' meetings.	No material difference
7. Information disclosures (1) Has the Company set up a website to disclose information on financial business and corporate governance? (2) Does the Company adopt other methods to disclose information (such as setting up an English website,	V  V		The Company's Website: <a href="http://www.edimax.com.tw">http://www.edimax.com.tw</a> The Company has set up a website in both Chinese and English. Investors may inquire about the Company's financial, business, corporate governance information,	No material difference

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
<p>designating personnel to collect and disclose company information, implementing a spokesperson system, or placing the proceeding of investor conferences on the Company website)?</p> <p>(3) Does the Company announce and submit an annual financial report to the competent authority within two months after the end of each fiscal year and announce and submit the financial reports for the first, second, and third quarters and the operations of each month to the competent authority before a specified deadline?</p>		V	<p>and matters related to investor conferences through the Company website or the MOPS. Dedicated personnel are also appointed to collect and disclose the Company's information while implementing the spokesperson system pursuant to regulations.</p> <p>The Company currently publishes and reports its annual financial report by the statutory deadlines, and will do so within two months after the end of the fiscal year based on the practice. In addition, the Company publishes and reports its financial reports for the first, second, and third quarters, as well as its operating statements for each month before the specified deadlines.</p>	
<p>8. Does the Company have other important information that facilitates the understanding of the operations of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, directors' and supervisors' continuing education, the implementation of risk management policies and risk</p>	V		<p>1. Employee Rights and Employee Wellness: The Company values the Company's social responsibilities. All employees are covered with the labor and the national health insurance and group insurance, to be entitled to various rights of insurance benefits. The Employee Welfare Committee and the Pension Supervision Committee are established to contribute employee</p>	No material difference

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Brief description	
measurement standards, the implementation of client policies, and the Company's purchase of directors and supervisors liability insurance)?			<p>welfare funds and labor pensions pursuant to laws. Profit-sharing and other procedures are also established to share the Company's operating profit with all employees.</p> <p>2. Investor Relationships: The Company has dedicated personnel to handle issues related to shareholders, and a mailbox for investors. E-mail: ir@edimax.com.tw</p> <p>3. Supplier Relationships: The Company negotiates and communicates with suppliers through e-mails, phone calls, and physical meetings from time to time to maintain stable and good relationships.</p> <p>4. Rights of Stakeholders: it is a basic consensus that the directors of the Company will automatically recuse themselves from proposals related to their interests. Meanwhile, all directors of the Company faithfully perform their duties and perform their duties as fiduciaries based on the principle of good faith.</p> <p>5. Directors' Continuing Education in 2022: Please refer to</p>	

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>Table 2.</p> <p>6. Implementation of Risk Management Policies and Risk Evaluation Standards: The proposals of the Company's material operating policies, investment projects, endorsement and guarantees, loaning of funds, and bank financing have been evaluated and analyzed by appropriate responsible departments, and been implemented pursuant to resolutions of the Board of Directors. The Audit Office also prepares the annual audit plans based on the risk assessment results, and implement plans accordingly to implement the supervision mechanism and executions of controls over various risk management.</p> <p>7. Implementation of Customer Relations Policies: The Company has a customer service department to provide services and customer complaints handling and other related issues, to protect the rights and interests of customers.</p> <p>8. Liability Insurance Purchased for Directors: The</p>	

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			Company has purchased liability insurance for directors: Please refer to Table 3. 9. Continuing Education and Training Related to Corporate Governance Attended by Managerial Officers: Please refer to Table 4.	
<p>9. Please specify any improvements made as per the results of the Corporate Governance Assessment announced by the Corporate Governance Center, Taiwan Stock Exchange Corporation, in the most recent year and put forth prioritized measures to improve those that have not yet been improved. (Exempted for companies not listed for evaluation.)</p> <p>The Company's 2022 Corporate Governance Assessment grade falls within 36%-50%. Regarding the present assessment result, for the current year, the Company will enhance the English information disclosure (including shareholders' meeting Annual Report and material information, etc.), prepare an ESG (sustainability) report, convene general shareholders' meetings early and in a timely manner, increase the number of conventions of investor conference, and establish functional committees other than statutory committees depending upon the actual needs, thereby implementing corporate governance properly.</p>				

Table 1: Assessment of the CPA's Independence:

Established by referring to Article 47 of the Certified Public Accountant Act and the Bulletin of Norms of Professional Ethics for Certified Public Accountants of the Republic of China No.10:

Item	Result
1. As of the latest attestation, no CPA has been engaged for seven consecutive years or more.	■Yes □No
2. There is no significant financial interest relationship with the principal.	■Yes □No
3. Refrain from any inappropriate relationship with the principal.	■Yes □No
4. The CPAs should ensure the honesty, impartiality, and independence of their assistants.	■Yes □No
5. The CPAs must not audit and attest financial statements of a entity where they worked within two years prior to practicing.	■Yes □No
6. The names of the CPAs shall not be used by others.	■Yes □No
7. No share in the Company or its affiliates is held by the CPAs.	■Yes □No
8. The CPAs have no money lending/borrowing with the Company and its affiliates, but the normal dealings with the financial industry are subject to this requirement.	■Yes □No
9. The CPAs have no joint investment or interest-sharing relationship with the Company or its affiliates.	■Yes □No
10. The CPAs do not concurrently hold a regular position of, and receives fixed compensation from the Company or its affiliates.	■Yes □No
11. The CPAs do not involve themselves in management functions to make decision of the Company or its affiliates.	■Yes □No
12. The CPAs do not concurrently operate other businesses that may cause them to lose their independence.	■Yes □No
13. Persons who are spouses, direct blood relatives, direct relatives by marriage, or blood relatives within the second degree of kinship must not attest.	■Yes □No
14. No commission related to business is received.	■Yes □No
15. As of now, there has been no disposition or damage to the principle of independence.	■Yes □No

Established by referring to the Audit Quality Indicators (AQI) disclosure structure issued by the FSC, including five aspects and 13 AQIs:

Aspect	Item	Audit Quality Indicator	Indicator Implication	Result
Professionalism	1	Audit Experience	Whether the CPAs and auditors have sufficient audit experience to perform the audit tasks.	■Yes □No
	2	Training hours	Whether the CPAs and auditors have received sufficient education	■Yes □No

Aspect	Item	Audit Quality Indicator	Indicator Implication	Result
			and training to acquire professional knowledge and skills.	
	3	Turnover Rate	Whether the firm maintains enough senior human resources.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	4	Professional Support	Whether the firm has enough non-audit professionals, including computer auditors and appraisers to support the audit team.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Quality Control	5	CPA's Workload	Whether the number of audit cases undertaken by the CPAs and the number of working hours input in audits are too heavy.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	6	Audit Input	Whether the input of the audit team in each audit stage is appropriate.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	7	Engagement Quality Control Review (EQCR)	Whether the EQCR CPAs input enough time to the review of audit cases.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	8	Capability to Support Quality Control	Whether the firm has sufficient resources for quality control, including risk management and audit professional consultants, to support the audit team.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Independence	9	Non-audit Services	Whether the proportion of non-audit services provided by the firm to individual clients affect the independence.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	10	Familiarity to Customers	Whether the years of providing audit services by the firm to individual customers affects independence.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Supervision	11	Deficiencies Found in External Inspections and Dispositions	Whether the firm's quality control and audit cases are implemented pursuant to relevant regulations and standards.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	12	Letter Issued by the Competent Authorities Requesting		

Aspect	Item	Audit Quality Indicator	Indicator Implication	Result
		Improvement		
Innovation Ability	13	Innovation Planning or Initiatives	The firm's commitment to improving audit quality includes the adoption or planning of programs or input related to improving audit quality.	■Yes □No

Table 2: Continuing Education of Directors

Title	Name	Date of Continuing Education	Organizer	Course title	Hours
All Directors (independent directors included)		June 1, 2022	Taiwan Corporate Governance Association	2030/2050 Net Zero Emissions - Sustainability Challenges and Opportunities for Global Enterprises	6
		June 14, 2022		View the Corporation's Sustainable Governance From a Risk-based Perspective - From Corporate Governance to ESG	
Director	Liang-Jung Pan	October 5, 2022	Securities & Futures Institute	2022 Promotional Seminar for Compliance of Insider Equity Transactions	6
		October 26, 2022	Accounting Research and Development Foundation	Preparation and Disclosure Foundation of a Sustainability Report - The Analysis of Key Elements of the IFRS ISSB S1 and S2 Standards	
Independent Director	Yu-Liang Lin	August 19, 2022	Taiwan Corporate Governance Association	Analysis of Cases of Management Power Fights of Corporations	3

Table 3: Liability Insurance Purchased by the Company for the Directors and Managerial Officers

Insured	Insurance company	Coverage amount	Insurance period	Insurance status
All directors and managerial officers	Tokio Marine Newa Insurance Co., Ltd.	US\$3 million (Note)	January 1, 2023 - January 1, 2024	Insurance renewed

Note: The coverage amount, US\$3 million, is translated into approximately NT\$92,085 thousand at the exchange rate of the Bank of Taiwan on January 3, 2023, US\$1=NT\$30.695.



Table 4: Continuing Education and Training Related to Corporate Governance Attended by Managerial Officers

Title	Name	Date of Continuing Education	Organizer	Course title	Hours
President	Guan-Sheng Renn	June 1, 2022 / June 14, 2022	Taiwan Corporate Governance Association	2030/2050 Net Zero Emissions - Sustainability Challenges and Opportunities for Global Enterprises	6
Senior Vice President	Liang-Jung Pan (Note)			View the Corporation's Sustainable Governance From a Risk-based Perspective - From Corporate Governance to ESG	
Vice President	Han-Shen Lee				
President of ODM BU	Jung-Lung Hung				
Senior Vice President	Liang-Jung Pan (Note)	October 5, 2022	Securities & Futures Institute	2022 Promotional Seminar for Compliance of Insider Equity Transactions	6
		October 26, 2022	Accounting Research and Development Foundation	Preparation and Disclosure Foundation of a Sustainability Report - The Analysis of Key Elements of the IFRS ISSB S1 and S2 Standards	

Note: Senior VP, Liang-Jung Pan, concurrently serves as the corporate governance officer, and attended a total of 12 hours of continuing education in 2022.

(4) Disclose the Composition and Functioning of the Remuneration Committee or Nomination Committee, if Available

The Company has a Remuneration Committee that comprises three independent directors as its members. The Remuneration Committee convenes meetings at least twice a year. Its responsibilities are to assess the overall compensation policy and examine directors' and managers' performance evaluation and compensation policies, systems, standards, and structures.

The Company has not assembled a nomination committee, but will do so at an appropriate time depending on practical requirements.

1. Information on members of the Remuneration Committee

April 30, 2023

Title	Name	Professional Qualifications and Experience	Independence	Number of other public companies where the individual serves as a member of the remuneration committee concurrently
Independent Director (convener)	Chung-Ming Tsao	Please see Page 15 - "Directors' Expertise and Independent Directors' Independence"	All independent directors have met the independence criteria mentioned in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" at the time of election and during active duty.	None
Independent Director	Jin-Sheng Luo			None
Independent Director	Yu-Liang Lin			None

2. Information on the operation of the Remuneration Committee

- (1) The Company's Remuneration Committee comprises 3 members.
- (2) Duration of Service of the Current Committee: From June 20, 2020 to June 12, 2023. The Remuneration Committee held 2 meetings in 2022; details of members and attendance are as follows:

Title	Name	Number of in-person attendances	Attendance by proxy	Attendance (%)	Remarks
Convener	Chung-Ming Tsao	2	0	100.00%	—
Committee member	Jin-Sheng Luo	2	0	100.00%	—
Committee member	Yu-Liang Lin	2	0	100.00%	—

Note: The Company re-elected its directors on June 12, 2020 and appointed members for the current Remuneration Committee on June 20, 2020.

Additional information:

- I. If the Board of Directors did not adopt or amend the Remuneration Committee's suggestions, the date of the board meeting, the session, the content of the proposal, the results of the resolutions by the Board of Directors, and the Company's response to said opinions shall be specified (if the remuneration approved by the Board of Directors is better than the Remuneration Committee's suggestions, the difference and the reasons therefor shall be specified): N/A.
- II. Should any Committee member object or express reservations to the resolution made by the Remuneration Committee, whether on-record or in writing, please state the date and session of the meeting, details of the motion, the entire members' opinions, and how their opinions were addressed: N/A.

### 3. Duties of the Remuneration Committee

The Remuneration Committee shall exercise the care of a prudent manager to fulfill the following duties, and offer recommendations for discussion by the Board of Directors:

- (1) Regular review of the Charter and offering of amendment recommendations.
- (2) Establishment and regular review of annual and long-term performance targets for directors and managers of the Company, as well as their salary/compensation policy, system, standard, and structure.
- (3) Regular assessment on the accomplishment of performance targets by the Company's directors and managers, and to determine details and amounts of individual compensation.

### 4. Discussions and Resolutions of the Remuneration Committee, and the Company's Response to Committee Members' Opinions

Remuneration Committee	Motion Details	Resolution of the Remuneration Committee	The Company's response to the Remuneration Committee's opinions
November 4, 2022 6th Meeting of the 4th Committee	Review of salary and compensation proposed for 2023	Passed unanimously by all attending members	Proposed to the Board of Directors and passed unanimously by all attending directors
December 1, 2022 7th Meeting of the 4th Committee	Review of 2022 year-end bonus allocation for managers	Passed unanimously by all attending members	Proposed to the Board of Directors and passed unanimously by all attending directors

(5) The promotion of sustainable development and the deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor:

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
1. Has the Company established a governance structure to promote sustainable development and set up a dedicated (concurrent) unit to promote sustainable development, governed by the senior management as authorized by the board of directors, which supervises the implementation?	V		The Company established a governance structure to promote sustainable development in 2022 (see Table 1). The President serves as the chief convener and the sustainable development promotion team is formed. Mr. Liang-Jung Pan, the Senior Vice President of the General Management Center, takes charge of coordinating the provision and implementation of the Company's sustainable development policies or system. The Board of Directors supervises and instructs the environmental, social, and corporate governance issues of sustainable development. The Company's Board of Directors listens to the report of the sustainable development promotion team at the end of each year on the operation and implementation of the annual sustainable development promotion and future work plans. The Board of Directors will assess the possibility of the success of the strategies again, and is also required to frequently review the	No material difference

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			progress of the strategies to urge the management team to make adjustments when necessary. The latest report was in the Board meeting on December 1, 2022.	
2. Does the Company conduct risk assessments of environmental, social, and corporate governance issues related to company operations as per the principle of materiality? Has the Company formulated relevant risk management policies or strategies? (Note 2)	V		<p>The boundary of this risk assessment is mainly centered at the Company's operating headquarter offices, and does not include the operating bases of overseas subsidiaries.</p> <p>On November 4, 2022, the Company's Board of Directors approved to establish the Company's "Risk Management Policy and Procedures". The Company's risk management policy defines various risks based on the Company's overall operating guidelines, where all the events with uncertain effects endangering the continuing operations fall within the scope of risk management. Various risks are handled and responded to systematically deal with and respond to, to prevent possible losses within the extent of acceptable risks, while always reviewing the changes in the internal and external environments, to continuously adjust and</p>	No material difference

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>improve the best risk management measures, for the purpose of protecting the interests of stakeholders such as employees, shareholders, customers, and partners, increasing the value of the Company, and achieving the goal of sustainable operation.</p> <p>To respond to the global political and economic development trends and changes, and enable the Company to systematically handle and respond to various risks, increase the quality of forward-looking decision-making, and enhance the Company's sustainable operation capabilities. The relevant risks that may affect the sustainable corporate operation are identified based on the principle of materiality and the environmental, social, and economic (including corporate governance) issues related the Company's operation, identifying of enterprises, such as operating risks, financial risks, information security risks, supply chain risks, technology risks, business risks, disaster risks, climate change risks, and risks of human resources. The</p>	

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>Company is committed to formulating related managerial strategies and countermeasures to minimize the impact of possible risk events.</p> <p>The Company's Risk Management Identification and Response Strategy: Refer to Table 2 for details.</p>	
<p>3. Environmental issues</p> <p>(1) Has the Company set up an appropriate environmental management system as per its industrial characteristics?</p>	V		<p>The Company has established a complete environmental management system based on the characteristics of the netcom industry and the Company's operating needs, and has passed ISO14001 (latest valid period: August 9, 2022 to August 13, 2025) and QC080000 (latest valid period: August 26, 2022 to August 24, 2025) certification.</p>	No material difference
<p>(2) Is the Company committed to improving energy efficiency and adopting recycled materials with low environmental impact?</p>	V		<p>The Company is committed to eliminating inefficiency and waste of resources in production and manufacturing, and improving the recycle rate of resources. The development of green energy products is implemented fully, and the requirements of environmental protection regulations are strictly complied with, from technology research and development, design, manufacturing,</p>	No material difference



Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			transportation to recycling; the energy-saving products are developed and designed, with the packing boxes and buffers made of environmentally friendly recycled packaging materials to improve the efficiency of resource recycling. In addition, the Company's products are prohibited from using hazardous substances. Product development complies with various international regulations such as RoHS, REACH, WEEE regulations, EuP directives, and halogen-free requirements of the EU. Lead-free processes are adopted fully for R&D and productions. The waste generated industrially is strictly managed with regular disposal and cleanup to minimize the impact on the environment.	
(3) Has the Company assessed its current and future potential risks and opportunities of climate change and taken countermeasures against climate-related issues?	V		The Company refers to the four core elements, namely governance, strategy, risk management, and indicators and objectives in the Task Force on Climate-Related Financial Disclosures (TCFD) framework, to identify potential risks and opportunities brought by climate changes, to comprehensively examine the possible	No material difference

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>impacts of climate change on the Company's operations, formulate and implement countermeasures to climate change, so that each impact of climate change will be effectively monitored, controlled, and quickly responded to.</p> <p>The Company assesses that the potential risks faced at this stage are mainly at environmental and operational aspects, such as resource shortages, increased raw material costs, and threats to employees' safety due to extreme weather. All of these may cause direct impacts on the Company's operations and increase losses. The changes made to adapt to climate change will create opportunities for the Company, such as the development of new products related to green energy technologies. The countermeasure may be to reduce the operating costs by improving the efficiency of resource utilization.</p>	
(4) Has the Company counted the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and	V		The Company's greenhouse gas emission inventory is a self-management statistic. During 2021 and 2022, the carbon emissions from power consumption were	No material difference

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor									
	Yes	No	Brief description										
formulated policies on greenhouse gas reduction, water consumption reduction, or other waste management?			<p>approximately 833 tons and 821 tons, respectively; carbon emissions from water consumption were approximately 0.524 tons and 0.498 tons. Water consumption has all from the water used in the offices in the general course, but not water for process. During 2021 and 2022, the Company had no industrial waste to report to the competent authority, and only estimated the average general waste generation of 127 tons and 128 tons.</p> <p style="text-align: right;">Unit: CO2e</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Direct greenhouse gas emissions (Scope 1)</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Indirect emission from energies (Scope 2)</td> <td style="text-align: center;">833.5</td> <td style="text-align: center;">821.5</td> </tr> </tbody> </table> <p>Note: The coverage is limited to the office premises of the Company.</p> <p>The Company has formulated relevant regulations in the</p>		2021	2022	Direct greenhouse gas emissions (Scope 1)	—	—	Indirect emission from energies (Scope 2)	833.5	821.5	
	2021	2022											
Direct greenhouse gas emissions (Scope 1)	—	—											
Indirect emission from energies (Scope 2)	833.5	821.5											

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>“Sustainable Development Best Practice Principles” in establishing policies for energy saving and carbon reduction, greenhouse gas reduction, water consumption reduction, and other waste management, which have been implemented. The Company moved to the new office venue in Neihu at the end of 2016, and the energy saving and carbon reduction have been continued according to past experiences. Meanwhile in November 2019, a power management contract was entered into with an energy technology consulting company again, to coach the Company in energy saving and energy utilization efficiency improvement, by adjusting power in a timely manner based on the electricity demand, to achieve the goal of energy saving and carbon reduction. In 2022, it was decreased by about 1.4% year on year. The Company will continue these efforts, and the goal of 2023 is set to decrease by 1%. The implementation measures are as follows:</p> <p>1. Energy Saving Measures in Offices:</p>	

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>(1) Adjust the air conditioning based on the seasons to maintain a constant room temperature at 26°C, to reduce power loading. Employees will also turn off the power supplies for computers, air conditioners, and lighting if not in use.</p> <p>(2) The lighting in offices are all replaced with LED, not only reducing the heat generated by the light sources, but also achieving the purpose of energy saving.</p> <p>(3) Promotions are conducted to urge employees to take the stairs frequently instead of taking elevators, and every Tuesday is determined as the EDIMX Stair Day.</p> <p>2. Energy-saving Measures in the Data Center: Implement server virtualization to save power and related equipment.</p> <p>3. Water-saving Measures: Install inverters at the water supply equipment to stabilize the water pressure, and use water-saving valves to effectively decrease</p>	

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>unnecessary waste of water resources.</p> <p>4. Others:</p> <p>(1) Continue to promote the digitized document management system to reduce paper consumption, with more recycled paper utilized.</p> <p>(2) Implement the recycling management and resource classification of waste, such as food waste, cans and glass jars, and waste paper and PET bottles. Waste treatment and classification are handled by professionals.</p>	
<p>4. Social issues</p> <p>(1) Does the Company formulate relevant management policies and procedures in accordance with applicable laws and the International Bill of Human Rights?</p>	V		<p>The Company's human rights protection policies recognize and comply with the internationally recognized human rights standards, such as the "United Nations Global Covenant", "United Nations Universal Declaration of Human Rights", "United Nations Guiding Principles on Business and Human Rights", and "United Nations International Labor Organization", and has established and implemented various human rights protection</p>	No material difference

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>policies based on the connotations of these. Formulate relevant management policies and procedures such as work rules, attendance/absence management regulations, and sexual harassment prevention regulations, to protect the basic human rights of all employees, customers, and stakeholders, while maintaining social welfare, to ensure that the working environment is safe, employees are respected with integrity, business operations are environmental friendly with ethical conduct, and a focus on gender equality, the right to work, the prohibition of child labor, and the prohibition of any illegal discrimination, among other regulations to protect human rights.</p>	
<p>(2) Has the Company formulated and implemented reasonable employee benefit measures (including remuneration, leave, and other benefits) and reflected business performance or achievements in employee remuneration appropriately?</p>	V		<p>The Company has working rules and related personnel management regulations covering the basic wages of hiring labor, working hours, leave, pension payments, labor and health insurance coverage, compensation for occupational disasters, etc. of employees employed by the Company, all of which comply with the relevant</p>	No material difference

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>provisions of the Labor Standards Act. The Employee Welfare Committee is established through the operation of the welfare committee elected by employees, various welfare matters are handled.</p> <p>The Company's remuneration policy is based on personal competence, contribution to the Company, and performance, positively correlating with business performance.</p> <p>Pursuant to Article 24 of the Company's Articles of Incorporation, surpluses concluded in a financial year shall be subject to employee remuneration of no less than 5% and director remuneration of no more than 5%. However, profits must first be taken to offset cumulative losses, if any. Employee remuneration can be paid to employees of controlling or controlled entities that satisfy certain criteria.</p>	



Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
(3) Does the Company provide employees with a safe and healthy work environment and offer safety and health education to employees regularly?	V		The Company is dedicated to providing employees with a safe working environment and strictly observes legal requirements. In addition to implementing safety rules such as the “Worker Health and Safety Policy”, “Fire Safety Policy”, and “Hazardous Chemicals Management Policy”, the Company has also established codes of conduct to prevent occupational hazards. Regular firefighting regulations emergency response drills are held (twice a year), and health checkups are held every other year. Health seminars, wellness courses, Family Day, and employee trips are organized from time to time to promote both physical and mental health. An Employee Welfare Committee has also been assembled to oversee welfare measures and subsidies for employees. The Company complies with laws and arranges Labor Insurance, National Health Insurance, and group insurance coverage to protect employees and support their physical and mental health development.	No material difference

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
(4) Has the Company established an effective career development training program for employees?	V		The Company's priority is long-term talent cultivation. It will plan and arrange various internal and external training programs according to the organizational, departmental, and individual needs of employees, to improve and update the knowledge and skills of employees, and build a rich workforce capital. Regarding the development of employees' career capabilities, both the cultivation of core professional capabilities and the balanced physical, mental, and spiritual development of employees are taken into account.	No material difference
(5) Does the Company comply with applicable laws and international standards regarding issues, such as customer health and safety, customer privacy, as well as marketing and labelling of products and services? Has it formulated relevant policies and complaint procedures to protect consumers' or customers' rights and interest?	V		The Company's marketing and labeling of products and services comply with the relevant regulations and international standards. For the products sold, self-declarations will be issued according to customers' needs, including compliance with CE, FCC, VCCI, UL, REACH regulations, RoSH environmental protection regulations, WEEE specifications, EuP directives, and halogen-free requirements of the EU, among other international laws and regulations. The privacy of	No material difference

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			customers is subject to non-disclosure agreements and the Personal Data Protection Act, with the customer service unit and stakeholder section established as the consumer right protection policies while providing channels for complaints.	
(6) Has the Company formulated a supplier management policy, required suppliers to follow applicable regulations on issues, such as environmental protection, occupational safety and health, or labor rights? The implementation thereof?	V		The Company has established the "Supplier Control Procedures" and the "Environmental Substance Management Procedures" for the managing of suppliers. An evaluation team consisting of engineering, R&D, quality assurance, and procurement or production management personnel conducts written and on-site evaluation on suppliers, where the focuses include the guarantee of quality and product safety. All suppliers with transactions receive audits for their quality management and hazardous substance management regularly and from time to time, and the environmental protection and health and safety management system and performance of key suppliers are audited annually, while establishing the screening conditions of suppliers regarding	No material difference

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>environmental protection, human rights, safety, health, and sustainable development, as well as the requirements and expectations regarding suppliers' environment, health and safety risks, prohibition of child labor, labor management, no damage to basic labor rights, and ethical standards and ethical management. By exploiting the Company's influence, and through the management of the supply chain, it promotes the environmental protection and safety management to the Company's key suppliers, to ensure that suppliers comply with regulations related to environmental protection, occupational health and safety, and human rights. Meanwhile, raw material suppliers are required to issue the "Declaration of Green Product", declaring that their raw materials comply with laws and regulations, to ensure safe use without concern. Suppliers are required to conform to laws and social norms thoroughly to ensure Information security. Human rights, labor health and safety, and the fulfillment of corporate social</p>	

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>responsibilities are evaluated, and only those who pass the evaluation will be included in the list of qualified suppliers. Most of the domestic and foreign suppliers are manufacturers with long-term partnerships. The Company's operating philosophy for supply and management is to work closely with suppliers to achieve customer satisfaction as the highest goal. To fulfill the corporate social responsibility commitment of the global supply chain, the Company is committed to promoting the corporate social responsibility commitment to its suppliers, and requires the specific implementations as below:</p> <ol style="list-style-type: none"> <li>1. Approval of honest procurement.</li> <li>2. Guarantee of quality and product safety.</li> <li>3. Environmental considerations (green procurement).</li> <li>4. Compliance with laws, regulations, and social norms.</li> <li>5. Guarantee of information security.</li> <li>6. Consideration of human rights and occupational health and safety.</li> </ol>	

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>7. Fulfilment of corporate social responsibility</p> <p>The Company will be committed to the due diligence of the supply chain, to ensure that metals such as gold (Au), tantalum (Ta), tungsten (W), cobalt (Co), and tin (Sn) are not mined or circulated through mining areas of anarchic legions or illegal groups, or acquired illegally through smuggling.</p> <p>Metals exported from the following countries do not comply with the “DRC Conflict-Free Regulations”: Democratic Republic of the Congo (DRC), Rwanda, Uganda, Burundi, Tanzania, and Kenya. (The United Nations Security Council has determined that the aforesaid countries are all minerals in the Congo vein. )</p> <p>The Company guarantees that any metal contained in products sold to customers are in compliance with DRC Conflict-Free Regulations.</p> <p>If the Company’s existing suppliers have actual or expected material negative impacts on the environment, labor conditions, human rights, or society, the Company</p>	

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>will immediately downgrade or remove them from the list of qualified suppliers pursuant to the supplier control procedures and related regulations. Where the materials and parts they supply are irreplaceable to a certain extent, the Company will assist and coach them to eliminate the aforesaid material negative impacts that have occurred or are expected to occur, to maintain the effective operation of the supply chain.</p> <p>In 2022, the Company held the course “Understanding International Green Regulations” with a total of 15 attendees for two hours, as well as ESG education and training for a total of 14 attendees for three hours.</p>	
5. Has the Company referred to the internationally accepted reporting standards or guidelines to prepare reports, such as ESG reports that discloses the Company’s non-financial information? Has a third-party verification entity provided assurance or assurance opinion for said report?		V	In 2023, the Company will prepare a sustainability report pursuant to the regulations of the competent authority.	—

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
6. Where the Company has formulated its own sustainable development code in accordance with the Sustainable Development Best Practice Principles, please specified the differences between the implementation and the principles: The Company has formulated the “Sustainable Development Best Practice Principles”. In addition to timely amendment based on the relevant laws and regulations, the Company also actively engages in environmental protection, social services and caring, and sponsorship of public welfare activities, to fulfill corporate social responsibility with practical actions.				
7. Other important information that facilitates the understanding of the promotion of sustainable development: To fulfill corporate social responsibilities, the Company regularly sponsors the AAEON Foundation to engage in public welfare activities every year. It has been more than a decade so far, and NT\$21,000 was donated in 2022. In addition, the Company has continuous donated to the Chung Yi Social Welfare Foundation since 2019, funding children who have lost support, stabilizing their daily lives, education, and medical expenses, and to be their life-long family. In 2022 and 2023, a total of NT\$200,000 was donated. So far, NT\$600,000 has been donated cumulatively. Since 2016, EDIMX celebrated its 30th anniversary with public welfare feedback. The Company worked with the Institute of Information Science of Academia Sinica and the Maker community to jointly invest in IOT, focusing on environmental protection issues, and develop and implement the Air Box platform project, where the “Air Boxes” have been donated to six metropolitans to cope with the planning of county and city governments, for sensing PM2.5, temperature, and humidity. The environmental information is uploaded to Edimax Cloud, the cloud-based IoT platform of EDIMAX, for the public to monitor the air quality information of each base whenever they like through the EdiGreen APP. Via the clear Google Map interface, the information of air quality is understood, to help the public grasp the data of the living environment around them and create a friendly life and growing environment. The project has been continued until now, and in 2020, more than 6,000 monitoring stations had been accumulated in urban and rural areas of Taiwan. The deployment density, and population and area covered are quite substantial. This achievement has not only continuously been expanding in Taiwan, but also successfully replicated overseas. More than 10,000 EdiGreen Air Boxes have been built around the				



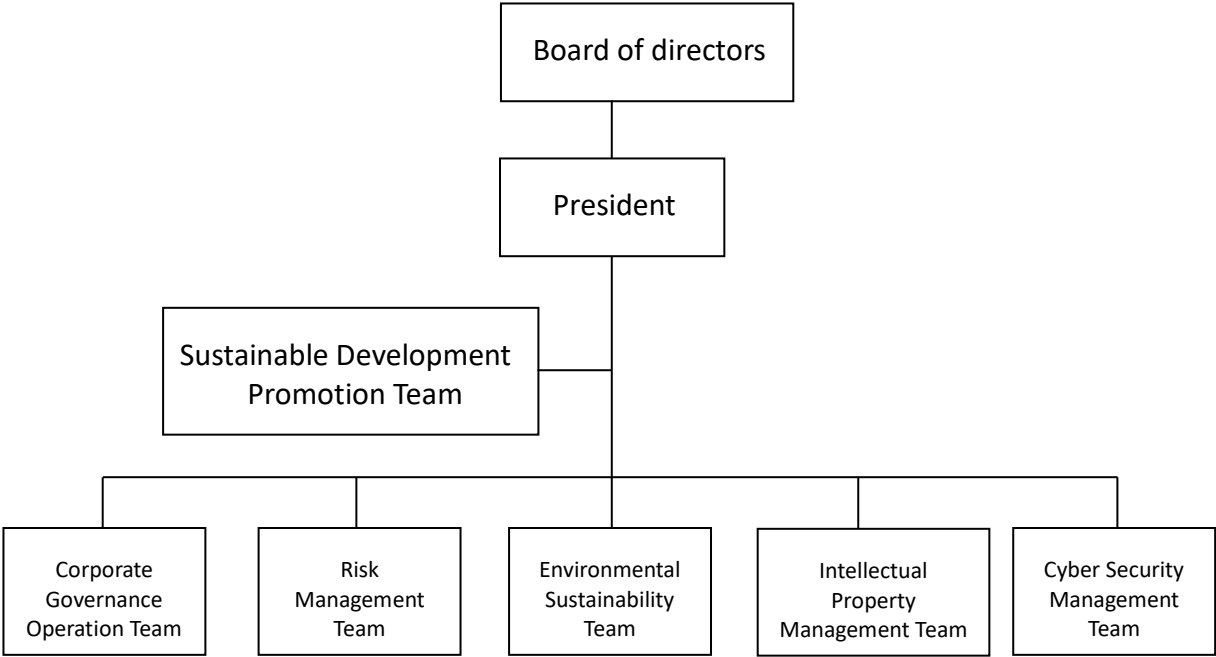
Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>world, and numerous PM2.5 micro-monitoring stations operating 24-7 under the same sensing standard to accumulate analyzable big data on air quality for urban governments and environmental science, among other research units. According to 2019 statistics, the daily hit rate of the EdiGreen app exceeded 20,000.</p> <p>Based on experience in the technology and Internet communication industry for more than 30 years, EDIMX partnered with National Yang Ming Chiao Tung University in 2017 to build the “real-time air quality monitoring system”, including: 21 air quality monitoring stations across five campuses, a large display wall of EdiGreen real-time air quality, display system of EdiGreen Home indoor air quality, research classroom of Design Space and the platform for IoT technology, and operation experience exchanges. Through this cooperation project, the two parties jointly established 21 AirBox air quality monitoring stations on Guangfu Campus, Boai Campus, Taipei Campus, Tainan Campus, and six campuses to provide research fields for real-time information of air quality; all monitoring information can be stored in the big data database of Edimax Cloud, and immediately transmitted and displayed on the mobile app and the AirBox air quality information wall. The air quality information of each campus is demonstrated as the LED lights change, and the current air pollution status is clear at a glance. In the past year, the Department of Computer Science of the University implemented the governmental big data tool development project of the Ministry of Science and Technology, and worked with the Academia Sinica to build a module of data collection and analysis, that integrates the PM 2.5 information from the Environmental Protection Administration, environmental protection bureaus of counties and cities, LASS community, and EDIMX Airbox to analyze the air pollution sources and routes with big data. Through this cooperation with EDIMX, the self-calibration mechanism of the PM 2.5 sensors and the sensor QA chatbot for spatio-temporal sensing data will be further developed. In addition to the very eye-catching large-scale real-time display system that is cross-campus, cross-platform, and cloud-to-end, the Company has also renovated a research classroom full of Maker spirit for young students: Design Space. Jian-Chao Zeng, Dean of the Department of Computer Science of the University, said that the space is set as an interactive learning</p>	

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>space to inspire students' creativity and open up new visions. More courses about IoT technologies sharing, application cases, and international exchanges will be conducted in this research classroom, and funds invested are more than NT\$2.5 million.</p> <p>In light of the years of hard working in the past, Air Boxes have been spread to all over Taiwan, and the derived benefits have received great feedback in terms of the public livelihood and academic research. EDIMX actively thinks about how to combine the Company's core business with public welfare to exert greater synergy. It coincides with the Taipei City Government's promotion of the application and vision of smart cities, so EDIMAX and the Taipei City Government signed the collaborative project, "Taipei City Xinyi Business Circle Multimedia Information Station (Kiosk) Trial Project", where the Kiosk multimedia information stations are deployed in the demonstration area, Xinyi business circle. Each Kiosk integrates numerous software, hardware, and cloud-based services to satisfy five major demands including Internet services, sightseeing guides, air quality detection, commissioned advertisement broadcasting, and emergency disaster prevention system. Five demonstration sites are deployed initially at areas with high traffic flow, including the areas surrounding boutique department stores like Shin Kong Mitsukoshi A4, Breeze Song Gao, Chianti Avenue Plaza, Viewshow Plaza, and ATT 4 Fun, and were officially launched in April 2019. The kiosks at each demonstration site cover an effective range of 100 to 150 meters in diameter, to provide 200 nearby users with wireless Internet access simultaneously. The terminal facility is combined with the cloud-based platform of the EdiGreen Airbox to monitor the air quality and environmental sensing information of the road sections in the area through IoT technologies, and to release the real-time information of PM2.5, temperature, and humidity to the public with a 55-inch large-size display. While working with the city government it completes the public information push and emergency disaster announcing system, to quickly release warning messages before natural disasters occur, while pushing the messages to the mobile devices of nearby people through the kiosk hotspot network, reminding citizens to take countermeasures or assist and guide the evacuation, to reduce the damage extent and scope of influence. In the future, it is planned to expand 50 to 200 Kiosk multimedia information stations connected to the Internet at fixed sites. This project is equipped with the EdiGreen environmental information sensing system, which can effectively collect various service information and aggregate it</p>	

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
<p>into the cloud-based database. Other than helping citizens to avoid air pollution and dangers at the time, it can also be used as effective data to track long-term improvement, becoming an important backbone of big data for city government governance.</p> <p>EDIMX's continuous development of IOT technology has demonstrated concrete achievements sequentially. In November 2019, <b>the British Broadcasting Corporation (BBC)</b> had a large-scale feature story about AirBox, discussing how Taiwan used micro sensors and big data to find solutions to air pollution problems. The EdiGreen micro air quality monitoring stations spread around Taiwan are operated on the Edimax Cloud 24-7. With the directional cloud-based system services and high-loading IoT architecture, along with the city governments, the vision of smart cities is implemented specifically, to bring better quality, safer, and a more convenient feeling of urban lives to citizens. As of now, the budget invested is approximately NT\$5 million.</p>				

Table 1: Sustainable Development System

1. Structure to Promote the Sustainable Development



2. Duties of the Company’s Sustainable Development Promotion

1. Board of Directors: The highest supervisory unit for the Company to promote sustainable development.
2. President: Serves as the Company’s head convener to promote sustainable development.
3. Sustainable Development Promotion Team: Responsible for proposing and implementing the Company’s sustainable development policies or system, and regularly reporting to the Board of Directors.
4. Corporate Governance Operation Team: The responsible unit implementing corporate governance-related affairs and promoting the Company’s ethical management. It is responsible for integrating the corporate governance regulations and systems, to protect the rights and interests of shareholders and stakeholders, enhance the functions of the Board of Directors, and improve information transparency, while being responsible for formulating and supervising the implementation of the Company’s ethical management policies and preventive programs, to establish the Company’s corporate culture of ethical management and good business operations.
5. Risk Management Team: The responsible unit for implementing risk management, responsible for planning, implementing, and supervising risk management related affairs.
6. Environmental Sustainability Team: The responsible unit for coordinating and promoting environmental sustainability, responsible for policy planning and implementation including low-carbon sustainability, environmental safety, and green products.
7. Intellectual Property Management Team: The responsible unit for implementing

intellectual property management, coordinating the management of intellectual property rights such as patents and trademarks of the Company.

8. Cyber Security Management Team: The responsible unit responsible for the Company’s cyber security, coordinating the management of information security incidents, formulating information security policies, and promoting information security, among other related affairs, while regularly reviewing information security policies and controlling measures, to implement the effectiveness of information security management.

Table 2: The Company’s Risk Management Identifications and Countermeasures

Each functional unit conducts detailed risk identification according to the professional division of work, and formulates management strategies and responsive programs to mitigate, transfer, or avoid risks, to effectively reduce the Company’s operating risks.

Aspect	Type of Risk	Impact of Risk	Countermeasure
Corporate governance	Operating Risk	Achievement of operating goals	<ul style="list-style-type: none"> <li>➤ Business units regularly report strategic issues to the directors, and reduce operating risks with the participation, advice, and supervision of directors.</li> <li>➤ The annual guideline and the achievement of goals are managed through business performance meetings.</li> <li>➤ The risk management mechanism is enhanced to increase the diverse interactive opportunities and channels for stakeholders, and improve the quality of communication and disclosure.</li> <li>➤ The effectiveness of implementing product quality and market competitiveness, customer satisfaction, and financial performance are ensured, to achieve the goal of timely amendment to sustainable operation.</li> </ul>
	Financial risk	Changes in exchange rates	<ul style="list-style-type: none"> <li>➤ The Company has a high proportion of export sales. To reduce the exchange risk, the market information and exchange rate movement are monitored all the time, to assess the risk of foreign exchange positions, and take timely hedging operations, to reduce the adverse impact on operations.</li> </ul>
	Information Security Risk	Abnormal information security attacks on data systems Leakage of confidential information	<ul style="list-style-type: none"> <li>➤ In June 2020, the “Information Security Management Committee” was established.</li> <li>➤ Improve employees’ awareness and professional knowledge of information security.</li> <li>➤ Enhance the information security management to ensure the confidentiality, integrity, and availability of information assets.</li> </ul>

Aspect	Type of Risk	Impact of Risk	Countermeasure
			<ul style="list-style-type: none"> <li>➤ Through the identification of assets and the confirmation of threats and vulnerabilities, the management fully understands where the risks are and attempts to mitigate the risks to the acceptable extent.</li> <li>➤ International standard certifications, ISO/IEC 27001:2013 and CNS27001:2014 were obtained (valid period September 21, 2020 to September 20, 2023).</li> </ul>
Economic Aspect	Supply Chain Risk	Fluctuation of raw material prices Shortage of material supply	<ul style="list-style-type: none"> <li>➤ Establish sustainable supply chain partnerships.</li> <li>➤ Establish the management mechanism of raw material price risk.</li> <li>➤ Prudently evaluate and actively develop new material sources to avoid the monopoly of a few suppliers.</li> <li>➤ Build a safety inventory.</li> <li>➤ Understand market conditions and respond in advance through business information collection or market research.</li> </ul>
	Technology Risk	Easy access to low-price product technologies affects the market price Elevated demands for a technologically integrated market	<ul style="list-style-type: none"> <li>➤ Grasp market trends, understand customers' needs, and position the development of new products and core technologies in advance.</li> <li>➤ Invest in related technology research and development to increase the capacity and investment of research and development.</li> </ul>
	Business Risk	Market movements affect operations	<ul style="list-style-type: none"> <li>➤ Understand market conditions and respond in advance through business information collection or market research.</li> <li>➤ Respond to market movements, optimize production capacity deployment, and strengthen partnerships with customers and supply chains.</li> </ul>
Environmental Aspect	Disaster Risk	Uncertainty in customers' demands affected by the pandemic Shortage of manpower and raw materials	<ul style="list-style-type: none"> <li>➤ Optimize capacity deployment.</li> <li>➤ Strengthen partnerships with customers and supply chains.</li> </ul>
	Climate Change Risk	Impacts of climate change on the	<ul style="list-style-type: none"> <li>➤ Identify climate change risks and opportunities, develop countermeasures for risks, assess operational and financial impacts, to demonstrate</li> </ul>

Aspect	Type of Risk	Impact of Risk	Countermeasure
		corporation's operations Greenhouse gas emission reduction regulations and other requirements	the climate change information disclosure specifically. ➤ Conduct carbon emission management, and promote greenhouse gas inventory and energy-saving measures.
Social Aspect	Human Resource Risk	Difficulties of accessing talents Loss of key talents	➤ Effective human resources management mechanism with performance evaluation procedures introduced. ➤ Enhance talent recruitment and education and training channels.

(6) The Company's implementation of ethical management and any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor

"Ethics and quality" are the most important core values of EDIMAX. The Company requires all employees to conform to strict codes of conduct and ethical standards in the process of operation and business execution, not to compromise for specific purposes, to ensure that the business performance complies with the laws and social moral norms, and the occurrence of undue conduct is prevented.

The Company's Board of Directors authorizes the Senior Vice President of General Management Center, Mr. Liang-Jung Pan, to coordinate the ethical management team, and take charge of the establishment and promotion of ethical management policies and prevention systems, along with other promotional tasks, while regularly reporting the overall ethical management implementation to the Board of Directors every year.

To maintain the Company's core values, the Company has formulated the "Ethical Corporate Management Best Practice Principles" to establish the corporate culture and business philosophy of the Company's ethical management. The "Code of Conduct" is also established as the guiding principles and regulations for business conduct.

Every quarter, the Company arranges orientations for new employees, where the promotion of the "ethical management regulations" are included. The aforesaid related regulations are announced on the Company's website for employees to inquire at any time. Through the education and training and the promotion of the ethical management policies, employees are made to fully understand and actually comply with such, while implementing such in daily work, to improve the quality of conduct and professional ethics of all employees. In addition, the Company also promotes the importance of the Company's ethical management to directors and managerial officers at the Board meetings and internal executive meetings from time to time, so that they can fully understand the Company's determination, policies, preventive programs of the ethical management, and the consequences of violations of ethical conduct.

The Company encourages whistleblowing of conduct that violate laws and regulations or ethics and morality. Diverse whistleblowing channels and the detailed acceptance process are established for related parties to file complaints or communicate directly with the Company's dedicated representatives or independent directors. To encourage employees to whistle blow violations of laws, the Company will make every effort to protect the safety of whistleblowers from retaliation.

The details of ethics and morality have been stipulated in the Company's "Ethical Corporate Management Best Practice Principles" and "Code of Conduct", and they are announced on the MOPS and the Company's website.



Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
<p>1. Formulation of ethical management policies and plans</p> <p>(1) Has the Company formulated an ethical management policy approved by the board of directors and disclosed the policy and practice of ethical management in its regulations and public documents? Are the board of directors and the senior management committed to actively implementing the policy?</p> <p>(2) Has the Company established an assessment mechanism for the risk of unethical conduct to regularly analyze and evaluate the business activities with a higher risk of unethical conduct within the business scope and formulated a prevention plan accordingly, at least covering the prevention measures for the acts under each subparagraph under Article 7, paragraph 2 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Has the Company clearly specified operating procedures, guidelines for conduct, and a violation punishment</p>	V		<p>The Company has established the “Ethical Corporate Management Best Practice Principles” and “Code of Conduct” approved by the Board of Directors, specifying the policy and practice of ethical management, and commitment of the Board of Directors and the senior management to actively implementing the policy.</p> <p>In the “Ethical Corporate Management Best Practice Principles” established by the Company, it is specified that the directors, managerial officers, and all employees are prohibited to engage in any business activity at a higher risk of being involved in unethical conduct specified in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” or within other business scopes.</p> <p>The Company has formulated the “Ethical Corporate Management Best Practice Principles”, specifying</p>	No material difference

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
and complaint system in the unethical conduct prevention plan and duly implemented them? Does the Company regularly review and revise said plan?			the operating procedures, conduct guidelines, punishment for violations, and the appealing system to be implemented. At the end of each year, the execution report of the ethical corporate management promotion of the year is reported to the Board of Directors, to review if any amendment is needed for the "Ethical Corporate Management Best Practice Principles".	
2. Implementation of ethical management (1) Does the Company evaluate each counterparty's records for ethics? Has the Company specified the terms of ethical conduct in each contract signed with each counterparty? (2) Has the Company established a dedicated (concurrent) unit under the board of directors to conduct ethical corporate management, regularly (at least once a year) report to the board of directors on its ethical management policies and prevention plans for unethical conduct, and supervise the	V  V		The Company conducts business activities in a fair and transparent manner based on the principle of ethical management. Before any business dealing, the legitimacy of the transaction counterparties and whether they have any record of unethical conduct is taken into account, to prevent any transaction with those who have a record of unethical conduct. The contracts entered into by the Company with other parties include the terms requiring the compliance with the ethical management policy,	No material difference

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
implementation? (3) Has the Company formulated policies to prevent conflicts of interest, provided appropriate methods for stating one's conflicts of interest, and implemented them appropriately?	V		and the terms to terminate or rescind the contract at any time if the counterparty is involved in unethical conduct.	
(4) Has the Company has established an effective accounting system and an internal control system for the implementation of ethical management and assigned the internal audit unit to formulate relevant audit plans based on the assessment results of the risk of unethical conduct and audit the compliance with the unethical conduct prevention plan accordingly or commissioned a CPA to perform such audits?	V		Mr. Liang-Jung Pan, the Senior Vice President of the General Management Center, is responsible for planning and promoting the establishment of ethical management policies and preventive programs, under the supervision of the audit unit for the implementation. A regular reports is made to the Board of Directors for the ethical management policies, programs preventing unethical conduct, and the supervision of the implementation every year. The most recent report was made to the Board of Directors on December 1, 2022.	
(5) Does the Company regularly hold internal and external education and training on ethical management?	V		In the "Ethical Corporate Management Best Practice Principles" and the "Rules of Procedure for Board of Directors Meetings" established by the Company, the recusal system for directors is stipulated. Those who have personal interest or the interest of the	

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>juridical person they represent involved in the proposals on the agenda of the Board meetings, which may be detrimental to the Company's interest, may state their opinions and answer questions, but should recuse themselves from the discussion and voting on a given proposal, and not exercise voting rights on behalf of other directors as a proxy.</p> <p>To ensure the implementation of ethical management, the Company has established the effective accounting system and internal control system, and internal auditors conducts audits of the compliance with the system in the preceding paragraph.</p> <p>Every quarter, the Company arranges orientations for new employees, where the promotion of the "ethical management regulations" are included. The</p>	

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>aforesaid related regulations are announced on the Company's website for employees to inquire at any time. Through the education and training and the promotion of the ethical management policies, employees are made to fully understand and actually comply with such, while implementing such in daily work, to improve the quality of conduct and professional ethics of all employees. In 2022, two sessions of promotions were conducted for 77 attendees.</p> <p>In addition, the Company also promotes the importance of the Company's ethical management to directors and managerial officers at the Board meetings and internal executive meetings from time to time. For new directors and managerial officers, the educational promotion is provided (in writing or via e-mail) when taking office, with timely seminars arranged, so that they can fully understand the Company's determination, policies, preventive</p>	

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			programs of the ethical management, and the consequences of violations of ethical conduct.	
<p>3. Implementation of the Company's whistleblowing system</p> <p>(1) Has the Company formulated a specific whistleblowing and reward system, established a convenient whistleblowing method, and assigned appropriate personnel to handle the party accused?</p> <p>(2) Has the Company formulated standard operating procedures for investigation of reported cases, the follow-up measures to be taken after the investigation is completed, and a confidentiality mechanism?</p> <p>(3) Does the Company take measures to protect whistleblowers from being mistreated due to their whistleblowing behavior?</p>	V	V	<p>The employees may furnish opinions and suggestions to the officers and the Company through the annual performance appraisal. The Company's website also has a section for stakeholders, where employees can report illegal activities, accepted by dedicated personnel. After investigation, any violations of ethics by any employee will be punished pursuant to the Company's regulations.</p> <p>The Company encourages whistleblowing of conduct that violates laws and regulations or ethics and morality. Diverse whistleblowing channels and a detailed acceptance process are established for related parties to file complaints or communicate directly with the Company's dedicated</p>	No material difference

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			<p>representatives or independent directors.</p> <p>The Company has established the investigation standard operating procedures for accepting whistleblowing and the follow-up measures to be taken after the investigation is completed. For any whistleblowing by any employee, the Company will keep the identity of the whistleblower and the content of the whistleblowing confidential.</p> <p>In 2022, there was no whistleblowing by employees or external parties accepted, and no material unethical conduct incurred in the Company.</p> <p>During the investigation, the Company shall keep the whistleblowers' identity and content of whistleblowing confidential. The involved parties are obliged to cooperate with the investigation, and the heads of all units shall not dismiss, transfer, or act detrimentally to the performance of the whistleblower due to the whistleblowing.</p>	
4. Enhanced information disclosure				No material difference

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
Has the Company disclosed the content of its Corporate Governance Best Practice Principles and the effectiveness of the implementation of the principles on its website and the MOPS?	V		The Company has disclosed the content and promotion results of the “Ethical Corporate Management Best Practice Principles” on the Company’s website - the Investor section and the MOPS.	
<p>5. If the Company has formulated its own Ethical Corporate Management Best Practice Principles as per the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please specify the difference between its operation and the principles:  The Company establishes its own “Ethical Corporate Management Best Practice Principles” pursuant to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”. There is no material deviations between the operations and the principles established.</p>				
<p>6. Other important information that facilitates the understanding of the Company’s ethical management (e.g., reviewing and amending the Company’s corporate governance best practice principles): None.  The Company insists on the principle of ethical management for all engagements in business activities: when the Company enters any contract with others, the content includes terms requiring compliance with the ethical management policy, and terms to terminate or rescind the contract at any time if the counterparty is involved in unethical conduct. For the investment of shareholders, professional and diligent management are adopted to ensure fair, sustainable, and competitive returns, creating the best interest of shareholders. The working conditions that guarantee the health and safety of each employee are provided, employees are listened to, employee’s complaints and problems are faced with sincerity, employees are encouraged and assisted to develop relevant skills and knowledge, while avoiding illegal activities, and employees are provided with sustainable employment opportunities. The Company values the rights and interests of every stakeholder to promote the sustainable development of the Company.</p>				

(7) If the Company has Established Corporate Governance Principles or Other Relevant Guidelines, References to Such Principles Must be



Disclosed

Please visit the Corporate Governance section on the Market Observation Post System (<http://mops.twse.com.tw>) for more details of the Company's corporate governance policies; alternatively, visit the Company's website (<http://www.edimax.com.tw>) and go to the Investors section.

(8) Other Important Information Relevant to the Understanding of Corporate Governance

Succession Plan for Members of the Board and Key Management Personnel, and Overall Execution:

With regards to the composition of Board members, the Company has devised a set of diversity guidelines based on the current state, the nature, and growth requirements of its operations while taking into consideration the professional knowledge, know-how, and experience needed to support future development plans. The Company conducts regular reviews on Board size and eligibility criteria, and makes succession plans and chooses candidates accordingly.

The Company evaluates potential successors primarily based on character, performance, and future potential. In addition to delivering exceptional work performance, successors are also expected to recognize and be passionate about the Company's philosophy, and possess essential personality traits including integrity, righteousness, commitment, and out-of-box thinking. To support the development of management personnel and knowledge transfer, the Company has implemented training systems targeted at potential talents and managers. These training systems incorporate four main modules: management skills, specialist skills, personal development plan, and job rotation. The Company encourages potential talents to complete on-job training courses as a way to improve management skills. Through job rotation and project involvement, they are given the opportunity to develop decision-making skills that help transfer knowledge and ensure continuity of business operations. The Company also assigns key management personnel to serve as Board members in the Company or investees, where they can familiarize themselves with the duties of the Board of Directors and take part in the formation of long-term strategies and visions.

- (9) Implementation of the internal control system
1. Declaration of the Internal Control System: Please see page 113-114 of this Annual Report.
  2. For those who appointed a CPA to review the internal control system, the CPA's review report shall be disclosed: None.
- (10) If there has been any legal penalty against the Company and its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the Annual Report, where the result of such penalty could have a material effect on shareholder interests or securities prices, the Annual Report shall disclose the penalty, the main defects, and the improvements made: N/A.
- (11) Major resolutions passed in shareholders' meetings and Board of Directors meetings held in the last year and up until the publication date of the Annual Report: Please see pages 115-121 of this Annual Report.
- (12) During the most recent year and up to the date publication of this annual report, if the directors or supervisors had different opinions on important resolutions approved by the Board of Directors with records or written statements, the main content of the opinions: N/A
- (13) During the most recent year and up to the date publication of this annual report, a summary of the resignation and dismissal of the Company's Chairman, President, chief accounting officer, chief financial officer, chief internal auditor, corporate governance officer, or R&D officer: N/A.

V. Disclosure of CPA remuneration

Unit: NT\$ Thousand

Name of accounting firm	Name of CPA	Audit period	Audit fees	Non-audit fees	Total	Remarks
Deloitte Taiwan	Jerry Gung	January 1, 2022 - December 31, 2022.	3,200	0	3,200	—
	Alex Chen					

- (I) If the CPA firm is replaced and the audit fees paid during the year in which the replacement occurs are less than those paid in the prior year, the amount of the decrease in the audit fees and the reason thereof shall be

disclosed: N/A.

(II) When the audit fees paid for the current year are lower than those paid for the prior year by 10% or more, the amount and percentage of the decrease and thereof shall be disclosed: N/A.

VI. Replacement of CPAs: N/A.

VII. Disclosure of the Company's Chairman, President, or managers responsible for financial or accounting affairs being employed by the CPA's firm or any of its affiliated companies in the last year, including their names, job titles, and the periods during which they were employed by the CPA's firm or any of its affiliated companies: N/A.

VIII. The changes in the transfer or pledge of equity shares by directors, supervisors, managers, or shareholders holding more than 10% of the shares issued by the Company in the most recent year and up to the publication date of this Annual Report. Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the Company as well as the Company's directors, supervisors, managerial officers, and ten-percent shareholders, and the number of shares transferred or pledged

1. Changes in Shareholdings of Directors, Managerial Officers, and Major Shareholders Holding More Than 10% of the Shares

Unit: Shares

Title	Name	2022		2023 up to April 30	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Chairman-cum-President	Guan-Sheng Renn	150,000	—	—	—
Director-cum-Senior Vice President	Liang-Jung Pan	140,000	—	—	—
Director-cum-Vice President	Han-Shen Lee	130,000	—	—	—
Corporate director	Chia Hua Investment Co., Ltd.	150,000	—	—	—
Representative of the corporate director	Yu-Chang Chiu	—	—	—	—

Title	Name	2022		2023 up to April 30	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Representative of the Corporate Director and President of ODM BU	Jung-Lung Hung	—	—	—	—
Director	Jiann-Shing Ding	—	—	—	—
Director	Ching-Te Hou	—	—	60,000	—
Director	Chueh-Hsi Wang (Note)	—	—	—	—
Director	Yung-Shao Teng (Note)	—	—	—	—
Independent Director	Chung-Ming Tsao	—	—	—	—
Independent Director	Jin-Sheng Luo	—	—	—	—
Independent Director	Yu-Liang Lin	(100,000)	—	—	—
Independent Director	Jian-Chao Zeng	—	—	—	—

Note: Directors Chueh-Hsi Wang and Yung-Shao Teng were discharged on January 11, 2022.

2. Pledge or transfer of shares by directors, managers, and shareholders with more than 10% ownership interest with related parties: None.

IX. Information about the top ten shareholders with shareholding ratio, and their relationship with each other or their spouses or relatives within the second degree of kinship

April 16, 2023

Name	Shareholding of the individual		Shareholding of spouse or minor children		Total shareholding by nominee arrangement		Information on the relations among the top 10 shareholders if anyone is a related party, a spouse, or a relative within second degree of kinship of another and their names		Remarks
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Company name (or individual name)	Relationship	

Trust account in CTBC Bank for ESOP committee of Edimax Technology Co., Ltd.	10,803,693	5.11	—	—	—	—	—	—	—
Zhao Xuan International Co., Ltd.	4,881,290	2.31	—	—	—	—	—	—	—
Zhao Xuan International Co., Ltd. Chairman: Chien-Huo Lee	49,312	0.02	—	—	—	—	—	—	—
Guan-Sheng Renn	4,360,676	2.06	2,828	—	—	—	Comtrend Corporation Chairman: Guan-Sheng Renn	Chairman of Edimax/Comtrend	—
Comtrend Corporation	4,120,000	1.95	—	—	—	—	—	—	—
Comtrend Corporation Chairman: Guan-Sheng Renn	4,360,676	2.06	2,828	—	—	—	Guan-Sheng Renn	Chairman of Edimax/Comtrend	—
Han-Shen Lee	2,912,089	1.38	—	—	—	—	—	—	—
Chao-Hsiung Chang	2,071,000	0.98	—	—	—	—	—	—	—
Jing-Hang Lin	1,917,000	0.91	—	—	—	—	—	—	—
Citigroup Custody for Barclays Capital SBL/PB Investment Fund.	1,899,000	0.90	—	—	—	—	—	—	—
Jiann-Shing Ding	1,808,229	0.86	—	—	—	—	—	—	—
Tecom Co., LTD	1,719,000	0.81	—	—	—	—	—	—	—
Tecom Co., LTD Chairman: Chao-Kai Liu	—	—	—	—	—	—	—	—	—

X. The total number of shares held and the consolidated shareholdings in any single investee by the Company, its directors, supervisors, managers, or any companies controlled either directly or indirectly by the Company

March 31, 2023 Unit: Shares; %

Investee (Note)	The Company's Investment		Investment by directors, supervisors, managers, or any companies controlled either directly or indirectly by the Company		Comprehensive Investment	
	Number of shares	Sharehold ing percenta ge	Number of shares	Sharehold ing percenta ge	Number of shares	Sharehold ing percenta ge
Edimax Computer Company	17,046	100.00	—	—	17,046	100.00
Edimax Technology Europe B.V.	1,600	100.00	—	—	1,600	100.00
Edimax Technology (BVI) Co., Ltd.	8,966,076	100.00	—	—	8,966,076	100.00
ABS Telecom Inc.	10,500,000	100.00	—	—	10,500,000	100.00
SMAX Technology Co.,Ltd.	2,139,400	100.00	—	—	2,139,400	100.00
Comtrend Corporation	19,649,060	33.49	—	—	19,649,060	33.49
Crystal Centre Int'l Corp.	1,050,000	30.00	—	—	1,050,000	30.00
Datamax (HK) Co., Ltd. (Note 1)	—	—	64,906,002	100.00	64,906,002	100.00
ABST Information International Inc. (Note 2)	—	—	140,000	100.00	140,000	100.00
Smax Japan Co., LTD. (Note 3)	—	—	8,000,000	100.00	8,000,000	100.00
Comtrend Corporation, USA (CUSA) (Note 4)	—	—	200,000	100.00	200,000	100.00
Comtrend Technology (Netherlands) B.V. (CTBV) (Note 4)	—	—	1,518,000	100.00	1,518,000	100.00
Edimax Technology (Dong Guan) Co., Ltd. (Note 5)	—	—	—	100.00	—	100.00
ABST Information Telecom Service Inc. (Note 6)	—	—	—	100.00	—	100.00
Comtrend Central Europe S.R.O. (CCE) (Note 7)	—	—	—	100.00	—	100.00
Comtrend Iberia S. L. (Note 8)	—	—	—	100.00	—	100.00

Note: It is the Company's long-term investment.

Note 1: it is Edimax Technology (BVI) Co., Ltd.'s 100% owned investee.

Note 2: A 100%-owned investee of ABS Telecom Inc.

Note 3: A 100%-owned investee of SMAX Technology Co.,Ltd.

Note 4: A 100%-owned investee of Comtrend Corporation.

Note 5: It is Datamax (HK)Co., Ltd.'s 100% owned investee.

Note 6: It is Information International Inc.'s 100% owned investee.

Note 7: It refers to an investee with 99.96% of shares held by Comtrend Technology (Netherlands) B.V. and  
0.04% of shares held by Comtrend Iberia S. L.

Note 8: A 100%-owned investee of Comtrend Technology (Netherlands) B.V.

**Edimax Technology Co., Ltd.**  
**Statement of the Internal Control System**

Date: March 3, 2023

The following declaration was made based on the 2022 self-assessment of the Company's internal control system:

- I. The Company is clearly aware that the establishment, implementation, and maintenance of an internal control system are the responsibility of the Company's Board of Directors and managers, and the Company has established such a system. It aims to provide reasonable assurance for the achievement of the objectives, namely the effectiveness and efficiency of operations (including profitability, performance, and asset security protection), the reliability, timeliness, and transparency of financial reporting, and compliance with applicable laws and regulations.
- II. Some limitations are inherent in all internal control systems. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance regarding the achievement of the above three intended objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system is equipped with a self-monitoring mechanism. Once a defect is identified, the Company will take action to rectify it.
- III. The Company judges whether the design and implementation of the internal control system is effective based on the criteria for judging the effectiveness of the internal control system set out in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). Said criteria under the Regulations are divided into five constituent elements as per the management and control process: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities. Each constituent element includes several items. For said items, please refer to the Regulations.
- IV. The Company has adopted the aforesaid judgment criteria for the internal control system to determine whether the design and implementation of the internal control system are effective.
- V. Based on the results of the assessment in the preceding paragraph, the Company is of the opinion that, as of December 31, 2022, the internal control system (including the supervision and management of its



subsidiaries), including the understanding the effectiveness of operations and the extent to which efficiency targets are achieved, reliable, timely, and transparent reporting, and compliance with applicable rules and applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing objectives.

- VI. This statement will form the main content of the Company's annual report and prospectus and will be made public. If the disclosed content above is false or there is material information concealed deliberately or otherwise, the Company will be legally liable pursuant to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This declaration was passed unanimously without objection by all 11 directors present at the Board meeting dated March 3, 2023.

**Edimax Technology Co., Ltd.**

Chairman-cum-President: Guan-Sheng Renn  
Signature/Seal

Important resolutions by the shareholders' meeting and the Board of Directors in the most recent year and up to the publication date of the annual report

#### 1. Shareholders' Meeting

Date	Meeting Category	Resolution
June 1, 2022	Shareholders' Meeting	<ul style="list-style-type: none"> <li>➤ Acknowledgment of the 2021 business report and financial statements. Implementation: Resolution passed.</li> <li>➤ Acknowledgment of the 2021 loss reimbursement proposal. Implementation: Resolution passed.</li> <li>➤ Passed amendments to the Company's "Articles of Incorporation". Implementation: Approved under Correspondence No. Jing-Shou-Shang-11101099430 issued by the Ministry of Economic Affairs on June 22, 2022, and completed change of company registration.</li> <li>➤ Passed amendments to the "Directors Election Policy". Implementation: Details have been announced over the MOPS and the corporate website.</li> <li>➤ Passed amendments to the "Asset Acquisition and Disposal Procedures". Implementation: Details have been announced over the MOPS and the corporate website.</li> <li>➤ Passed private placement of common shares for cash. Implementation: Resolution was passed and the Board of Directors was authorized to determine details for the private placement. However, the private placement had not yet been executed as of the publication date of this Annual Report.</li> </ul>

#### 2. Board of directors

Date	Meeting Category	Resolution
March 11, 2022	Board of directors	<ul style="list-style-type: none"> <li>➤ Execution of the audit plan was reported during the 11th meeting of the 2nd Audit Committee.</li> </ul>

Date	Meeting Category	Resolution
		<ul style="list-style-type: none"> <li>➤ Overview report on derivatives, bank borrowings, acquisition or disposal of marketable securities and gains/losses, major assets held in possession, endorsements, guarantees, external party lending, and accounts receivable as of the current date.</li> <li>➤ Overview report on business investments.</li> <li>➤ Report on operations of the group and subsidiaries.</li> <li>➤ Report on performance evaluation of the Board of Directors, individual directors, functional committees, and managers.</li> <li>➤ Report on the purchase of liability insurance for directors and managers of the Company.</li> <li>➤ Progress report on the issuance of the 7th domestic secured convertible bonds.</li> <li>➤ Based on a review of the Company's current operations and managers' compensation, the Administration Center decided not to adjust managers' compensation for 2022, and therefore was not required to present a proposal for review by the Remuneration Committee.</li> <li>➤ Passed the conversion of 2016 employee stock warrants into common shares.</li> <li>➤ Passed the 2021 business report, financial statements, and consolidated financial statements of the Company.</li> <li>➤ Passed the 2021 loss reimbursement proposal.</li> <li>➤ Passed the 2021 self-assessment of the internal control system.</li> <li>➤ Passed amendments to the Company's "Articles of Incorporation".</li> <li>➤ Passed amendments to the Company's "Directors Election Policy".</li> <li>➤ Passed amendments to the Company's "Asset Acquisition and Disposal Procedures".</li> <li>➤ Passed the proposal to allow electronic votes during the 2021 annual general meeting.</li> <li>➤ Passed details concerning acceptance of shareholders' proposals for the 2021 annual general meeting.</li> </ul>

Date	Meeting Category	Resolution
		<ul style="list-style-type: none"> <li>➤ Passed assessment of financial statement auditors' independence.</li> <li>➤ Passed review of CPA remuneration for 2022.</li> <li>➤ Acknowledged the extension of endorsement/guarantee for SMAX Technology Co., Ltd.</li> </ul>
April 15, 2022	Board of directors	<ul style="list-style-type: none"> <li>➤ Execution of the audit plan was reported during the 12th meeting of the 2nd Audit Committee.</li> <li>➤ Acceptance of shareholders' proposals for the 2022 annual general meeting ended on March 31, 2022, at which time no proposal was received from shareholders. Any proposals received beyond the deadline will not be included in the shareholders' meeting agenda and therefore no further review by the Board of Directors is needed.</li> <li>➤ Passed private placement of common shares for cash.</li> <li>➤ Passed amendments to the 2022 annual general meeting agenda.</li> </ul>
May 6, 2022	Board of directors	<ul style="list-style-type: none"> <li>➤ Overview report on derivatives, bank borrowings, acquisition or disposal of marketable securities and gains/losses, major assets held in possession, endorsements, guarantees, external party lending, and accounts receivable as of the current date.</li> <li>➤ Overview report on business investments.</li> <li>➤ Report on operations of the group and subsidiaries.</li> <li>➤ Passed the Company's 2022 first-quarter consolidated financial statements.</li> <li>➤ Passed the greenhouse gas survey and validation timelines for the Company and group subsidiaries.</li> <li>➤ Passed the addition, extension, and adjustment of credit facilities with banks.</li> </ul>
August 5, 2022	Board of directors	<ul style="list-style-type: none"> <li>➤ Execution of the audit plan was reported during the 14th meeting of the 2nd Audit Committee.</li> <li>➤ Overview report on derivatives, bank borrowings, acquisition or disposal of marketable securities and gains/losses, major assets held in possession, endorsements, guarantees, external party lending, and</li> </ul>

Date	Meeting Category	Resolution
		<p>accounts receivable as of the current date.</p> <ul style="list-style-type: none"> <li>➤ Overview report on business investments.</li> <li>➤ Report on operations of the group and subsidiaries.</li> <li>➤ Report on the execution of the greenhouse gas survey and validation plan by the Company and group subsidiaries for the 2nd quarter of 2022.</li> <li>➤ Passed the conversion of 2016 employee stock warrants into common shares.</li> <li>➤ Passed the Company's 2022 second-quarter consolidated financial statements.</li> <li>➤ Passed the extension of credit facilities with banks.</li> <li>➤ Acknowledged the extension of endorsement/guarantee for Edimax Technology Europe B.V.</li> </ul>
November 4, 2022	Board of directors	<ul style="list-style-type: none"> <li>➤ Execution of the audit plan was reported during the 15th meeting of the 2nd Audit Committee.</li> <li>➤ Overview report on derivatives, bank borrowings, acquisition or disposal of marketable securities and gains/losses, major assets held in possession, endorsements, guarantees, external party lending, and accounts receivable as of the current date.</li> <li>➤ Overview report on business investments.</li> <li>➤ Report on operations of the group and subsidiaries.</li> <li>➤ Report on the execution of the greenhouse gas survey and validation plan by the Company and group subsidiaries for the 3rd quarter of 2022.</li> <li>➤ Passed the Company's 2022 third-quarter consolidated financial statements.</li> <li>➤ Passed the decision to rename and amend the Company's "Corporate Social Responsibility Code of Conduct" into the "Sustainable Development Code of Conduct", and establish the "Sustainable Development Policy and System".</li> <li>➤ Passed the decision to rename and amend the Company's "Insider Trading Prevention Policy" into the "Material Insider Information Handling and Insider</li> </ul>

Date	Meeting Category	Resolution
		<p>Trading Prevention Procedures”.</p> <ul style="list-style-type: none"> <li>➤ Passed amendments to the Company’s “Financial Statement Preparation Procedures”.</li> <li>➤ Passed the establishment of the Company’s “Risk Management Policy and Procedures”.</li> <li>➤ Passed salary and compensation proposed for 2023.</li> </ul>
December 1, 2022	Board of directors	<ul style="list-style-type: none"> <li>➤ Execution of the audit plan was reported during the 16th meeting of the 2nd Audit Committee.</li> <li>➤ Progress report on sustainable development efforts in 2022.</li> <li>➤ Progress report on business integrity efforts in 2022.</li> <li>➤ Progress report on risk assessment and risk management tasks in 2022.</li> <li>➤ Report on the intellectual property management plan and execution for 2022.</li> <li>➤ Passed the conversion of 2016 employee stock warrants into common shares.</li> <li>➤ Passed the conversion of the 7th domestic secured convertible bonds into common shares.</li> <li>➤ Passed the Company’s 2023 business plan.</li> <li>➤ Passed establishment of the 2023 audit plan.</li> <li>➤ Passed the Remuneration Committee’s review of managers’ year-end bonus for 2022.</li> <li>➤ Passed the extension of credit facilities with banks.</li> </ul>
March 3, 2023	Board of directors	<ul style="list-style-type: none"> <li>➤ Execution of the audit plan was reported during the 17th meeting of the 2nd Audit Committee.</li> <li>➤ Overview report on derivatives, bank borrowings, acquisition or disposal of marketable securities and gains/losses, major assets held in possession, endorsements, guarantees, external party lending, and accounts receivable as of the current date.</li> <li>➤ Report on transactions with related party.</li> <li>➤ Overview report on business investments.</li> <li>➤ Report on operations of the group and subsidiaries.</li> <li>➤ Report on the execution of the greenhouse gas survey and validation plan by the Company and group</li> </ul>

Date	Meeting Category	Resolution
		<p>subsidiaries for the 4th quarter of 2022.</p> <ul style="list-style-type: none"> <li>➤ Report on performance evaluation of the Board of Directors, individual directors, functional committees, and managers.</li> <li>➤ Report on the purchase of liability insurance for directors and managers of the Company.</li> <li>➤ Based on a review of the Company's current operations and managers' compensation, the Company decided not to adjust managers' compensation for 2023, and therefore was not required to review by the Remuneration Committee.</li> <li>➤ Passed the conversion of 2016 employee stock warrants into common shares.</li> <li>➤ Passed the conversion of the 7th domestic secured convertible bonds into common shares.</li> <li>➤ Approved the proposal to distribute the 2022 employee and director remuneration.</li> <li>➤ Passed the 2022 business report, financial statements, and consolidated financial statements of the Company.</li> <li>➤ Passed the 2022 remuneration distribution proposal.</li> <li>➤ Approved the proposal to distribute cash from the capital reserve.</li> <li>➤ Passed the 2022 self-assessment of the internal control system.</li> <li>➤ Approved the proposal to discontinue the issuance of common shares privately placed for a capital increase in cash approved in the 2022 regular shareholders' meeting.</li> <li>➤ Approved the proposal of issuance of common shares privately placed for capital increase in cash.</li> <li>➤ Approved the proposal to conduct the election of directors pursuant to the Articles of Incorporation.</li> <li>➤ Approved the proposal to lift the non-compete restrictions on new directors and related matters.</li> <li>➤ Passed the proposal to allow electronic votes during the 2023 annual general meeting.</li> </ul>

Date	Meeting Category	Resolution
		<ul style="list-style-type: none"> <li>➤ Passed details concerning acceptance of shareholders' proposals for the 2023 annual general meeting.</li> <li>➤ Approved the proposal to accept the nomination of director (independent directors included) candidates from shareholders in the 2023 regular shareholders' meeting and related matters.</li> <li>➤ Approved the proposal to nominate candidates for the 11 directors (four independent directors included) in the 2023 regular shareholders' meeting pursuant to the Articles of Incorporation.</li> <li>➤ Approved the proposal to assess the independence and competence of the attesting CPAs.</li> <li>➤ Passed review of CPA remuneration for 2023.</li> <li>➤ Acknowledged the extension of endorsement/guarantee for SMAX Technology Co., Ltd.</li> </ul>



## Four. Fundraising Status

### I. Capital and shares

#### (I) Source of share capital

##### 1. Breakdown of Share Capital in the Last Year, Up Until the Publication

Date of this Annual Report

Unit: shares/NT\$

Year/Month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Capital increased by assets other than cash	Others
2022/01	10	300,000,000	3,000,000,000	190,008,983	1,900,089,830	Conversion of stock warrants into common shares - NT\$6,387,500	—	No. Jing-Shou-Shang-11101000750 dated January 22, 2022
2022/04	10	300,000,000	3,000,000,000	190,709,483	1,907,094,830	Conversion of stock warrants into common shares - NT\$7,005,000	—	No. Jing-Shou-Shang-11101049210 dated April 12, 2022
2022/09	10	300,000,000	3,000,000,000	190,753,983	1,907,539,830	Conversion of stock warrants into common shares - NT\$445,000	—	No. Jing-Shou-Shang-11101159500 dated September 1, 2022
2022/12	10	300,000,000	3,000,000,000	207,010,124	2,070,101,240	Conversion of stock warrants into common shares - NT\$13,525,000 Conversion of corporate bonds into common shares - NT\$149,036,410	—	No. Jing-Shou-Shang-11101238250 dated December 21, 2022
March 2023	10	300,000,000	3,000,000,000	207,962,025	2,079,620,250	Conversion of stock warrants into common shares - NT\$1,445,000 Conversion of corporate bonds into common shares - NT\$8,074,010	—	No. Jing-Shou-Shang-11230042860 dated March 21, 2023

Unit: Shares

Share type	Authorized capital			Remarks
	Number of shares issued	Number of shares unissued	Total	
Registered ordinary shares	211,458,537	88,541,463	300,000,000	Shares of public companies

##### 2. If approval has been granted to offer and issue securities by shelf

registration, additionally disclose the approved amount and information regarding securities to be issued or already issued: None.

(2) Shareholder Structure

April 16, 2023

Shareholder structure Number	Government agencies	Financial institutions	Other juridical persons	Individual	Foreign institutions and natural persons	Total
No. of people	—	—	207	46,495	74	46,776
No. of shares held	—	—	23,124,072	181,498,259	6,836,206	211,458,537
Shareholding percentage	—	—	10.94%	85.83%	3.23%	100.00%

Note: The Company is not subject to any shares held by Mainland Chinese investors.

(3) Equity Dispersion Status

1. Common share

Face Value of NT\$10 per Share April 16, 2023

Shareholding range (shares)	Number of shareholders (persons)	Total shares held (shares)	Shareholding (%)
1 to 999	25,063	978,615	0.46
1,000 to 5,000	15,808	35,231,603	16.66
5,001 to 10,000	3,051	25,538,090	12.08
10,001 to 15,000	860	11,102,898	5.25
15,001 to 20,000	707	13,419,708	6.35
20,001 to 30,000	469	12,341,373	5.84
30,001 to 40,000	208	7,535,391	3.56
40,001 to 50,000	161	7,683,975	3.63
50,001 to 100,000	282	20,552,322	9.72
100,001 to 200,000	95	13,102,322	6.20
200,001 to 400,000	37	9,737,953	4.61
400,001 to 600,000	14	6,964,900	3.29
600,001 to 800,000	4	2,674,428	1.26

Shareholding range (shares)	Number of shareholders (persons)	Total shares held (shares)	Shareholding (%)
800,001 to 1,000,000	2	1,900,692	0.90
1,000,001 or more	15	42,694,267	20.19
Total	46,776	211,458,537	100.00

2. Preferred Shares: None.

(4) List of Major Shareholders

Name, shareholding quantity, and percentage of shareholders with a shareholding percentage reaching above 5% or shareholders of the top 10 shareholding percentage:

April 16, 2023

Name of major shareholder	Shares	Total shares held (shares)	Shareholding (%)
Trust account in CTBC Bank for ESOP committee of Edimax Technology Co., Ltd.		10,803,693	5.11
Zhao Xuan International Co., Ltd.		4,881,290	2.31
Guan-Sheng Renn		4,360,676	2.06
Comtrend Corporation		4,120,000	1.95
Han-Shen Lee		2,912,089	1.38
Chao-Hsiung Chang		2,071,000	0.98
Jing-Hang Lin		1,917,000	0.91
Citigroup Custody for Barclays Capital SBL/PB Investment Fund.		1,899,000	0.90
Jiann-Shing Ding		1,808,229	0.86
Tecom Co., LTD		1,719,000	0.81

(5) Market price and net asset value per share, earnings, dividends, and relevant information in the most recent two years

Unit: NT\$; thousand shares

Item	Year	Current year up to April 30, 2023 (Note 8)		
		2021	2022	
Market price per share (Note 1)	Highest	15.20	19.65	17.70
	Lowest	9.20	10.25	15.10
	Average	11.67	14.21	16.48

Book value per share (Note 2)	Before distribution		10.97	12.42	—
	After distribution		10.97	11.42	—
Earnings per Share (Note 3)	Weighted average number of shares		187,664	194,012	—
	Earnings per Share	Before adjustment	(0.29)	1.30	—
		After adjustment	(0.29)	1.30	—
Dividend per share	Cash dividend		—	1.00	—
	Stock dividend	Dividends from retained earnings	—	—	—
		Dividends from capital surplus	—	—	—
	Cumulative unpaid dividends (Note 4)		—	—	—
Return on investment	Price-to-earnings ratio (PER) (Note 5)		(40.24)	10.93	—
	Price-to-dividends ratio (PDR) (Note 6)		—	14.21	—
	Cash dividend yield (Note 7)		—	7.04	—

\*If shares are distributed in connection with a capital increase out of earnings or the capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution and cash dividends shall be disclosed.

Note 1: List the highest and lowest market price of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: Calculate the net worth per share based on the number of outstanding shares at year-end. Calculate the amount of distribution based on the amount resolved by the Board of Directors or resolved in the next year's shareholders' meeting.

Note 3: If retrospective adjustments are required because of issuance of stock dividends, the earnings per share should be disclosed in the amounts

before and after the retrospective adjustments.

Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes a profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 5: Price/Earnings ratio = average closing price per share for the year/earnings per share.

Note 6: Price/Dividend ratio = average closing price per share for the year/cash dividends per share.

Note 7: Cash dividend yield = cash dividend per share/average closing price per share for the year.

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as of the latest quarter before the publication date of the Annual Report. For all other fields, calculations are based on the data for the current year as of the date of publication of the Annual Report.

Note 9: The 2022 profit distribution proposal was approved upon the resolution of the Board of Directors on March 3, 2023, but has not yet been ratified by the shareholders' meeting.

(6) Dividend policy and implementation

1. Dividend Policy Stated in the Articles of Incorporation

The Company has implemented the following dividend policy: Surpluses concluded from a financial year shall be subject to employee remuneration of no less than 5% and director remuneration of no more than 5%. However, profits must first be taken to offset cumulative losses if any. Employee remuneration can be paid to employees of controlling or controlled entities that satisfy certain criteria, which the Board of Directors may resolve to distribute in shares or in cash. Employees' and directors' remuneration distribution proposals shall be submitted to the shareholders' meeting for reporting.

Annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserves; however, no further provision is needed when legal reserves have accumulated to the same amount as the Company's paid-in capital. Any surpluses remaining shall then be subject to provision or reversal of special reserves, as the laws may require. The residual balance can then be added to undistributed earnings carried from previous years and distributed as shareholder dividends or retained

at Board of Directors' proposal, subject to resolution in a shareholders' meeting.

The Company's dividend policy was established to accommodate future development plans after taking into consideration the investment environment, capital requirement, financial position, earnings performance, domestic/foreign competition, and shareholders' interests. No less than 20% of distributable earnings shall be paid as dividends each year, but the Company may decide to withhold earnings if the amount of distributable earnings is less than 20% of paid-in capital. Dividends can be paid in cash or in shares, with cash dividends amounting to no less than 10% of total dividends.

## 2. The Proposed Dividend Distribution in this Shareholders' Meeting

On March 3, 2023, the Company approved the 2022 earning distribution proposal upon the resolution of the Board of Directors. It is intended to distribute cash dividends of NT\$166,369,620 from the distributable earnings of 2022, or distribute NT\$0.80 per share. In addition, the proposal to distribute cash from the capital reserve was approved as well. It is intended, pursuant to Article 241 of the Company Act, to distribute cash from the capital reserves with proceeds of the shares issued at the premium to the face value, NT\$41,592,405, for NT\$0.20 per share.

The Company's proposal of 2022 earning distribution and cash distribution from the capital reserve are yet to be ratified and discussed by the shareholders' meeting.

## 3. Expected Material Change in the Dividend Policy: None.

### (7) The influence of the stock dividend proposed at the shareholders' meeting on the Company's operating performance and earnings per share

Not applicable, there is no share dividend proposed in the shareholders' meeting

### (8) Employee remuneration and directors' and supervisors' remuneration

#### 1. The percentage of the profit for or scope of employee remuneration and directors' remuneration as stated in the Company's Articles of Incorporation

Pursuant to the provision in Article 24 of the Company's Articles of Incorporation regarding the distribution of employee and director remuneration, the Company's dividend distribution policy is as follows:

Surpluses concluded from a financial year shall be subject to employee remuneration of no less than 5% and director remuneration of no more than 5%. However, profits must first be taken to offset cumulative losses if any.

Employee remuneration can be paid to employees of controlling or controlled entities that satisfy certain criteria, which the Board of Directors may resolve to distribute in shares or in cash. Employees' and directors' remuneration distribution proposals shall be submitted to the shareholders' meeting for reporting.

2. Basis for estimation of employee remuneration and directors' and supervisors' remuneration in this period, basis for the calculation of the number of shares for stock dividends to employees, and accounting treatment if the amount paid out is different from the estimated amount

(1) The basis for the estimated amount of remuneration for employees, directors, and supervisors: Estimated within the percentages specified in the Company's Articles of Incorporation.

(2) Calculation basis for the number of shares distributed as employee remuneration: The Company did not distribute employee remuneration in shares in 2022.

(3) Accounting treatment when the actual distributed amount differs from the estimated amount: The actual amount resolved by the Board of Directors for distribution is no different from the estimated amount.

3. The distribution of remuneration approved by the Board of Directors

(1) Amount of employee remuneration and directors' and supervisors' remuneration distributed in cash or stock

The Company's proposal for 2022 employee and director remuneration distribution was approved by the Board of Directors on March 3, 2023, to distribute the employee cash remuneration of NT\$14,533,845, the employee share remuneration of NT\$0, and the director remuneration of NT\$4,152,527. These are not different from the 2022 estimated amount.

(2) The amount of employee remuneration in stock and the amount as a percentage of the sum of net income after tax as in the standalone or individual financial statement for this period and the total employee dividends for this period is 0%.

4. Where there is a difference between the employee remuneration and directors' and supervisors' remuneration paid out and the estimated amounts for the prior year (including the number of shares distributed, amount, and stock price), the amount of the difference, reason, and accounting treatment shall also be specified

No employee and director remuneration were distributed in 2021.

(9) The repurchase of the Company's shares

During 2021 and up to the publication date of the Annual Report, the Company did not apply to buy back the Company's shares.

II. Issuance of corporate bonds:

1. Unrepaid Corporate Bonds

Type of Corporate Bonds	Domestic 7th Secured Convertible Corporate Bonds
Issued On	March 30, 2021
Face value	NT\$100,000
Locations of Issuance and Trading	Not applicable.
Issue price	The face value is NT\$100,000 per certificate, and issued at 101% of the face value.
Total Amount	The total issuance amount is NT\$400 million.
Interest rate	Coupon rate is 0%.
Maturity	Five years, maturing on March 30, 2026.
Guarantor:	Chang Hwa Commercial Bank Ltd
Trustee	Mega International Commercial Bank Co., Ltd.
Underwriter:	President Securities Corporation
Attesting Attorney at Law	Paul Li, Attorney at Law, Asian Pacific International Commercial Law Firm
Attesting CPAs	Jerry Gung, CPA and Alexe C. Chen, CPA, Deloitte Taiwan
Repayment Method	Unless the bondholders convert bonds into common shares of the Company pursuant to Article 10 of the Procedures of Issuance and Conversion, or exercises the sell-back option pursuant to Article 18 of the Procedures of Issuance and Conversion, or the Company redeems early pursuant to Article 17 of the Procedures of Issuance and Conversion or buys back from OTC and cancel the bonds, the Company will repay the convertible corporate bond in cash at the face value of the bond at once when the bonds mature.
Unrepaid Principal	NT\$142,300,000
Terms of Redemption and Early Repayment	Please refer to the Procedures of Issuance and Conversion.



Restrictive covenants		Please refer to the Procedures of Issuance and Conversion.
Name of Credit Rating Agency, Date of Rating, and Result of Corporate Bond Rating		Not applicable.
Other Rights Attached	Amount of Converted (exchanged or subscribed) Common Shares, GDRs, or Other Negotiable Securities as of the Publication Date of the Annual Report	None
	Procedures of Issuance and Conversion (Exchange or Subscription)	Please refer to the Procedures of Issuance and Conversion.
Possible Equity Dilution and the Effect on Current Shareholders' Equity Due to the Procedures of Issuance and Conversion Exchange or Subscription and the Issuance Conditions		The Company's issued and outstanding corporate bonds refer to the domestic 7th secured convertible corporate bonds. Up to April 30, 2023, the balance not yet converted is NT\$142,300 thousand, and the latest conversion price is NT\$13.50. Assuming that the creditors of convertible bonds exercise conversion based on such conversion price, the Company's common shares of 10,540,741 shares (NT\$142,300,000/NT\$13.50) can be converted. For the calculation based on the use of the number of issued and outstanding shares of the Company of 211,458,537 shares up to the present day, the dilution ratio is 4.75%. In view of its effect on the shareholders' equity, if the financing method

	of bank loans or issuance of common corporate bonds is adopted, it would increase the Company's liabilities only without increasing its net worth, such that it would have a limited benefit on the sustainable operation. On the other hand, the issuance of new shares or convertible corporate bonds (after conversion), the net worth per share of the Company can be increased. Despite that the Company's liabilities are increased before the conversion of the convertible corporate bonds, as the creditors progressively convert the convertible corporate bonds into common shares, the liabilities are reduced and the shareholders' equity is also increased, thereby increasing the net worth per share. Accordingly, in the long term, such method is able to provide greater security to the current shareholders' equity.
Name of the Custodian of the Exchange Target	None

## 2. Information of the Convertible Corporate Bonds

Type of Corporate Bonds		Domestic 7th Secured Convertible Corporate Bonds		
Year		2021	2022	Current year up to April 30.
Market Price of the Convertible Corporate Bonds	Highest	NT\$126.00	NT\$142.60	130.50
	Lowest	NT\$106.00	NT\$108.00	116.05
	Average	NT\$120.96	NT\$128.21	121.68
Conversion Price		Conversion price at issuance, March 30, 2021: NT\$13.88 per share. Conversion price adjusted on September 1, 2021: NT\$13.50 per share.		
Date of Issuance and		Date of issuance: March 30, 2021.		

Conversion Price at Issuance	Conversion price at issuance: NT\$13.88 per share.
Method to Perform Conversion Obligation	New share issuance.

III. Issuance of preference shares: None.

IV. Issuance of depository receipts: None.

V. Issuance of employee stock warrants

1. The status of the Company's employee stock warrants that have not yet been due and its impact on shareholders' rights and interest shall be disclosed up to the date of publication of this annual report

April 30, 2023	
Types of Employee Stock Warrants	The Fifth Tranche of Employee Stock Warrants
Effective Date by Report and total number of units	October 3, 2016 8,000,000 shares
Issued On	September 30, 2017
Number of Issued Units	8,000,000 shares
Remaining authorized units available for issuance	0 shares
Percentage of Issued Subscribed Shares to Issued Shares	3.78%
Duration of Subscription	6 years
Method of Contract Performance	Delivery with new shares issued.
Restricted Subscription Period and Percentage (%)	25% for two full years. 50% for three full years. 75% for four full years. 100% for five full years.
Number of Executed and Obtained Shares	5,878,100 shares
Amount of Executed Subscribed Shares	NT\$59,500,650
Number of Unexecuted Subscribed Shares	1,102,500 shares (Note)
Subscription Price per Share for Unexecuted Subscriptions	NT\$10.00
Percentage of Unexecuted Subscribed Shares to Issued Shares	0.52%
Effect on Shareholders' Equity	During the present issuance of share subscription warrants, the number of

common shares for subscription is 8,000,000 shares. Up to April 30, 2023, after the deduction of the portion of shares cancelled due to employee resignation, the number of common shares for subscription is 1,102,500 shares, and the possible dilution ratio on the shareholders' equity of original common shares is approximately 0.52%, such that its effect is limited.

Note: Due to employee resignation, 1,019,400 shares are cancelled.

2. Names of managers who have obtained employee stock warrants and the top ten employees with the most employee stock warrants up to the publication date of this annual report as well as their acquisition and subscription

April 30, 2023

	Title	Name	Obtained Subscribed Shares	Percentage of Obtained Subscribed Shares to Issued shares	Executed				Unexecuted			
					Quantity of Share Subscription	Subscription Price	Subscription Amount	Percentage of Subscribed Shares to Issued Shares	Quantity of Share Subscription	Subscription Price	Subscription Amount	Percentage of Subscribed Shares to Issued Shares
Managers	President	Guan-Sheng Renn	640,000 shares	0.30 %	360,000 shares	NT\$10~10.25	NT\$3,635,000	0.17 %	280,000 shares	NT\$10	NT\$2,800,000	0.13%
	Senior Vice President	Liang-Jung Pan										
	Vice President	Han-Shen Lee										
	Vice President	Jung-Lung Hung										
Employee	Employee	Yu-Chang Chiu	925,000 shares	0.44 %	557,500 shares	NT\$10~10.25	NT\$5,641,875	0.26%	367,500 shares	NT\$10	NT\$3,675,000	0.17%
	Employee	Tao-Kuang Wei										
	Employee	Chien-Hung Peng										
	Employee	Ching-Te Hou										
	Employee	Yu-Chieh Chen										
	Employee	Tien-Hsiung Tung										
	Employee	Yu-Sung Chang										

	Employee	Chih-Cheng Chen											
	Employee	Ching-Mei Wu											
	Employee	Chien-Hsing Chen											

- VI. Employee restricted shares: None.
- VII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.
- VIII. Progress on planned use of capital
1. Plan Details: Uncompleted securities offerings or private securities placement or any capital plans completed in the last three years that have yet to yield the desired outcome as of the quarter preceding the publication date of this Annual Report: None.
  2. Execution: Analyze each of the above projects up until the quarter before the publication date of this Annual Report, and compare execution with expected benefits; for any project that does not meet the targeted progress or benefits, state the underlying reasons, how it affects shareholder equity, and improvement plans: Not applicable.

## Five. Overview of Operations

### I. Information on business

#### (1) Scope of Business

##### 1. The Company's Major Lines of Business

EDIMAX Group is mainly committed to R&D, manufacturing, and marketing of high-quality and high-performance communication network products. Its distribution channels are all over the world, and it is marketed in various countries with its own brands, namely "EDIMAX" and "COMTREND". The products are mainly categorized into three major categories, namely communication equipment for enterprises and consumers, communication equipment for telecom operators, and communication services.

##### 2. Relative Weight of Each Business

Unit: NT\$ Thousand; %

Product Name	2021		2022	
	Operating Amount	Operation Weight	Operating Amount	Operation Weight
Enterprise and Consumer Communication Equipment	3,372,953	64.28	3,828,878	64.21
Telecommunication Equipment	1,639,708	31.25	1,907,835	31.99
Communication Service	190,793	3.63	198,341	3.33
Others	44,064	0.84	28,103	0.47
Total	5,247,518	100.00	5,963,157	100.00

##### 3. The developed products (services) are listed as below

Enterprise and Consumer Communication Equipments:

#### (1) Enterprise and Consumer Network Products Series

##### A. WiFi 4/5/6/6E (IEEE 802.11n/ac/ax) Products Series

- WiFi 4/5/6/6E Network Interface Cards (NIC)
- WiFi 4/5/6/6E mesh roaming range extenders
- WiFi 4/5/6/6E routers

##### B. Enterprise WiFi Products Series

- WiFi mesh Access Points (AP) for enterprise including ceiling-mounted, wall-mounted AP, etc.
- WiFi 4/5/6/6E APs
- WiFi AP controllers
- LTE/5G routers , industrial 5G routers , portable 5G routers

- High security protection cloud management system for enterprise
- (2) Hi-End Networks Switches Series for Enterprise
- A. Intelligent Management and Backbone Networks Equipments Series
- 10G intelligent management network switches
  - IEEE 10G, 100G backbone network switches
  - Network security management system for enterprise
- B. Network Products for Enterprise
- IEEE 2.5/5/10/100Gb Ethernet switches/NICs
  - Power over Ethernet (POE) switches with varied power loading
  - IEEE 1G, 10G access network switches
  - Outdoor high power 5GHz bridges
  - Smart ONVIF PoE Switches
- (3) AIOT Products, Services and Others
- A. IP Camera Series
- Varied definition, form factors (ceiling-mounted, desktop, bullet, etc.) high security IP camera
  - High definition IP camera with multi-level security key protection for enterprise
  - Integrated network camera, cloud recording management system
  - Wireless presentation projection products
  - Image, voice recognition AI system
- B. Smart City Network Products Series
- Air monitoring products
  - Smart home monitoring, Cloud control system
- C. Cloud Integration Systems Series
- Video streaming and recording cloud management system with high security protection
  - Cloud storage system with high security protection
  - Smart cloud management system with high security protection
  - AI Dongle
  - Integrated ALPR(Automatic License Plate Recognition) System
  - Cross-industry integration cloud management system
  - Cloud billing integrated management system
  - App advertisement 、entertainment 、big data integration platform

Telecommunications business communication equipments:

- (1) Home Networking Products Series

#### A.G.hn PLC + WiFi WAVE2 Products Series

- G.hn PLC + WiFi WAVE2 Access Point (AP)
- G.hn PLC + WiFi WAVE2 receivers
- G.hn PLC + WiFi Access Point (AP)
- G.hn PLC + WiFi receivers
- Industrial G.hn PLC + LiFi WAVE2 network equipments
- Plastic optical fiber (POF) network switch solution
- WiFi 6E Mesh Roaming repeaters

#### B.G.hn PLC network equipment with XMPP management feature

### (2) Broadband Customer Premise Equipment (CPE) Series

#### A. Network Gateway Series

- Bluetooth, Zigbee/Thread integrated 10G EPON gateway, IAD
- GPON network gateway
- WiFi 6 GPON network gateway, IAD
- WiFi 6E tri-bands XGSPON network gateway
- Smart roaming solution crossing multi platforms
- VoIP IAD, VoIP Gateway
- FTTH Gateway

#### B. Copper, Fiber Broadband Network Equipments

- Ethernet/Wireless xDSL Router/Modem
- Ethernet/Wireless xDSL Bonding Router/Modem
- G.fast Wave.2/VDSL 30a routers with reverse power supply
- FTTdp fiber to multi-port G.hn coax distribution points with reverse power supply
- WiFi 6 VDSL2+ 35b Bonding routers
- WiFi 6E G.fast Bonding routers
- VDSL2+ 35b broadband WiFi 6 routers complied to Plume
- MoCA 2.5 broadband bridge

#### C. Others

- IP/OTT Set-top box (STB)
- Cloud AP ACS network management system supporting STUN server
- Smart home networking roaming solution crossing multi platforms

### (3) Fiber-optic Communication Solution Series

#### A. FTTdp fiber to distribution points Solutions

- 4/8/16 ports DPU VDSL Products



- 4/8/16 ports DPU G.fast Products
- 8 ports MDU G.fast indoor solution
- 4 ports G.hn Wave2 EOC (Ethernet over Coax) solution
- FTTdp XGS-PON multi-ports G.fast Wave 2 solution
- 5G to multi-ports G.fast Wave 2 solution

4. The products (services) to be developed are listed as below:

Enterprise and Consumer Communication Equipments:

(1) Enterprise and Consumer Network Products Series

- A. WIFI 7 Network Interface Card (NIC), Access Point (AP), Router etc.
- B. Industrial 5G, WiFi6 application products
- C. Wireless presentation projection products
- D. Shape and motion recognition system thru wireless mesh network

(2) Hi-End Networks Switches Series for Enterprise

- A. IEEE 10/100Gb Ethernet switches
- B. Smart ONVIF PoE switches
- C. Network security management system for enterprise
- D. Time Sensitive Network (TSN) products and solutions

(3) AIOT Products, Services and Others

- A. Image, Voice Recognition AI System
- B. High Definition IP Camera with Multi-level Security Key Protection
- C. AI Dongle
- D. Integrated ALPR (Automatic License Plate Recognition) System
- E. Integrated AIoT application system

(4) Industrial communication solution

- A. Remote access control system

Telecommunications business communication equipments:

(1) Home Networking Products Series

- A. Smart home networking roaming solution crossing multi platforms
- B. Smart broadband and AIoT integration solution for home

(2) Broadband Customer Premise Equipment (CPE) Series

- A. WiFi 7 10G XGS-PON gateway, IAD
- B. WiFi 7 broadband routers
- C. FTTdp fiber to multi-port G.hn coax distribution points with reverse power supply

(3) Fiber-optic Communication Solution Series

- A. FTTdp XGS-PON multi-ports G.fast Wave 2 solution

B. 5G to multi-ports G.fast Wave 2 solution

C. Industrial fiber switches

(4)Tele Communication Control solution

A.ACS featuring XMPP IQ、ACS cluster

## (2) Industry Overview

### 1. Industry Current Status and Development

In 2022, overall economic development was affected worldwide, and the technology industry entered the stage of correction and adjustment. Among which, consumer electronics related industries faced great challenges. During such correction and adjustment, the networking sector demonstrated certain resistance to the harsh environment due to the mitigation of the material shortage issue and the rigid demand for network equipment upgrades, such that it was relatively less affected by the economic correction. According to the observation of the MIC on the networking business operators in Taiwan, the Taiwan networking business operators continue to benefit from the business opportunities under the trend of de-sinicization and G-speed generation of telecommunication. It is expected that for the next few years, European countries and the U.S. will continue to implement the de-sinicization principle for the next few years, and the large amount of investment in the new generation high-speed infrastructure network will stimulate greater technologies and products in the market. In 2023, the new generation of equipment of NG PON ONU, 5G FWA CPE, and Wi-Fi 7 routers will be released in the market consecutively, thereby bringing business opportunities to the networking business operators in Taiwan.

According to the MIC's monitoring of the trend of networking communication business operators in Taiwan in 2023, in general, international market orders are proposing and optimistic. Companies will actively develop new products and seek exposure opportunities while maintaining a relatively higher inventory level to cope with any sudden demands in the market. However, it is still necessary to be aware of the impact of global inflation, and some of the international telecommunication operators have planned to reduce capital expenditure in 2023, causing uncertainty to the market.

The MIC also indicates that as the hardware performance improves continuously, the future software application will focus more on the vertical industrial field. In addition, to achieve differentiation of products, the role of software will become more important, thereby driving the software

definition demand to increase continuously. The MIC points out that Taiwanese business operators specialized in providing quality hardware equipment at affordable prices will have greater advantages. As for software developers, they will have greater creative development chances and opportunities for transforming from specialization in hardware equipment to cooperation with giant equipment industry and solution providers.

Enterprise and Consumer Communication Equipment:

(1) Enterprise and Consumer Networking Products

With regards to WLAN, its growth continues along with the demand for new emerging technologies of smart home appliances, and the previous growth dynamic is extended. Since Wi-Fi 6 technology equipment has entered the consumer market in depth, the equipment of Wi-Fi 7 is released consecutively, in order to provide a high performance network. The smart internet application demand will maintain the energy of the WLAN industry.

For the WLAN industry in Taiwan, there are business operators in various fields, including chips, components, design, manufacturing, assembly, and branding, such that the structure is complete. The business operators in the fields of chip, design, manufacturing, assembly, and branding of the WLAN industry have demonstrated outstanding performance.

With regards to the business model, WLAN equipment focuses on OBM and ODM as the main businesses. The main operational areas for OBM business refer to the European region and new emerging market. Presently, branded business operators have achieved positive outcomes in the consumer Wi-Fi equipment output and global market share. In addition, the driving force of consumers' continuous demand for greater media streaming services and emerging smart home applications continues to drive the growth of Wi-Fi equipment. ODM still focuses on the orders placed by European, American, and Japanese customers. Presently, Taiwanese manufacturers have become the main branded business operators for WLAN equipment and service providers for product design, manufacturing, and assembly worldwide, and the performance has been stable.

In the global enterprise and retail WLAN equipment industry, due to the demand change for WLAN equipment in recent years, WLAN equipment manufacturers start to enhance new types of routers and extenders with integrated mesh network functions. In addition, to cope

with the personal privacy requirements of enterprises and consumers, the Company further enhances the information security protection capability of WLAN equipment. Furthermore, as the bandwidth demands of enterprises and consumers increase, high-end routers have become the key production line planned by manufacturers.

## (2) Enterprise High-end Switch Products

For network switches, under the driving force of the business opportunities and growth of digital and cloud services of data centers, revenue is expected to increase continuously. However, presently, a shortage of key components for the networking industry still exists, which also increases the contract performance risk of manufacturers.

As the high-end switches for global enterprises/industry/data centers and telecommunication increase, and particularly, under the driving force of the customer network content application business of data centers, there is a clear demand for the upgrade of 400G switches. Nevertheless, manufacturers shall still enhance collaboration with suppliers, handle material shortage issues carefully, and improve inventory management.

## (3) Artificial Intelligence of Things (AIoT) Products, Services, and Others

AIoT has become the industrial business trend, and it has achieved effects in various industries of manufacturing, transportation, energy, agriculture, medical care, as well as different fields of smart cities, ESG, and zero carbon emissions, etc. The AIoT industry has several characteristics. One of the characteristics is its high links and connection, and sensors, equipment, software, and data are key technologies. Another characteristic refers to the high customization. Since the industries in Taiwan are originally equipped with the characteristic of flexibility and customization, and international giant manufacturers focused on mass production in the past such that they are less experienced in customization, consequently, it is advantageous to Taiwanese manufacturers to exploit their capability in the AIoT era.

In recent years, the development trend of the communication industry is closely related to the innovative applications that are derived from the artificial intelligence (AI) and 5G technologies, such that the communication products are indirectly affected to move from the cloud to the software definition model, thereby accelerating the use efficiency of current hardware. For networking equipment, under the development of smart and high-speed transmission, Taiwanese business operators are

guided to invest in and plan high-end products with the support of integration of diverse technologies. In addition, with the promotion of smart cities, internet equipment has been widely constructed, and such construction is supported by the technology foundation of LPWAN, 4G/5G, and edge computing, etc. The transmitting and receiving ends are required to process enormous amount of IoT data at the local end. Accordingly, these digital assets will create business opportunities in the future, thus establishing another wave of opportunities for transformation.

Under the development of smart cities, information security and privacy protection issues are key issues for city development. Particularly, when IoT is widely used in various fields of smart cities, effective protection and preservation of users' transaction information, action records, and personal privacy will become the key subjects to be handled properly by us.

Taiwanese IP Camera manufacturers are facing a great competition threat from Chinese manufacturers in the international market, and the product output has been less than expected. Under the rapid change of the information era, IP Camera product development has progressively transformed from the traditional analogue system to the innovative direction of digitization and network. Regardless of the types of products of high performance, high specification, or products focusing on appearance design, user experience, and home application integration, it is necessary to enhance the product security. Accordingly, improvement of product security and establishment of a cooperation relationship with system integrators or home application service providers, such as security operators and telecommunication operators, are the key competencies for companies planning to enter the market.

The continuous development of smart homes will drive the growth of IP Cameras and will become the growth dynamics for the overall IP Camera production volume. To overcome the low price competition with Chinese manufacturers, Taiwanese manufacturers must actively improve the production line planning and further enhance product security. In addition to the improvement of product security design, introduction of privacy and data protection technologies, and prevention of disclosure of personal data collected by the product, it is also necessary to adopt an active protection concept in order to enhance the security software development process of penetration testing, etc., thereby improving

their own advantages to achieve differentiation and to extend the product categories. Moreover, security surveillance products other than cameras, such as access control systems, can be integrated to head toward the development of providing comprehensive security surveillance solutions. In addition to the development of high-end products and enhancement of product specification, it is necessary to invest in software development in order to strengthen software services for different applications. Furthermore, the product added-value must be increased, and products for small and medium enterprises need to be developed along with the expansion of new market applications, in order to avoid price competition.

Telecommunication Equipment:

#### (1) Broadband Communication Equipment

The upcoming 5G era has driven the demand for higher speed broadband applications, such that there is a great expectation for the fixed broadband market with full installation of optical fibers. The U.S. government has signed the infrastructure investment act and has allocated a budget of US\$65 billion to promote broadband networks. Among which, the amount for the “Broadband Equity, Access, and Deployment (BEAD) Program” is the highest, and fiber optics is a subsidy item of the highest priority for BEAD. To overcome the poor connection issues faced by villages and remote communities, the U.K. government has proposed the Project Gigabit at an amount of GBP 5 billion for the construction of a fiber optics network for remote communities. The German government has also stipulated a budget of EUR 12 billion as the Digital Infrastructure Fund for the construction of a fiber optic network, and it has set the year 2025 as the target year for achieving the goal of Gigabit Internet. In view of the above, under the subsidies and support provided by countries worldwide to promote fiber optic network construction with great budgets, it is expected to drive the dynamics of fiber optic network construction and the growth demand for fiber optic broadband equipment.

In addition to the construction of the infrastructure of Fiber To The Home (FTTH), to achieve the goal of Gigabit Internet, it is still necessary to upgrade the original G-PON to 10G PON level equipment. Network technology of 10G PON, such as XGS-PON, NG-PON2, or 10G EPON are beneficial to the improvement of the business performance of local operators. The construction of 10G PON is able to satisfy network service

for home use, enterprise use, and 5G Mobile Backhaul Networks. It is expected that in the future, the capital expenditures of operators in other countries for the construction of 10G PON will significantly increase, such that it will become the new dynamics driving the product output of the PON industry.

Regarding DSL equipment, despite that telecommunication operators are active in the construction of FTTH networks, for the final stage of fiber optic construction, it is still necessary to overcome unfavorable factors of high construction costs, long construction time, and uncertainty of users' acceptance. To promptly satisfy customers' demand for high-speed online service, telecommunication operators use existing copper cable resources along with the adjustment method of higher level, in order to achieve the new technology of G.fast in conjunction with the FTTC (Fiber To The Cabinet) application for areas having difficulty in the construction of fiber optic networks, such that the copper cable method can still be used for connection to the household end. As a result, telecommunication operators are able to construct a high-speed network in a shorter time and lower construction costs while achieving the network upgrade objectives of increasing bandwidth and improving online speed. In view of the above, the enhancement of the DSL CPE product specifications will be beneficial to the increase of product average selling prices and gross profit.

Regarding wireless network equipment, after the new standard of Wi-Fi 6 for Wi-Fi technology and the release of Wi-Fi 6E operating at a greater spectrum range of 6GHz, the scope of product application continues to expand, and the overall market scale also expands continuously. In addition to satisfying the demands for working from home, video conference meetings, online teaching, and media entertainment, etc., consumers are upgrading their home internet connection equipment performance, such that the output dynamics for the new generation of Wi-Fi 6/6(E) increases significantly. The technology of the new generation of Wi-Fi 6/6(E) is able to utilize the G.hn power cable home high-speed backbone network in order to form distributed MESH Wi-Fi Nodes, thus achieving the seamless expansion of the Wi-Fi 6/6(E) signal to cover all interior spaces. Furthermore, the updated Wi-Fi 7 standard will also be launched in 2024. Accordingly, relevant wireless network equipment will also be released, thereby further driving the market demand.

## (2) Optical Communication Relay Equipment

Fiber To The Home (FTTH) communication is able to satisfy users' demand for a high-speed network; however, it requires a relatively longer construction time and high cost. To sufficiently utilize the value of existing copper cables, the application concept of the FTTdp (Fiber-to-the-Distribution Point) architecture has been developed with greater economic benefits for the provision of high-speed broadband online service.

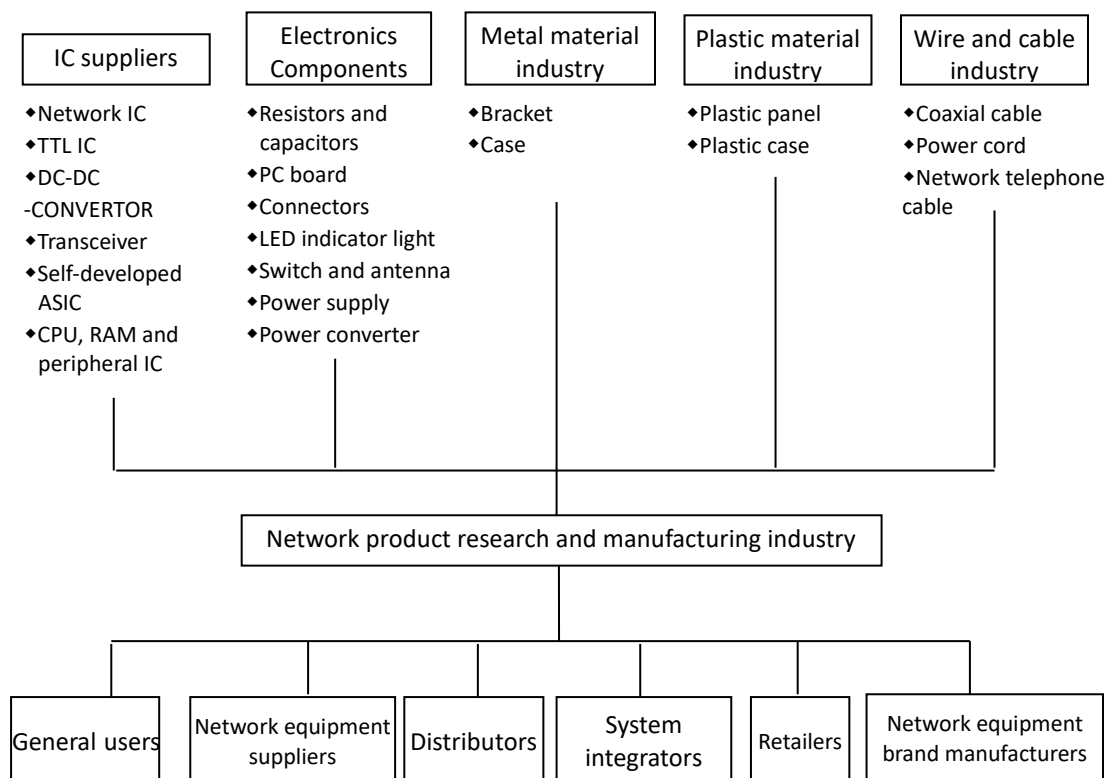
FTTdp further promotes the fiber optic communication toward the user end via the DPU and MDU equipment. The DPU/MDU equipment at the fiber optic end point and copper cable starting point are relatively close to the users' homes, such as the installation at the street sewer, electric pole, floor telecommunication box, or building telecommunications room, such that the copper cable distance can be significantly reduced to improve the connection speed. The DPU/MDU uplink fiber optic interface may adopt PON (Passive Optical Network) or GE (Gigabit Ethernet) technology. The DPU downlink copper cable interface mainly adopts VDSL2 or the new generation of G.Fast broadband technology. The new generation of G.Fast broadband technology utilizes the original copper stranded wire, in order to provide network service at a speed of 1 Gbps or even exceeding 1 Gbps.

The Company' DPU/MDU products comply with the IP68 dustproof and waterproof standards, and are applicable to extreme and harsh environments. In addition, the products also support the function of reverse power in order to overcome the difficulty of an insufficient power supply on the network distribution point. The fiber optic network technology constructed by the telecommunication operator is connected to the copper stranded wire of the traditional telephone network system, such that the new generation of broadband technology of G.Fast is able to achieve a speed of Giga Bit on the existing copper stranded cable, thereby reducing the cable laying and installation issues and increasing the construction efficiency at the same time. The Company's DPU/MDU equipment supports G.Fast and is compatible with VDSL, such that greater efficient and optimal asset utilization rate can be provided to telecommunication operators, thus reducing customers' connection costs significantly.

2. The relations between the up-, mid-, and downstream industries  
Consumer and Enterprise Communication Equipment:

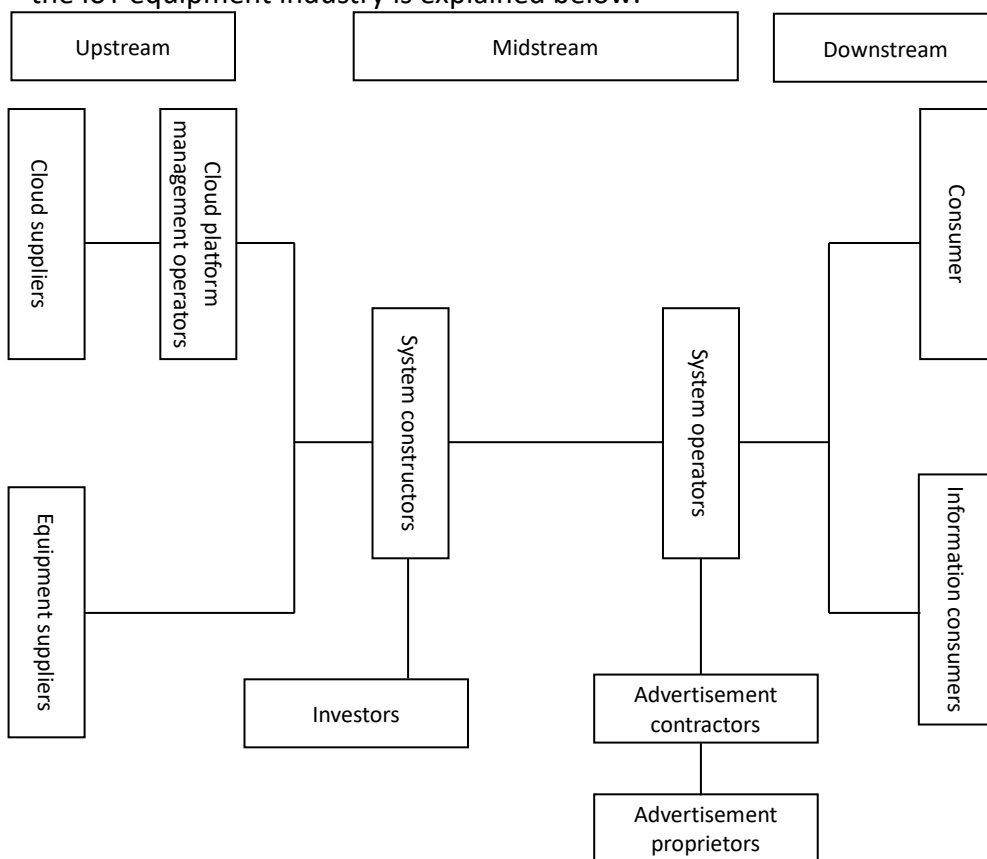


The Company's role in the consumer and enterprise communication segment mainly involves the production and sale of networking equipment, which primarily consists of wireless broadband networking solutions. The upstream of this particular segment includes semiconductors, electronic components, metal materials, plastic materials, and wires and cables. Taiwan has developed a robust and efficient supply chain for networking products owing to its extensive experience in the manufacturing of electronic goods and strong engineering know-how. The downstream of this segment comprises computer system integrators, distributors, and networking equipment suppliers in the upstream. Products made by the Company are packaged with personal computers or integrated into systems, and sold to enterprise users as well as general consumers. These products allow separate computer terminals to connect with each other so that resources and information can be transferred and shared over a network. Association between upstream, midstream, and downstream participants of the networking industry is explained below:



### IoT Equipment:

The IoT segment does more than just the research, development, manufacturing, and sale of hardware equipment, but also incorporates cloud solutions to allow sharing of network resources. Depending on the form of monthly maintenance and consumption patterns, IoT equipment may give rise to new business models where services are paid for by consumers themselves or by advertisers or other third parties in an attempt to attract visitors, thereby providing monthly revenue in the form of service fees for service operators. Association between upstream, midstream, and downstream participants of the IoT equipment industry is explained below:

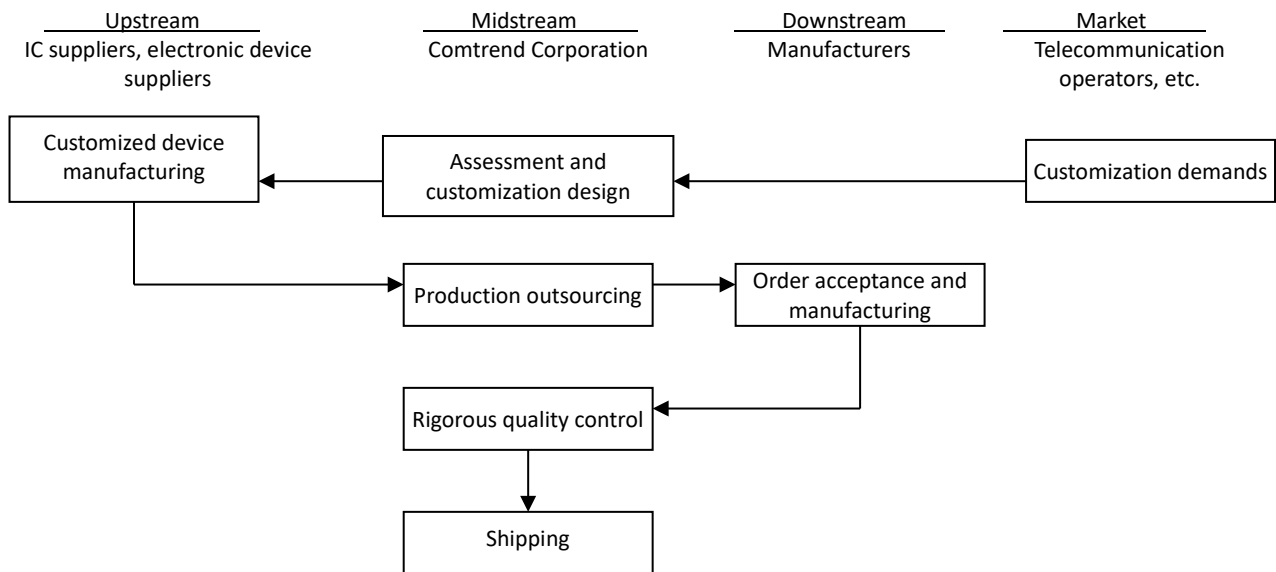


### Telecommunication Equipment:

The Company strives to provide customers with high-quality communication equipment that meet their needs. To support customers in the expansion of telecommunication service, the Company has always cooperated closely with chipset designers in the upstream, and worked with them to develop products featuring special functions that meet customers' requirements.

The Company sells products to world-renowned telecommunication operators, telecommunication system integrators, cable TV operators, and North American telecommunication equipment distributors, all of which have

extremely high standards on product quality. For this reason, the Company not only demands the highest quality in product research, development, and design, but also imposes the most stringent production standards on downstream producers. In addition to helping vendors develop production testing standards and programs, the Company assigns quality assurance personnel to oversee quality control at contractors. Association between upstream, midstream, and downstream participants of the telecommunication equipment industry is explained below:



### 3. Various Development Trends of Products and Competition Status

Enterprise and Consumer Communication Equipment:

#### (1) Enterprise and Consumer Networking Products

According to IEK market research, it indicates that as the Taiwanese communication industry benefits from the business opportunities of smart homes and cities and consumers' continuous demand for media streaming services, the demand for wireless communication products is driven to increase. Particularly, the demand for cloud applications continues to expand, and new emerging virtual architecture development will also become the key growth dynamic for the communication industry operators in Taiwan. Taiwanese manufacturers have always been the key manufacturers for wireless network product and equipment manufacturing, and their competency in OEM and ODM is well known. Such outstanding position is established based on the outcome of Taiwanese manufacturers' long term investment in technology research and development and own brand business operators' in-depth market cultivation. All key international branded operators are important customers to Taiwanese wireless networking manufacturers.

In terms of the technical specification, Wi-Fi's next generation of specification, 802.11ax (WiFi 6), further focuses on the three main characteristics of "high bandwidth, low latency, great connection", in order to cope with and support 5G technology and to develop new business opportunities. WLAN suppliers actively expand new markets, and in the future, the applications of smart electric meters, automotive equipment, health care equipment, medical electronic care equipment, remote helicopters, home automatic control appliances (refrigerators, air conditioners, white home appliances, televisions, household power sockets), etc. may all become the new growth engine for WLAN. As the mobile online demand continues to increase, to satisfy the rapid growth of media and image file transmission online traffic volume and to overcome the issue of insufficient bandwidth, all major telecommunication operators worldwide are actively expanding Wi-Fi Hotspots, in order to satisfy consumers' online demand. Accordingly, the Hotspot market popularity is not affected by economic factors, and such demand and popularity continues to increase.

For Taiwanese manufacturers, after Wi-Fi branded operators in Europe, the U.S., and Japan increase additional smart management functions, they are expected to be more active in releasing diverse new router products in the market, and prices and product functions will be differentiated to gain consumer recognition. As for large telecommunication operators, internet operators are actively in the planning of smart home services and the establishment of its exclusive ecological chain along with the consecutive promotion or organization of smart home alliances. Regardless whether it is viewed from the number of brands available for end users' selection or from the OEM operator evaluation perspective, business operators are expected to adopt a more open approach in order to increase the successful rate of new emerging service promotion. In addition to the enhancement of basic Wi-Fi router functions, manufacturers need to also carefully determine whether there is a clear distinction from the existing product lines in order to prevent hassles to users and any possible cannibalization effect.

## (2) Enterprise High-end Switch Products

Regarding the Ethernet Switch industry in Taiwan, as the output volume continues to increase for data center 100GbE high-end switches, and as the business model adopted by domestic ODM operators and international brands, as well as the SDN white-box network exchangers

jointly developed with third party network software developers become more mature, the demands for high-end network exchangers and white-box exchangers are expected to indicate stable growth.

Over the past two decades of development of the Ethernet Switch industry in Taiwan, Taiwanese manufacturers have been able to catch up with the international mainstream standards and specifications swiftly (such as IEEE 802.3ab/1000BASE-T), and all major manufacturers are equipped with outstanding hardware development and manufacturing competency along with network management software development capability, thereby making Taiwan a main manufacturing country for Ethernet Switches. Main customers include international well-known brands in Europe, the U.S., and China. In addition, as all business operators in the industrial ecosystem continue to invest in the research and development of high-end products, the overall industrial technology competency is improved continuously. Accordingly, the Switch industry in Taiwan has entered the industry mature period since 2010.

For some of the domestic manufacturers, as the OEM profit for medium and low end enterprise class Ethernet Switches decreases year after year, they have turned to the research and development of medium and high end products of higher profit, such as carrier grade switches, data center switches, and switches for cloud application. Accordingly, such transformation will be beneficial to the growth of output value and gross profit of the Ethernet Switch industry in Taiwan.

In recent years, the concept of cloud computing, Big Data analysis, and Software Defined Data Centers (SDDC) has become the network mainstream, driving the demand for 25G/100G data center core switches. In addition, data centers also demand network switch equipment of higher standards for virtual computing, network quality, and smart network management capability. The aforementioned software technology function is also the research and development direction with continuous investment made by Taiwanese equipment suppliers in recent years.

### (3) Artificial Intelligence of Things (AIoT) Products, Services, and Others

Regarding IP Camera product specification, it is expected to head toward high-resolution development, and ultra-high quality images will also cause the increase of backend storage equipment costs and drive the bandwidth demand, thereby promoting the importance of image compression technology of H.265. IP Camera products equipped with H.265 are expected to increase in the market. IP Cameras will be

integrated with other data and equipment in order to provide greater analysis applications, such as home care, access security management, and time-lapse photography. Among which, due to the aging society, home care is expected to become one of the key aspects for future development. IP Cameras integrated with the cloud is another future development direction for manufacturers. Presently, the primary method adopted by Taiwanese manufacturers is to engage in collaboration with cloud service giant operators, in order to provide the functions of cloud storage and other image content analysis to consumers. Presently, Taiwanese manufacturers are under the process of seeking new application directions for IP Cameras. Accordingly, the future applications of IP Cameras will become more diverse. In addition, information security is also an important basic function for future development. Information security protection is expected to be provided for network equipment, transmission system, cloud management, and user APP end with security control implemented in various stages and levels.

The global information security privacy and data protection policy focus has gradually shifted from key information infrastructure protection to IoT equipment security, such as: the management draft announced by the U.S. National Institute of Standards and Technology (NIST) in 2018, the IoT equipment security test standard will be announced and released soon, and the EU also approved legislation of the Cybersecurity Act in 2019, requesting equipment must be equipped with functions ensuring security and must meet corresponding certifications. Indicative operators, such as Apple, have also guaranteed to comply with the privacy act and has started to enhance the product privacy protection mechanism. Consumers will re-evaluate enterprises' investment in privacy and data protection, and enterprises gaining consumers' trust will have competitive advantages in personal data assets, which is expected to drive data security protection technologies in the market. Industrial Technology Research Institute (ITRI) suggests that IoT operators in Taiwan shall introduce privacy and data protection technologies during the product design stage swiftly, in order to prevent disclosure of personal data collected by products, and business operators are also recommended to adopt the security software development process with active protection principles and enhanced penetration tests. Furthermore, after the sale of products, it is also necessary to provide periodic remote vulnerability maintenance and management, and the equipment security information

shall be updated in a timely manner along with the provision of active and visible information security equipment health examinations, in order to establish consumer trust and to achieve a digital trust brand for Taiwan in the digital economy era.

#### Telecommunication Equipment:

##### (1) Broadband Communication Equipment

Since telecommunication operators replace DSL products with PON, the overall DSL product output decreases. Nevertheless, for some of the regions in Germany, Italy, the Czech Republic, and Turkey where fiber optic laying is relatively difficult, there are still demands for VDSL and G.fast products. The MIC predicts that for 2023, Taiwan's output volume for DSL CPE products will still reach more than 24 million units.

In addition, under the condition of complying with the specification of the next generation of network transmission speed, DSL is an economic and fast solution in the next generation network with diverse deployment. With the introduction of the new technologies of broadband connection of V.35b and G.fast, and due to the increase of demand for the new wireless specifications of Wi-Fi 6/6E, all of these favorable factors will drive the unit price of DSL CPE products to increase.

The products of 35b VDSL2, G.fast(212MHz), Bonding, and IAD developed by the Company are able to satisfy Tier-1 to Tier-4 customer demands. With the upgrade of equipment specifications, these products are expected to be beneficial for the Company to seize orders from customers.

Regarding PON fiber optic access equipment, telecommunication operators adopt FTTx to meet the increasing demand for broadband network speed during post-pandemic times, such that the percentage of FTTx access technology reaches 60%. In terms of the specifications, the main markets for 10G are the U.S. and East Asia, and the main markets for 2.5G PON are Europe and South Asia. Furthermore, as Chinese manufacturers are facing challenges in telecommunication market development in Europe and the U.S. due to the trade war between the U.S. and China, Taiwanese manufacturers are able to actively seize the market share with telecommunication products or brand OEM business.

GPON ONT products equipped with Wi-Fi 6 and developed by the Company have entered the supply chain of national level telecommunication companies in European and the U.S. In addition, the newly developed 10G (XGS-PON) ONT will also be equipped with relevant

management software developed by the Company. The Company will continue to invest resources in R&D design with continuous innovation, in order to enhance the international competitiveness of products.

Regarding wireless network equipment, with the release of the new standard of WiFi 6/6E and under the increasing demand for the new type of Mesh routers, the overall market scale is driven to grow.

## (2) Optical Communication Relay Equipment

To satisfy increasing demand for high-speeds online of users, and to compete with cable television operators and 4G wireless operators, telecommunication operators are actively deploying fiber optic networks in order to maintain operation advantages. However, fiber optic laying construction at the customer end is facing construction problems of high cost and construction difficulty. Based on the consideration of the factors of providing prompt service, shortening the construction period, and reduction of construction costs, the existing copper stranded cable is used to extend the fiber optic network, thereby reducing the construction costs and improving the construction time effectively.

The Company is committed to the development of high technical barrier DPU/MDU products. In addition to incorporating G.fast (212MHz) technology into the DPU product line, the Company continues to develop specifications of large port numbers in order to enhance product competitiveness. Furthermore, 10G PON technology is also introduced at the optic access terminal. With the adoption of the IP68 dustproof and waterproof standard, the Company's products are able to meet the tough specification test of submerging into water at a depth of three meters for a period of more than three months. The Company not only increases the technical barrier continuously but also accumulates great successful deployment cases with a high quality reputation. Looking into 2023, the Company will continue to provide DPU/MDU equipment products to main telecommunication operators in the regions of Europe, America, and Asia, and provide services to assist customers in the realization of fast deployment of high-speed broadband networks. Accordingly, with the construction of fiber optic networks in various countries and the promotion of the new generation of broadband technology of G.fast, the output dynamics for the Company's DPU/MDU products is expected to continue to increase.

## (3) Technology and R&D

### 1. The Research and Development Expenditures During the Current Fiscal Year



up to the Date of Publication of the Annual Report

Unit: NT\$ Thousand

Item	Year	2021	2022
Research and Development Expenditures		422,094	442,021
Operating income		5,247,518	5,963,157
Percentage of Research and Development Expenditures to Revenue		8.04%	7.41%

2. Technologies and/or Products Successfully Developed During the Current Fiscal Year up to the Date of Publication of the Annual Report

Enterprise and Consumer Communication Equipments

(1) Enterprise and Consumer Network Products Series:

A. WiFi 6 (IEEE 802.11ax) Products Series

- WiFi 6/6E Network Interface Card (NIC)
- WiFi 6/6E Mesh Roaming Range Extenders
- WiFi 6/6E Routers

B. Enterprise WiFi 6 Products Series

- Fast Hopping AI Mesh WiFi Access Points for Enterprise
- WiFi 6/6E Access Points
- Outdoor 5G Industrial Routers, Portable 5G Routers
- High Security Protection Cloud Management System for Enterprise

(2) Hi-End Networks Switches Series for Enterprise:

A. Intelligent Management and Backbone Networks Equipments Series

- 10G Intelligent Management Network Switches
- IEEE 10G, 100G Backbone Network Switches
- Network Security Management System for Enterprise

B. Network Products for Enterprise

- Outdoor High Power 5GHz Bridges
- Smart ONVIF PoE Switches

(3) AIOT Products, Services and Others:

A. IP Camera Series

- High Definition IP Camera with Multi-level Security Key Protection for Enterprise
- Hyperfocal Distance IP camera with Multi-Security Key Protection
- Integrated Network Camera, Cloud Recording Management System
- Wireless presentation projection products
- Image, Voice Recognition AI System

B. Cloud Integration Systems Series

- Video Streaming and Recording Cloud Management System with High Security Protection
- AI Dongle
- Integrated ALPR (Automatic License Plate Recognition) System
- Cross-Industry Integration Cloud Management System

Telecommunications business communication equipments:

(1) Home Networking Products Series:

- A. Smart Roaming Solution Crossing Multi Platforms
- B. WiFi 6E Mesh Roaming Repeaters

(2) Broadband Customer Premise Equipment (CPE) Series:

- A. GPON Network Gateway/IAD with WIFI 6 Feature
- B. VDSL2+ 35b Broadband WiFi 6 Routers Complied to Plume
- C. MoCA 2.5 Broadband Bridge

(3) Fiber-optic Communication Solution Series:

- A. FTThdp XGS-PON Multi-ports G.fast Wave 2 Solution
- B. 5G to Multi-ports G.fast Wave 2 Solution
- C. 10G XGS-PON Broadband Gateway with Tri-bands WiFi 6E Feature
- D. FTThdp fiber to multi-port G.hn coax distribution points with reverse power supply

(4) Long-term and Short-term Business Development Plan

Enterprise and Consumer Communication Equipment:

1. Short-term development plan

(1) Marketing Strategy

- A. Continue to enhance the enterprise networking equipment market, expand the product line, and incense product added value.
- B. Manage the Company's future development strategy and direction, create and seize new business opportunities for the Company's software and services, and head towards the business model of innovative IoT with cloud and advertisement services as the main revenue apart from the traditional commodity trading model.
- C. Increase services to current customers, and maintain long-term cooperation relationships, develop large customer groups, continue to expand the Northeast Asian market, and enter the North American SMB market.
- D. Cooperate with the market demands to select niche products with a high unit price, high added value, and high gross profit in principle.

(2) Production Strategy

- A. Enhance raw material management, in order to achieve inventory optimization.
- B. Enhance manufacturing process control and quality monitoring, in

order to increase production efficiency, product yield rate, and product quality.

(3) Product Development

A. Train professional engineers, enhance R&D competency, and understand the industrial R&D trend through observation, research, and analysis processes.

B. Provide comprehensive consultation service according to customer needs and the development of mainstream products.

(4) Operational Scale

A. Depending upon the demands and economic status of each year, plan the operational scale of the Company.

B. Cooperate with the MIS full computerized operation, accelerate the simplification of operational processes, and improve management performance.

(2). Long-term Development Plans

(1) Marketing Strategy

A. Enhance consumer's image on the brand, and through quality improvement and recognition, continue to establish own brand image properly.

B. From network equipment, transmission system, cloud management, to user APP end, security control is implemented for each stage, and the cyber security and high stability are enhanced, in order to increase the discrimination of the Company from other competitors.

C. Continue to expand the existing product sales and trading business model and progressively expand the business model with the cloud service revenue as the main revenue source.

D. Continue to expand collaboration with international networking giants and telecommunication companies, and seize ODM orders from global well-known networks, in order for the Company to become one of the largest-scale domestic network product manufacturers in Taiwan.

E. Flexibly utilize existing channels to provide comprehensive product selections and services to customers, improve quality control capabilities, enhance after-sale services, establish customers' trust in the Company, and establish long-term cooperative relationships with customers.

(2) Production Strategy

A. Enhance quality management operations, and achieve the quality level

of a world-class manufacturer.

- B. Provide guidance to all outsourced contractors and component suppliers, in order to increase their process and quality competency.
- C. Through centralized Group product manufacturing, expand the production capacity utilization rate, achieve economies of scale, reduce production costs, and further reduce raw material costs through the Group's joint purchases.

(3) Product Development

- A. Expand the depth and breadth of technology R&D field, in order to establish the product integrated application trend.
- B. Enhance R&D competency, and gain the leading position in network peripheral equipment technologies.

(4) Operational Scale

- A. To cope with the Company's business growth, the Company continues to invest with its own funds or executes fund raising in the public market, in order to satisfy the capital demand and to strengthen the financial structure of the Company.
- B. The Company upholds the philosophy of sustainable operation, establishes excellent corporate culture, and values social responsibility.

Telecommunication Equipment:

The Company's products reach various countries worldwide, with most cooperating customers being local telecommunication leading operators in each region. The Company provides diverse products and has also become the single supplier for some of the telecommunication operators in the market. In addition, the Company's commitment and image in quality has received great recognition and reputation from customers. After the Company's products are approved by customers, the Company becomes a qualified supplier to the customers and also aims to provide greater additional business opportunities in the future. Presently, the COMTREND brand has established its popularity in the telecommunications market. In addition to the enhancement in maintaining existing customer groups, its successful experience is also shared with other customers as an important reference for their network deployment and construction needs, and as a marketing advantage for entering other regions.

1. Short-term Plans

- (1) Expand collaborative relationships with existing customers, and increase the supply of product categories and volume of product sales.
- (2) Use existing customers as the sales reference for development of new customer sources.

- (3) Enhance customers' trust in the COMTREND brand.
- (4) Increase the North American market. In addition to the sales of Broadband CPE (DSL etc.) products, the Company will continue to increase the Home Networking Products, Powerline, and GPON, etc. products in order to satisfy the market demand.

2. Long-term Plans

- (1) Expand new sales channels (such as retail markets and enterprise users, etc.) based on existing telecommunication markets.
- (2) Based on existing broadband access equipment, actively engage in the R&D of various types of communication equipment and management systems related to FTTx applications, such as the new generation of product lines of Broadband CPE with 35b, G.fast (212MHz), DPU, MDU, G.hn Wave 2 PLC, 10 GPON HGU, 4G/5G CPE, Wireless MESH Node, Carrier Grade Cloud Management System, etc., in order to become the supplier and partner for Type 1 telecommunication operators worldwide.

II. Overview of the market and production and sales

(1) Market analysis

1. Geographic Areas Where the Main Products (services) are Provided (supplied)

Unit: NT\$ Thousand; %

Selling to \ Year	2021		2022	
	Amount	%	Amount	%
Europe	875,649	16.69	1,012,149	16.97
Americas	1,038,046	19.78	1,077,488	18.07
Asia and Other Areas	3,333,823	63.53	3,873,520	64.96
Total	5,247,518	100.00	5,963,157	100.00

2. Market Share

Persistent growth of the networking and communications industry has given industry participants the incentive to invest into the production and development of new products that meet the market's needs. As a response, the Company and subsidiaries will continue securing long-term relationships with existing customers while at the same time promote proprietary brands "EDIMAX" and "COMTREND" and strive to win ODM orders from the world's major manufactures for revenue growth. In addition to ODM/OEM customers, the group also serves end consumers, consumer electronics retailers, foreign telecommunication service providers, and telecommunication equipment suppliers in the downstream, and by adopting an affiliate marketing approach, the Company hopes to bring a

greater diversity of products to meet customers' needs, and increase market appeal in ways that reach more customers and raise market share.

### 3. Supply and demand and growth potential of the market in the future

European and American countries will continue to maintain the de-sinicization principle for the next few years, and a large amount of investments in the next generation of high-speed infrastructure networks will stimulate greater technologies and products in the market. In 2023, the new generation of equipment of NG PON ONU, 5G FWA CPE, and Wi-Fi 7 routers will be released consecutively, bringing great business opportunities to the networking communication business operators in Taiwan. In recent years, the Taiwanese manufacturers' strategy of direct sales to telecommunication operators has demonstrated outstanding results, and revenue has increased under the positive impact of network construction policies adopted by numerous countries during the pandemic period. In addition, Taiwanese manufacturers have also enhanced their planning for manufacturing sites and product output ratio outside the region of China.

According to the MIC's monitoring of the trend of networking communication business operators in Taiwan in 2023, in general, international market orders are proposing and optimistic. Companies will actively develop new products and seek exposure opportunities while maintaining a relatively higher inventory level to cope with any sudden demands in the market. However, it is necessary to be aware of the impact of global inflation, and some international telecommunication operators are planning to reduce their 2023 capital expenditures, which may cause market uncertainty.

With regards to 5G development, the MIC indicates that the pandemic has continued to affect the 5G supply chain; however, the 5G industry in Taiwan will still achieve significant growth based on the following factors. For the period from 2021 to 2022, global telecommunication capital expenditure has reached a new record high. Under the stimulation of the new network technology of Open RAN, international emerging equipment suppliers and Taiwanese manufacturers have greater opportunities. Key international countries will enter the peak time for the deployment of 5G networks, and many new emerging countries, such as Vietnam, Brazil, and Columbia, etc., with the initial issuance of license, are expected to provide great business opportunities in the future.

In addition, with regards to the business opportunities for Taiwanese manufacturers, as some of the operators start to establish the core network

at the public cloud, but since the public cloud operators focus more on the integrity of software service without hardware development, Taiwanese manufacturers will have the opportunity to provide equipment to public cloud operators. Furthermore, Taiwanese manufacturers will have great business opportunities in the equipment replacement programs adopted in the U.S. Small operators in the U.S. are seeking equipment that can be supplied with a short lead time and without components made in China, which are opportunities for Taiwanese manufacturers. Accordingly, how to improve solution completeness, fast delivery, and price are key factors to be considered by Taiwanese manufacturers.

Furthermore, ITRI indicates that under the development trend of IoT and AI(Artificial Intelligence, communication host machines and terminal equipment will have different levels of computing capability in the future. Taiwanese manufacturers are advised to follow such trend in order to develop IoT terminals and networking equipment (such as smart homes, edge computing applications, etc.) for professional applications, in order to increase the added-value of products, and to seize greater business opportunities in the future AIoT (Artificial Intelligence of Things, referring to the integration of artificial intelligence and IoT) market.

The global demands for the three main communication technologies of wireless networks, broadband, and mobile communication increase synchronously, and countries worldwide actively engage in major broadband infrastructure constructions. In addition, under the trend of the enterprise digitization transformation and the zero-contact economic model for the post-pandemic era, the global demands for network equipment and 5G communication products also increase.

With the advancement of communication technology and to satisfy users' demand for transmission speed, high bandwidth, and high quality media, telecommunication operators have proposed various solutions. According to market demands, PON ONT, xDSL Router/Bonding Gateway, G.fast CPE/IAD, and DPU/MDU related products are still key products demanded by the global telecommunication industry in the future. Furthermore, wireless network technologies will also be updated to WiFi 6, WiFi 6E, or even WiFi 7 continuously, which will be the new growth dynamic for networking business operators.

Countries around the globe also actively expand infrastructure construction investments to revitalize the economy. For instance, the U.S. government has allocated an amount of US\$65 billion for broadband

network infrastructure, in order to integrate fiber optic networks, satellite communication, and 5G technology, thereby establishing high-speed broadband infrastructure facilities throughout the nation. ITRI indicates that the U.S. market is the largest export country for Taiwan's overall networking products, and it will bring the most direct order opportunities for Taiwan.

#### 4. Competitive niche

##### (1) Software and Hardware Integration Capabilities

Edimax Group adopts 4S (Software, Solution, Service, and Security) and 3H (high unit price, high value-adding, high margin) as the main strategies for increasing product added value. By introducing cloud security solutions and software features into products and making timely updates, we make our products more feature-rich and more appealing to customers.

##### (2) Versatile Marketing Approach and Efficient Marketing Network

In terms of marketing strategy, Edimax Group markets its products under the proprietary brand names of "EDIMAX" and "COMTREND" as a way to increase market share, and uses ODM services as a means to achieve economies of scale for lower production overhead and cost. The group has established subsidiaries in Europe, the USA, and Australia to gather information on market trends and technologies, thereby allowing quick responses to market and technological changes. These subsidiaries also give Edimax the ability to learn local customers' needs and provide them with the best products and after-sale services up close, and have played a vital role in the Company's global marketing efforts.

##### (3) Attention to R&D and Product Quality, and Highly Respected Product Quality

Edimax Group is dedicated to improving the quality and technological complexity of its products, and therefore adopts rigorous internal management practices to ensure the precision and consistency of products made. Today, Edimax has passed the quality certification of many reputable networking and communication manufacturers and telecommunication leaders around the world.

#### 5. Future Opportunities, Threats, and Response Strategies

##### Enterprise and Consumer Communication Equipment:

##### (1) Opportunities

##### A. Unlimited Prospect of the Networking Industry



From a long-term perspective, the networking industry still exhibits significant room for growth, considering how consumer electronics are evolving in terms of turnover rate, connectivity, and data usage.

B. Well-recognized for Quality, Design, Technology, and R&D Capacity

In addition to winning the “Taiwan Excellence Award” from the Ministry of Economic Affairs for its products developed year after year, the Company has also been recognized in the iF product design award, named IT Month - Top 100 Innovative Products (winning the Gold Award, the award of highest honor), and ranked among Taiwan’s top 35 global brands, which affirms the quality and design of the Company’s products as well as its know-how and R&D capacity. Having a strong and capable team of developers will prove beneficial to the Company’s expansion efforts in domestic and foreign markets and raise product competitiveness.

C. Comprehensive Service and Distribution Network That Markets Goods All Over the World

The Company has sales offices or distributors set up on major continents around the world to serve customers and gather information. These establishments have proven helpful in terms of delivering customer satisfaction and generating ideas for new product designs, and are beneficial to future marketing efforts.

D. Close Working Relationships With Main Customers

Owing to the growth of Taiwan’s IT industry in the last few years, there has been an increasing level of integration between upstream and downstream components in favor of the networking industry. Meanwhile, the long-lasting relationships that the Company has built with customers over time has enabled us to anticipate and accommodate customers’ requirements with regards to quality, production volume, and delivery timing, which will provide a solid foundation for business growth.

E. Excellent Product-making Capacity

The Company designs its products while taking into consideration factors such as standardization, commonality of materials, possibility of automated production, ease of use by customers, structural changes, and features.

F. Advanced Production Equipment Sourced From Europe, the USA,

and Japan

The Company is a professional manufacturer of networking products. It incorporates the use of advanced automation equipment for processes such as SMT automated insertion to make products at the quality expected by customers. The ability to produce flexibly and deliver on-time has been a great competitive advantage in the market.

competitive advantage in the market.

(2) Threats

A. Low-end Networking Products Have Matured to the Point Where Price Becomes the Dominant Competitive Factor

Response Strategy: Direct focus toward the development and promotion of high-end, high-performance, and high value-adding products. Continue new product development efforts with an emphasis on cybersecurity, enhanced service features, production cost reduction, market share, and ODM service volume; strive to achieve economies of scale for overall cost reduction.

B. Labor Shortage Increases Costs Over Time

Response Strategy: Make timely adjustments to the product portfolio by replacing outdated and low-margin products with high value-added offerings for higher gross profit margin, and thereby mitigate the threat of rising costs.

C. Disrupted Supply and Demand of Raw Materials and Semiconductors Amidst the COVID-19 Pandemic and the China-USA Trade War

Response Strategy: Make early purchases of critical components; offer incentives for advance order placement; raise purchasing prices for scarce materials; secure supply of components with long-term contracts; and tighten control over inventory.

Telecommunication Equipment:

(1) Opportunities

A. Trends of Broadband Communication and Networking

Breakthroughs in broadband connection technologies such as FTTdp, G.fast, V.35b, Bonding, XGS-PON, 25G-PON, 50G-PON, etc. have given telecommunication service providers around the world the incentive to satisfy users' demands for faster and better Internet access. Combined with growing demands for network infrastructures from emerging markets, the need for products

featuring new technologies should persist on a global scale, thereby contributing to the further growth of the communications market.

**B. Excellent Quality and Strong Reputation**

The Company has been able to earn strong trust from customers both locally and abroad through its long-time dedication to “product quality”. The combination of an exceptional product line and professional after-sale service has earned the Company a reputable image.

**C. Highly Competent Team**

The Company has always placed R&D at the top priority since incorporation in an attempt to gain control over critical technologies and build competitiveness in technical know-how. Through the communication products developed over time, the Company now has a highly experienced and capable team of R&D staff and managers to rival the best of the world.

**D. Productive Relationships With Existing Partners**

The Company persists in delivering high-quality products and maintains good supply relationships with all its customers. Meanwhile, the Company coordinates closely with EMS/OEM/ODM partners and upstream/downstream suppliers to ensure the quality of products made. Our dedication down this path has earned us an extremely high level of customer satisfaction for the products and services provided. The Company will continue working with these partners in the future to achieve further success.

**(2) Threats**

**A. Increasing Levels of Market Competition**

Liberalization and globalization of telecommunication services combined with domestic and foreign research reports on the favorable outlook of the telecommunications market have increased demand for communication products. This prospect attracts participants both locally and abroad, which in turn intensifies competition in the market.

Response Strategy: Take part in telecommunication exhibitions for customer exposure; gather the latest knowledge and analyze the needs of different regions and markets to support future product plans; invest additional resources into product development and establish an early presence in potential

markets for improved profitability.

B. Chinese Producers With Their Cost Advantage Present Significant Competition in Mid- and Low-priced Products

Response Strategy: Expand collaboration with Chinese ODM service providers, shift focus to areas that the Company has a competitive advantage (such as marketing and software development), and outsource production activities to make up for lack of competitiveness in costs; direct R&D focus to high-end products and introduce new technologies that are distinctively different from mid-tier and low-end offerings to create a competitive barrier.

(2) Important functions and production processes of main products

1. Main Product Applications

Enterprise and Consumer Communication Equipment:

(1) Network Interface Controllers (NICs) and WIFI NICs

Key components used in PCs, laptops, and electronic devices to connect to the local area network. Allows transmission of data over the local area network through Ethernet or WIFI.

(2) Fast Ethernet and Gigabit Ethernet Products

Ethernet products broadly encompasses NICs, interfaces, and switches of different ports and speeds. They enable PCs, laptops, and electronic equipment to connect to each other and form a wired local area network.

(3) Switches

Hubs that allocate network bandwidth to enable faster data transmission.

(4) Power Over Ethernet (POE) Switches

POE is a solution created for delivering power to the terminal equipment. This type of switches has been designed to supply DC power over Ethernet cables, thereby allowing the terminal equipment to source power through a single Ethernet cable. Some switches deliver POE out-of-the-box while others require a conversion process.

(5) Wireless Access Points, Access Points

These devices are used as a bridge between wired and wireless area networks; it allows end users to connect wirelessly to a wired local area network or even the Internet.

(6) Routers

Network equipment that connect a local area network to the Internet.

(7) Range Extenders and Repeaters

Devices installed somewhere between a wireless router and a wireless terminal to boost wireless signals, and thereby extends coverage of the wireless local area network.

(8) Mesh, Roaming

Mesh is a network that uses dynamic routing protocol to transmit data and instructions between nodes. This network ensures the integrity of connections between nodes. If any node of the network topology fails or is unable to provide service, a new route can be formed via “hopping”, thereby allowing data to reach its intended destination. When used in a wireless network, all nodes in the network can be assigned a uniform SSID, so that each terminal device can roam freely and seamlessly between nodes to connect to the one that offers the best signal, which delivers a faster Internet experience without additional configuration.

(9) IP Cameras

Allow network users to access live feeds captured on remote cameras over a connected network for surveillance and security purposes. Footage captured on cameras can be stored in the built-in memory or to cloud storage.

(10) Airboxes

Monitor PM2.5 content in the atmosphere and upload data to the cloud, where the public may access using an app.

(11) Networking Peripherals and Servers

Network Storage Servers: Allow network users to share files and resources over Network Storage Servers.

Telecommunication Equipment:

(1) VDSL2 Equipment

Broadband connection equipment that allows users to connect to the Internet using VDSL2/ADSL2+. Complements the disadvantages of ADSL and is mainly used in FTTH applications such as wired/wireless broadband connection, VoIP, video transmission, etc.

(2) GPON/XGS-PON ONU Passive Optical Networking Equipment

FTTH client-end equipment that allows users to connect to the Internet using optical fiber at speeds up to 10Gbps.

(3) G.fast CPE

Broadband networking equipment that connects household users to

the carrier; uses G.fast technology to transmit data at speeds comparable to optical fiber over conventional copper wires.

(4) G.hn PLC Powerline Communication Equipment

Allows users to turn in-home powerlines into a hard-wired network for data, voice, and video transmission; an ideal tool for the last mile.

(5) DPU/ MDU

Equipment that connects both optical fiber and copper cables. It allows users to make use of existing equipment and save on FTTH deployment charges, and is an ideal tool for the last mile of high-speed broadband. This particular equipment features the IP68 waterproof and dustproof rating and supports reverse POE, making it an ideal network deployment device for carriers.

(6) ACS (automatic configuration server) Software

Gives telecommunication service providers the ability to configure parameters for end-user equipment over a network, and thereby saving cost on manual servicing and maintenance.

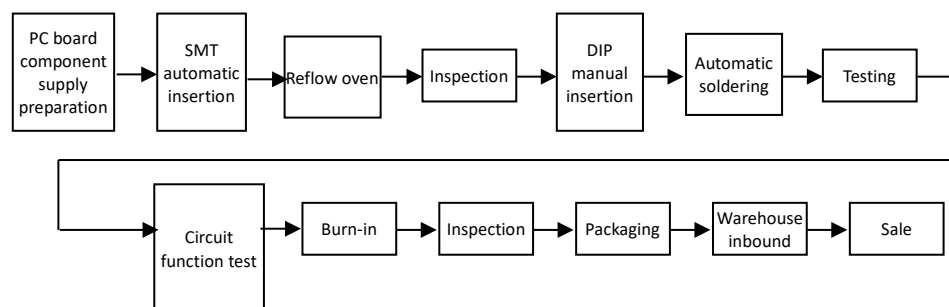
(7) WifiXtend (WiFi Mesh management system)

Provides telecommunication carriers with complete WiFi Mesh management features such as Single Sign-On, Auto-Sync, Self-Healing, and Roaming, etc.

(8) Wi-Fi Router/ AP/ Mesh Node

Allows users to construct wireless networks in their own homes for transmitting data, voice and video, etc. information, in order to achieve an online environment anywhere.

## 2. Production Process



### (3) Primary Raw Material Supply Status

The raw materials of the Company can be mainly divided into key components and general components. Key components mainly refer to control chipsets constituting product function characteristics. General components refer to components used by general electronic products, including passive components, resistors, capacitors, printed circuit boards, and chassis.

The long and short term material issues caused by the shortage of key components due to the pandemic impact in the past have been mitigated recently; however, the global greater environment still faces the concerns of the trade conflict between China and the U.S., the Russo-Ukrainian War, inflation, unstable exchange rates, and economic recession, etc. Accordingly, the Company shall adopt a conservative and rigorous approach for future challenges, and shall also continue to enhance supply chain management, improve supply quality, and reduce costs and lead time in order to improve overall operational performance. Currently, there is still a shortage of key components in the network and communications industry, so we must be prepared and strengthen inventory control.

- (4) Name of customers accounting for more than 10% of total purchase (sales) amount of the Company in the most recent two years or in any year and the purchase (sales) amount and ratio thereof, and please explain the reason of changes thereof

1. Suppliers Accounting for More Than 10% of the Total Purchase Amount of the Company

Unit: NT\$ Thousand

Item	2021				2022			
	Name	Amount	As a percentage of the annual net purchase (%)	Relations with the issuer	Name	Amount	As a percentage of the annual net purchase (%)	Relations with the issuer
1	IslandTek	705,150	16.64	Associate	IslandTek	872,267	20.73	Associate
	Others	3,532,830	83.36	—	Others	3,334,862	79.27	—
	Net purchase	4,237,980	100.00	—	Net purchase	4,207,129	100.00	—

Regarding purchases, for the most recent two years, Edimax Group had one supplier with a purchase amount reaching more than 10% of the total purchase amount. Such company is one of the investees of Crystal invested in by Edimax for 30% of the shareholding percentage. Edimax Group's Dongguan Plant mainly focuses on high-end and high profit margin wireless products; therefore, wired products are transferred to such company for production. Except for the above, there is no single supplier accounting for more than 10% of the total purchase amount.

2. Customers Accounting for More Than 10% of the Total Sales Amount of the Company

Unit: NT\$ Thousand

Item	2021				2022			
	Name	Amount	As a percentage of the annual net sale (%)	Relations with the issuer	Name	Amount	As a percentage of the annual net sale (%)	Relations with the issuer
1	Company A	1,113,558	21.22	None	Company A	876,861	14.70	None
	Others	4,133,960	78.78	—	Others	5,086,296	85.30	—
	Net sale	5,247,518	100.00	—	Net sale	5,963,157	100.00	—

Regarding the sales of products, for the most recent two years, the total sales of Company A accounts for more than 10% of the consolidated revenue. Company A is a customer of Edimax, and in recent years, it has benefited from the epidemic measures with the increase of home economic market demands associated with working from home, remote education, and remote monitoring, etc. Accordingly, end consumers' demand for broadband network transmission has increased, driving the growth of broadband connection equipment, commercial networking equipment, internet telephone, and other telecom equipment. Company A commissions Edimax to provide design and OEM service and WiFi wireless network products. As a result, the sales to Company A in 2021 and 2022 reached more than 10% of the total sales amount. The reason for the decline in 2022 in comparison to the previous year is mainly due to the Company's focus on products of high gross profit, such that products of relatively lower profit margins are being replaced gradually. Except for the above, there is no single customer accounting for more than 10% of the total sales amount.

#### (5) Production Volume and Value for the Most Recent Two Years

Unit: NT\$ thousand; pieces; units

Year	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Main product						
Telecommunication and networking product	8,500,000	5,935,429	2,791,614	7,800,000	5,452,151	3,065,377
Total	8,500,000	5,935,429	2,791,614	7,800,000	5,452,151	3,065,377

Note 1: It refers to the quantity that can be manufactured after evaluation of necessary suspension of work, holidays, and other factors, and with the use of the existing production equipment and under normal operation.

2. Production volume includes Edimax Technology (Dong Guan) Co., Ltd. and outsourced contractors.



3. Due to different product combinations (network cards or AP/Routers), the production capacity and volume of the Company may have a relative difference.

(6) Sales Volume and Value Table for the Most Recent Two Years

Unit: NT\$ thousand; pieces; units

Year Sales volume and value Main product	2021				2022			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Enterprise and Consumer Communication Equipment	2,497,561	2,038,950	1,634,054	1,334,003	2,058,738	2,297,710	1,371,920	1,531,168
Telecommunication Equipment	20,000	5,083	1,049,000	1,634,625	1,016,000	9,852	1,277,000	1,897,983
Communication Service	—	—	—	190,793	—	—	—	198,341
Others	—	13,219	—	30,845	—	8,431	—	19,672
Total	—	2,057,252	—	3,190,266	—	2,315,993	—	3,647,164

Note: 1. Since others refer to different products, the sales volume is not indicated.

2. Since the quantity calculation units for all products are not the same, the sales total quantity is not indicated.

III. Employees

Year		2021	2022	Current year up to April 30, 2023
Number of employees	Direct labour	368	320	323
	Indirect labor	747	741	746
	Total	1,115	1,061	1,069
Average age		34.85	36.04	36.18
Average years of service		5.77	6.24	6.21
Distribution of education attainment	Doctoral Degree	0.45	0.56	0.56
	Master's Degree	13.36	13.48	13.84
	College/University	29.60	31.76	32.74
	Senior High School	5.47	5.28	5.15
	Below Senior High School	51.12	48.92	47.71

IV. Information on environmental protection expenditure

The Company and subsidiaries operate in a high-tech industry that is prone to a low level of pollution. The group has always placed great emphasis on environmental protection and the safety and health of its factories, and for this

reason, neither the Company nor its subsidiaries encountered any pollution-related dispute or was penalized or ordered to compensate for pollution in the last year and up until the publication date of this Annual Report.

V. Labor-management relations

- (1) The Company's various employee benefit measures, continuing education, training, pension system, and implementation thereof, as well as labor-management agreements and various employee rights protection measures

Edimax recognizes people as its greatest advantage, which is why we assist employees not only in work, but also in various aspects of life from common skills, knowledge, and lifestyle to health by providing them with a comprehensive range of benefits and care. It is our hope to see every employee grow alongside the Company.

The Company's various employee benefit measures includes continuing education, training, pension system, and implementation thereof, as well as labor-management agreements and various employee rights protection measures, employees' work environment, and safety protection measures.

1. Employee Welfare Measures

- (1) All employees subscribe to Labor Insurance, National Health Insurance, and group insurance coverage offered by the Company.
- (2) Employees undergo regular health checkups (once every two years), and have access to a massage service.
- (3) All employees have access to annual book subsidies, the Book-A-Trip campaign, the common reading area, and the Edimax Gallery.
- (4) Year-end bonus, festival cash, patent bonus, and other special incentives.
- (5) Employee profit sharing, employee shareholding trust.
- (6) The Company organizes skill and knowledge courses and offers training subsidies.
- (7) The Company organizes domestic/overseas group trips each year and grants employees additional travel leave.
- (8) Department gatherings, Family Day, quarterly birthday celebrations.
- (9) Subsidies are granted for occasions such as weddings, funerals, childbirths, injury, illness, travel, and employees' education, whereas tuition aid is granted to employees' children.
- (10) Facilities such as a cafeteria, gym, and nursery room have been made available; the Company also has an Employee Welfare Committee that organizes various club activities (yoga, aerobic

boxing, badminton, etc.).

## 2. Training and Continuing Education

The Company assigns existing employees to internal or external training that is relevant to their job roles from time to time as a way to improve work efficiency and help employees develop a better understanding of their duties.

Below is a list of internal education and training events organized in 2022:

Course title	Hours	Number of Enrollments
Orientation (Company introduction, product introduction, HR policy, the Welfare Committee, information system and rules, and introduction to laws concerning business integrity, prohibition against insider trading, etc.)	3	77
Health Seminar	1	23
ESG Training	3	14
Introduction to Environmental Regulations Around the World	2	15

## 3. Retirement System and Implementation

The Company has created its retirement system in accordance with the Labor Standards Act, and has implemented a retirement policy. Contributions to the labor pension fund are made in compliance with the government's "Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds". Since the enactment of new regulations on July 1, 2005, the Company has been making monthly labor pension fund contributions into employees' individual pension fund accounts held with the Bureau of Labor Insurance at 6% of monthly salary for new recruits and existing employees who opted for the new pension scheme introduced under the Labor Pension Act. Employees under the new scheme may also make voluntary contributions in addition to the 6% of monthly salary. For existing employees who opted to continue with the old pension scheme and those who chose to switch from the old scheme to the new scheme, the Company recognized their years of service and converted them into appropriate amounts of contribution to the pension fund account held with Bank of Taiwan using the pension benefit standards stated in the existing retirement policy.

One employee retired in 2022, for whom the Company paid pension

benefits out of the pension fund account held with the Bank of Taiwan as required by law.

#### 4. Enforcement of Labor Agreements and Employee Rights

The Company protects employees' rights by observing legal requirements; furthermore, the management makes improvements to software and hardware to accommodate employees' needs. In years of profit, the Company pays out employee remuneration in accordance with the Articles of Incorporation as a way to share business success.

All managers of the Company maintain timely communication with employees and convene regular (quarterly) labor-management meetings to discuss issues, gather opinions, and solve problems. The Company expects to maintain this harmonic employment relationship in the future.

The Company is dedicated to providing employees with a safe work environment and strictly observes legal requirements. In addition to implementing safety rules such as the "Worker Health and Safety Policy", "Fire Safety Policy", and "Hazardous Chemicals Management Policy", the Company has also established codes of conduct to prevent occupational hazards. Emergency response drills are held twice a year in compliance with fire safety regulations, whereas health checkups, health seminars, wellness courses, Family Day, and employee trips are organized from time to time to promote both physical and mental health. An Employee Welfare Committee has also been assembled to oversee welfare measures and subsidies for employees. The Company complies with laws and arranges Labor Insurance, National Health Insurance, and group insurance coverage to protect employees and support their physical and mental health development.

- (II) Actual or estimated losses arising as a result of employment disputes in the last year and up until the publication date of this Annual Report, and any response measures taken: None.

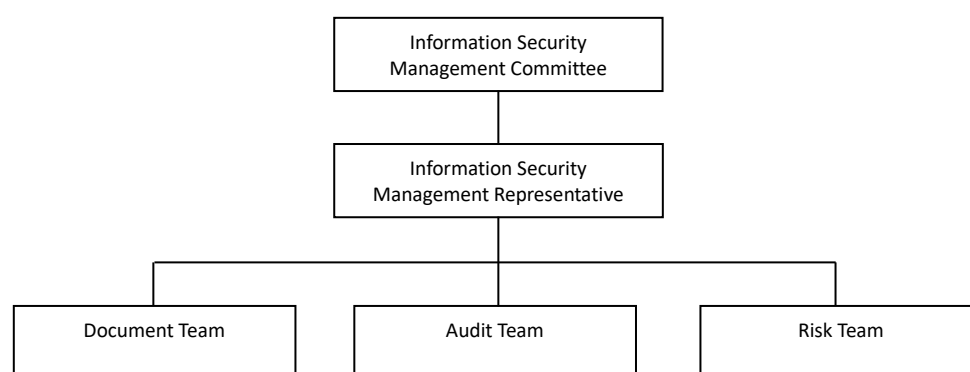
## VI. Cyber security management

(1) Cyber security risk management framework, policy, specific management plans, and resources put in cyber security management:

In September 2020, the Company passed certifications for ISO/IEC 27001:2013 and CNS 27001:2014 - Cybersecurity Management (valid between September 21, 2020 to September 20, 2023).

### 1. Cyber Security Risk Management Framework

To ensure information security, the Company established the Information Security Management Committee in June 2020 to coordinate matters related to information security. Its organizational structure is as follows



### 2. Cyber Security Policies

To comply with related laws and regulations and protect the Company's information assets (including data, software, and hardware equipment), the Company established the information security policy as the basis for compliance.

The Company's goal for information security is to ensure the confidentiality integrity and availability of the important and core systems to achieve information security goals.

**Confidentiality:** To prevent any sensitive information of the Company from leaking on the Internet.

**Integrity:** To ensure the correctness of the Company's sensitive information (such as: financial information, personnel information, and system information).

**Availability:** Backup shall be ensured for all the important data held by the Company.

### 3. Concrete Management Programs, and Investments in Resources for Cyber Security Management

The Company organizes regular cybersecurity education to ensure that all cybersecurity measures or rules conform with prevailing policies and laws

of the government. The Company conducts cybersecurity audits and tests its business continuity plan at least once a year to make sure that IT assets are properly protected against unauthorized access and damage caused by negligence, and that all cybersecurity incidents and suspected security weaknesses are reported properly and followed up on with appropriate investigations and treatment.

- (2) Any losses incurred due to major cyber security incidents, potential impacts, and countermeasures in the most recent year and up to the publication date of this annual report. If the amount cannot be reasonably estimated, please specify the fact that it cannot be reasonably estimated: N/A.

#### VII. Important Contracts

Nature of contracts	Parties involved	Contract starting and end dates	Main contents	Restrictive covenants
Long-term secured loan contract (Edimax)	Chang Hwa Commercial Bank-Jiangcui Branch	January 2016 - January 2036	House mortgage contract	None
Long-term secured loan contract (Comtrend)	Chang Hwa Commercial Bank-Jiangcui Branch	January 2022 - January 2042	House mortgage contract	None
Guarantee contract (Edimax)	Chang Hwa Commercial Bank	The contract becomes effective after the competent authority approves Edimax's issuance of the domestic 7th secured convertible corporate bonds and completion of fund raising. The duration is to the date when the Company has repaid the principal of the corporate bonds in full, and to the date when Edimax completes obligation for the performance of returning or repaying Chang Hwa Commercial Bank the advance payment, interest, default fine, and other relevant fees and damage indemnification.	Corporate bond guarantee related agreement	None

Nature of contracts	Parties involved	Contract starting and end dates	Main contents	Restrictive covenants
Product OEM contract (Edimax)	Comtrend Corporation	2012/2/11-Present day	Product manufacturing OEM contract and product commissioned manufacturing contract	Non-disclosure clauses
Product OEM contract (Comtrend)	Company S	2017/1/1-Present day	Electronic product incoming material processing contract	Non-disclosure clauses
	Company Gui	April 15, 2009 -	Electronic product incoming material processing contract	Non-disclosure clauses
Joint development contract (Comtrend)	Humax	2017/8/30-Present day	Service contract for assisting product development	Non-disclosure clauses
	Company H	2015/8/31-Present day	Technology collaboration and joint product development contract	Non-disclosure clauses
Sales contract (Edimax)	Company Jia	March 1, 2011 - February 28, 2023	Production and product sales contract	Non-disclosure clauses
	Company Yi	2004/10/12-Present day	Product development and sales and relevant service contract	Non-disclosure clauses
	Company Bing	2013/5/2-Present day	Product sales and relevant service contract	Non-disclosure clauses
	Company Ding	2019/1/1-Present day	Product development and sales contract	Non-disclosure clauses
Sales contract (Comtrend)	Company K	2006/3/1-Present day	Product sales contract	Non-disclosure clauses
	Company F	2013/7/4-Present day	Product sales contract	Non-disclosure clauses
	Company E	2014/10/21-Present day	Product sales contract	Non-disclosure clauses
	Company L	2007/6/20-Present day	Product sales contract	Non-disclosure clauses
	Company H	2017/2/2-Present day	Product sales contract	Non-disclosure clauses

Nature of contracts	Parties involved	Contract starting and end dates	Main contents	Restrictive covenants
	Company M	2012/12/26-Present day	Product sales contract	Non-disclosure clauses
	Company P	2007/12/4-Present day	Product sales contract	Non-disclosure clauses
	Company O	2020/4/14-Present day	Product sales contract	Non-disclosure clauses
	Company Q	2022/2/10-Present day	Product sales contract	Non-disclosure clauses
Purchase contract (Comtrend)	Company Yi	2015/11/16-Present day	ODM/OEM product purchase contract	Non-disclosure clauses
	Company Yin	2019/8/21-Present day	ODM/OEM product purchase contract	Non-disclosure clauses
	Company Ji	2015/9/30-Present day	Chipset software license contract	Non-disclosure clauses
	New Garden	2017/3/1-Present day	Software license necessary for products	Non-disclosure clauses
	Broadcom	2014/3/6-Present day	Software license	Non-disclosure clauses
	Broadcom	October 29, 2018 - October 28, 2023	Software license	Non-disclosure clauses
	Sisvel	2019/1/1-Present day	DSL patent rights	Non-disclosure clauses



## Six. Overview of Financial Information

I. Condensed balance sheet and statement of comprehensive income in the most recent five years

1. Condensed Consolidated Balance Sheet and Statement of Comprehensive Income

### Condensed Consolidated Balance Sheet

Unit: NT\$ Thousand

Item		Financial data in the most recent five years (Note 1)				
		2018	2019	2020	2021	2022
Current asset		4,336,393	3,787,009	4,927,950	4,693,477	4,807,851
Property, Plant and Equipment		2,407,578	2,331,321	2,317,465	2,276,903	2,483,468
Intangible asset		30,062	29,159	29,188	30,386	33,718
Other assets		194,289	367,665	337,688	363,652	307,328
Total assets		6,968,322	6,515,154	7,612,291	7,364,418	7,632,365
Current liabilities (Note 2)	Before distribution	3,075,211	2,420,269	3,007,281	2,636,302	2,428,694
	After distribution	3,075,211	2,448,243	3,062,172	2,636,302	2,636,656
Non-current liabilities		1,472,491	1,577,543	1,558,714	1,869,047	1,843,688
Total liabilities (Note 2)	Before distribution	4,547,702	3,997,812	4,565,995	4,505,349	4,272,382
	After distribution	4,547,702	4,025,786	4,620,886	4,505,349	4,480,344
Equity attributable to owners of parent company		1,973,025	2,009,159	2,172,488	2,068,330	2,565,124
Share capital		1,864,916	1,864,916	1,892,408	1,902,502	2,078,605
Additional paid-in capital		162,547	168,621	228,100	236,689	284,928
Retained earnings	Before distribution	(19,979)	18,016	104,598	(17,967)	237,545

(Note 2)	After distribution	(19,979)	18,016	49,707	(17,967)	71,175
Other equities		(14,248)	(25,649)	(38,904)	(39,397)	(22,981)
Treasury stocks		(20,211)	(16,745)	(13,714)	(13,497)	(12,973)
Non-controlling interests		447,595	508,183	873,808	790,739	794,859
Total equity (Note 2)	Before distribution	2,420,620	2,517,342	3,046,296	2,859,069	3,359,983
	After distribution	2,420,620	2,489,368	2,991,405	2,858,069	3,152,021

Note 1: Financial data for 2018-2022 was sourced from audited consolidated financial statements.

Note 2: Figures after distribution are presented in the amounts resolved during the following year's shareholders' meeting; the 2022 amounts are yet to be resolved during a shareholders' meeting.

### Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ Thousand

Item \ Year	Financial data in the most recent five years (Note 1)				
	2018	2019	2020	2021	2022
Operating income	6,873,561	5,488,422	6,313,382	5,247,518	5,963,157
Gross profit	1,653,759	1,456,246	1,623,120	1,177,870	1,453,273
Operating income or loss	212,082	178,095	370,753	(37,644)	155,100
Non-operating income and expenses	(6,347)	56,213	(91,338)	(16,492)	142,640
Profit before tax	205,735	234,308	279,415	(54,136)	297,740
Net income of continuing operations in this period	121,978	153,940	227,249	(72,184)	258,977
Loss on discontinued operations	—	—	—	—	—
Net income (loss) for this period	121,978	153,940	227,249	(72,184)	258,977

Other comprehensive income for this period (net of tax)	5,278	(38,169)	(33,178)	(11,335)	38,067
Total comprehensive income for this period	127,256	115,771	194,071	(83,519)	297,044
Net income attributable to owners of parent company	(27,127)	60,772	104,251	(55,028)	252,658
Net income attributable to non-controlling interests	149,105	93,168	122,998	(17,156)	6,319
Total comprehensive income attributable to owners of parent company	(21,387)	26,594	73,327	(68,169)	271,928
Total comprehensive income attributable to non-controlling interests	148,643	89,177	120,744	(15,350)	25,116
Earnings per share (Note 2)	(0.15)	0.33	0.56	(0.29)	1.30

Note 1: Financial data for 2018-2022 was sourced from audited consolidated financial statements.

Note 2: Earnings per share were calculated based on outstanding common shares using the weighted average approach, with retrospective adjustments applied for any new shares issued against capitalized earnings or additional paid-in capital.

## 2. Condensed Separate Balance Sheet and Statement of Comprehensive Income

### Condensed Separate Balance Sheet

Unit: NT\$ Thousand

Item \ Year	Financial data in the most recent five years (Note 1)				
	2018	2019	2020	2021	2022

Current asset		2,001,471	1,767,886	2,280,821	2,358,846	2,751,942
Property, Plant and Equipment		2,106,013	2,086,724	2,072,389	2,050,920	2,025,752
Intangible asset		3,602	3,339	4,402	6,107	6,789
Other assets		939,993	1,029,485	1,141,649	1,124,889	1,115,703
Total assets		5,051,079	4,887,434	5,499,261	5,540,762	5,900,186
Current liabilities (Note 2)	Before distribution	1,614,694	1,421,818	1,862,362	1,633,177	1,708,564
	After distribution	1,614,694	1,449,792	1,917,253	1,633,177	1,916,526
Non-current liabilities		1,463,360	1,456,457	1,464,411	1,839,255	1,626,498
Total liabilities (Note 2)	Before distribution	3,078,054	2,878,275	3,326,773	3,472,432	3,335,062
	After distribution	3,078,054	2,906,249	3,381,664	3,472,432	3,543,024
Share capital		1,864,916	1,864,916	1,892,408	1,902,502	2,078,605
Additional paid-in capital		162,547	168,621	228,100	236,689	284,928
Retained earnings (Note 2)	Before distribution	(19,979)	18,016	104,598	(17,967)	237,545
	After distribution	(19,979)	18,016	49,707	(17,967)	71,175
Other equities		(14,248)	(25,649)	(38,904)	(39,397)	(22,981)
Treasury stocks		(20,211)	(16,745)	(13,714)	(13,497)	(12,973)
Total equity (Note 2)	Before distribution	1,973,025	2,009,159	2,172,488	2,068,330	2,565,124
	After distribution	1,973,025	1,981,185	2,117,597	2,068,330	2,357,162

Note 1: Financial data for 2018-2022 was sourced from audited separate financial statements.

Note 2: Figures after distribution are presented in the amounts resolved during the following year's shareholders' meeting; the 2022 amounts are yet to be resolved during a shareholders' meeting.

Condensed Separate Statement of Comprehensive Income

Unit: NT\$ Thousand

Item \ Year	Financial data in the most recent five years (Note 1)				
	2018	2019	2020	2021	2022
Operating income	4,091,195	3,509,785	4,030,590	3,634,547	3,998,386
Gross profit	511,140	576,937	608,231	523,316	695,665
Operating income or loss	(120,877)	17,289	55,614	(26,381)	92,401
Non-operating income and expenses	93,336	43,483	49,294	(28,647)	165,356
Profit before tax	(27,541)	60,772	104,908	(55,028)	257,757
Net income of continuing operations in this period	(27,127)	60,772	104,251	(55,028)	252,658
Loss on discontinued operations	—	—	—	—	—
Net income (loss) for this period	(27,127)	60,772	104,251	(55,028)	252,658
Other comprehensive income for the current period (net, after tax)	5,740	(34,178)	(30,924)	(13,141)	19,270
Total comprehensive income for this period	(21,387)	26,594	73,327	(68,169)	271,928
Earnings per share (Note 2)	(0.15)	0.33	0.56	(0.29)	1.30

Note 1: Financial data for 2018-2022 was sourced from audited separate financial statements.

Note 2: Earnings per share were calculated based on outstanding common shares using the weighted average approach, with retrospective adjustments applied for any new shares issued against capitalized earnings or additional paid-in capital.

3. Names of Financial Statement Auditors and Audit Opinions for the Last 5 Years

Year	Name of CPA	Name of accounting firm	Audit opinions
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2018	CPA Alex Chen CPA Ching-Jen Chang	Deloitte Taiwan	Unqualified opinion with emphasis of matter paragraph
2019	CPA Alex Chen CPA Ching-Cheng Yang	Deloitte Taiwan	Unqualified opinion with emphasis of matter paragraph
2020	CPA Alex Chen CPA Ching-Cheng Yang	Deloitte Taiwan	Unqualified opinion with emphasis of matter paragraph
2021	CPA Jerry Gung CPA Alex Chen	Deloitte Taiwan	Unqualified opinion with emphasis of matter paragraph
2022	CPA Jerry Gung CPA Alex Chen	Deloitte Taiwan	Unqualified opinion with emphasis of matter paragraph

II. Financial analysis for the most recent five years

1. Analysis of Consolidated and Separate Financial Information

Analysis of Consolidated Financial Statements

Item		Year	Financial analysis for the most recent five years (Note 1)				
		2018	108 年	2018	110 年	2018	
Financial structure (%)	Debt ratio	65.26	61.36	59.98	61.18	55.98	
	Ratio of long-term capital to property, plant and equipment	161.70	175.65	198.71	207.66	209.53	
	Solvency (%)	141.01	156.47	163.87	178.03	197.96	
Operating performance	Quick ratio	69.57	88.21	104.22	76.66	121.54	
	Interest earned ratio	674.09	804.54	1,100.09	(103.77)	887.82	
	Accounts receivable turnover (times)	5.02	4.20	5.15	4.23	4.80	
	Average collection period (days)	73	87	71	86	76	
	Inventory turnover (times)	2.79	2.73	3.02	1.93	2.10	
	Accounts payable turnover (times)	4.76	3.99	4.31	3.20	4.25	
	Average days in sales	131	134	121	189	174	

	Property, plant and equipment turnover (times)	2.81	2.32	2.72	2.28	2.51
	Total assets turnover (times)	1.02	0.81	0.89	0.70	0.80
Profitability	Return on total assets (%)	2.26	2.69	3.30	(0.89)	3.55
	Return on equity (%)	5.26	6.23	8.17	(2.44)	8.33
	Pre-tax income to paid-in capital (%)	11.03	12.56	14.77	(2.85)	14.32
	Profit margin (%)	1.77	2.80	3.60	(1.38)	4.34
	Earnings per share (NT\$)	(0.15)	0.33	0.56	(0.29)	1.30
Cash flows	Cash flow ratio (%)	1.66	25.55	19.68	(29.32)	20.18
	Cash flow adequacy ratio (%)	10.10	22.64	30.15	9.26	48.83
	Cash reinvestment ratio (%)	0.71	8.51	7.19	(10.53)	5.72
Leverage	Operating leverage	10.42	9.95	5.81	(41.12)	12.23
	Financial leverage	1.20	1.23	1.08	0.59	1.32

Reasons for changes in financial ratios for the most recent two years (unless increase or decrease is less than 20%):

1. Quick Ratio: As the business performance of the current period was better than last period, the cash position increased, such that the current assets increased. In addition, with proper inventory control, the material shortage issue was mitigated, accounts payable decreased, and current liabilities decreased; therefore, the quick ratio increased.
2. Interest Coverage Ratio: As the business operated at a profit for the current period, the interest coverage ratio increased significantly.
3. Accounts Payable Turnover: As the revenue increased in the current period, the sales cost also increased. In addition, the material shortage of key components was mitigated, and inventory was controlled properly, such that the inventory was low, and the average accounts payable decreased from last period; therefore, the accounts payable turnover increased.
4. Profitability: All profit indicators of the current period increased along with the increase of profit.
5. Cash Current Ratios: As the business operated at a profit for the current period, net cash inflow was generated from the operating activities, and consequently, the cash flow ratios increased from last period.
6. Operating Leverage: As the business operated at a profit for the current period, the operating leverage changed to a positive value.
7. Financial Leverage: As the operating gain increased in the current period, the short-term borrowings increased and the interest expenses also increased, such that the financial leverage increased.

Analysis of Separate Financial Statements

Item		Financial analysis for the most recent five years (Note 1)				
		2018	108 年	2018	110 年	2018
Financial structure (%)	Debt ratio	60.94	58.89	60.49	62.67	56.52
	Ratio of long-term capital to property, plant and equipment	163.17	166.08	175.49	190.53	206.92
Solvency (%)	Current ratio	123.95	124.34	122.47	144.43	161.07
	Quick ratio	89.62	91.62	86.81	77.92	104.05
	Interest earned ratio	11.30	305.94	511.36	(121.98)	870.41
Operating performance	Accounts receivable turnover (times)	3.81	3.49	4.31	3.72	4.38
	Average collection period (days)	96	105	85	98	83
	Inventory turnover (times)	7.32	6.15	6.47	3.89	3.45
	Accounts payable turnover (times)	8.71	7.57	6.53	4.60	5.11
	Average days in sales	50	59	56	94	106
	Property, plant and equipment turnover (times)	1.92	1.67	1.94	1.76	1.96
	Total assets turnover (times)	0.80	0.71	0.78	0.66	0.70
Profitability	Return on total assets (%)	(0.04)	1.70	2.40	(0.64)	4.88
	Return on equity (%)	(1.38)	3.05	4.99	(2.60)	10.91
	Pre-tax income to paid-in capital	(1.48)	3.26	5.54	(2.89)	12.40
	Profit margin (%)	(0.66)	1.73	2.59	(1.51)	6.32
	Earnings per share (NT\$)	(0.15)	0.33	0.56	(0.29)	1.30
Cash flows	Cash flow ratio (%)	(20.41)	28.53	(0.56)	(20.59)	20.06
	Cash flow adequacy ratio (%)	(4.12)	5.85	(3.88)	(49.89)	8.20
	Cash reinvestment ratio (%)	(5.68)	7.01	(0.64)	(6.38)	5.30
Leverage	Operating leverage	(9.45)	61.42	22.44	(40.67)	13.75
	Financial leverage	0.80	(1.41)	1.85	0.52	1.57



Reasons for changes in financial ratios for the most recent two years (unless increase or decrease is less than 20%):

1. Quick Ratio: As the business performance of the current period was better than last period, the cash position increased, such that the current assets increased. In addition, with proper inventory control, the material shortage issue was mitigated, accounts payable decreased, and current liabilities decreased; therefore, the quick ratio increased.
2. Interest Coverage Ratio: As the business operated at a profit for the current period, the interest coverage ratio increased significantly.
3. Profitability: All profit indicators of the current period increased along with the increase of profit.
4. Cash Current Ratios: As the business operated at a profit for the current period, net cash inflow was generated from the operating activities, and consequently, the cash flow ratios increased from last period.
5. Operating Leverage: As the business operated at a profit for the current period, the operating leverage increased.
6. Financial Leverage: As the operating gain increased in the current period, the short-term borrowings increased and the interest expenses also increased, such that the financial leverage increased.

Note 1: Financial data for 2018-2022 was sourced from audited consolidated/separate financial statements.

Note 2: Formulas for various calculations are explained below:

1. Financial structure
  - (1) Debt ratio = Total liabilities/Total assets.
  - (2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities)/Net property, plant and equipment.
2. Solvency
  - (1) Current ratio = Current assets/Current liabilities.
  - (2) Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liabilities.
  - (3) Interest earned ratio = Net income before tax and interest expense/Interest expenses in this period.
3. Operating performance
  - (1) Accounts receivable turnover (including accounts receivable and notes receivable from operating activities) = Net sales/Balance of average accounts receivable in each period (including accounts receivable and notes receivable from operating activities).
  - (2) Average collection period (days) = 365/Accounts receivable turnover.
  - (3) Inventory turnover = Cost of sales/Average inventory.

- (4) Payables turnover (including accounts payable and notes payable from operating activities) =  $\text{Cost of sales} / \text{Balance of average accounts payable in each period (including accounts payable and notes payable from operating activities)}$ .
- (5) Average days in sales =  $365 / \text{Inventory turnover}$ .
- (6) Property, plant and equipment turnover =  $\text{Net sales} / \text{Average net property, plant, and equipment}$ .
- (7) Total asset turnover =  $\text{Net sales} / \text{Average total assets}$ .

#### 4. Profitability

- (1) Return on assets =  $[\text{Profit or loss after tax} + \text{Interest expenses} \times (1 - \text{Tax rate})] / \text{Average total assets}$ .
- (2) Return on equity =  $\text{Profit or loss after tax} / \text{Average total equity}$ .
- (3) Profit margin =  $\text{Profit or loss after tax} / \text{Net sales}$ .
- (4) Earnings per share =  $(\text{Income or loss attributable to owners of parent company} - \text{Preference shares dividends}) / \text{Weighted average number of shares issued}$ .

#### 5. Cash flows

- (1) Cash flow ratio =  $\text{Net cash flows from operating activities} / \text{Current liabilities}$ .
- (2) Cash flow adequacy ratio =  $\text{Net cash flow from operating activities for the most recent five years} / (\text{Capital expenditures} + \text{Inventory increment} + \text{Cash dividends}) \text{ for the most recent five years}$ .
- (3) Cash reinvestment ratio =  $(\text{Net cash flow from operating activities} - \text{Cash dividends}) / (\text{Gross property, plant and equipment} + \text{Long-term investment} + \text{Other non-current assets} + \text{Working capital})$ .

#### 6. Leverage:

- (1) Operating leverage =  $(\text{Net operating revenue} - \text{Variable operating costs and expenses}) / \text{Operating income}$ .
- (2) Financial leverage =  $\text{Operating income} / (\text{Operating income} - \text{Interest expenses})$ .

- III. Supervisors' or Audit Committee's report on the review of the latest financial report

## Edimax Technology Co., Ltd.

### Audit Committee's Review Report

We have reviewed the Company's 2022 business report, consolidated financial statements (including separate financial statements), and earnings distribution prepared by the Board of Directors. The consolidated financial statements (including separate financial statements) , and earnings distribution have been audited by CPAs Jerry Gung and Alex Chen of Deloitte Taiwan, to which they have issued an independent auditor's report. The Auditee Committee found no misstatement in the above business report and consolidated financial statements (including separate financial statements), and hereby issues its report as presented above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

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The 2023 Annual General Meeting

Audit Committee Convener: Chung-Ming Tsao

March 3, 2023

- IV. Latest Financial Statements: Please refer to page 221 to page 307 for details.
- V. Latest audited separate financial statements: Please refer to page 308 to page 379 for details.
- VI. Influence of any difficulty with financial solvency of the Company or its affiliate on the Company's financial position in the most recent year and up to the publication date of this annual report: None.

## Seven. Financial Position and Financial Performance Review Analysis and Risk Management

### I. Financial position

#### Comparative Analysis of Financial Position

Unit: NT\$ Thousand

Item	Year		Difference	
	2022	2021	Amount	Percentage (%)
Current asset	4,807,851	4,693,477	114,374	2.44 %
Property, Plant and Equipment	2,483,468	2,276,903	206,565	9.07 %
Intangible asset	33,718	30,386	3,332	10.97 %
Other assets	307,328	363,652	(56,324)	(15.49) %
<b>Total assets</b>	<b>7,632,365</b>	<b>7,364,418</b>	<b>267,947</b>	<b>3.64 %</b>
Current liabilities	2,428,694	2,636,302	(207,608)	(7.87) %
Non-current liabilities	1,843,688	1,869,047	(25,359)	(1.36) %
<b>Total liabilities</b>	<b>4,272,382</b>	<b>4,505,349</b>	<b>(232,967)</b>	<b>(5.17) %</b>
Share capital	2,078,605	1,902,502	176,103	9.26 %
Additional paid-in capital	284,928	236,689	48,239	20.38 %
Retained earnings	237,545	(17,967)	255,512	1,422.12 %
Non-controlling interests	794,859	790,739	4,120	0.52 %
<b>Total equity</b>	<b>3,359,983</b>	<b>2,859,069</b>	<b>500,914</b>	<b>17.52 %</b>
<p>Change Analysis and Explanation:</p> <p>Capital Surplus: Due to the conversion of convertible corporate bonds of the current period, the capital surplus increased.</p> <p>Retained Earnings: As the business operated at a profit for the current period, the net income increased, such that the retained earnings also increased.</p>				

II. Financial performance

Unit: NT\$ Thousand

Item	2022	2021	Amount of increase (decrease)	Percentage of increase (%)
Operating income	5,963,157	5,247,518	715,639	13.64 %
Gross profit	1,453,273	1,177,870	275,403	23.38 %
Operating income or loss	155,100	(37,644)	192,744	512.02 %
Non-operating income and expenses	142,640	(16,492)	159,132	964.90 %
Profit before tax	297,740	(54,136)	351,876	649.99 %
Net income for this period	258,977	(72,184)	331,161	458.77 %
Other comprehensive income	38,067	(11,335)	49,402	435.84 %
Total comprehensive income for this period	297,044	(83,519)	380,563	455.66 %
Net income attributable to owners of parent company	252,658	(55,028)	307,686	559.14 %
Total comprehensive income attributable to owners of parent company	271,928	(68,169)	340,097	498.90 %

(1) Change Analysis and Explanation:

1. Gross Profit, Operating Income (Loss): Due to the revenue growth in the current period, the gross profit and operating income (loss) also increased.
2. Non-operating Income and Expenses: Due to the significant appreciation of the USD, the exchange gain increased significantly from the last period.
3. Other Comprehensive Income: Due to the increase of the difference in exchange from the conversion of financial statements of overseas operating entities of the current period from last period.
4. Net Income Before Tax, Net Income of the Current Period, Total Comprehensive Income of the Current Period, Net Income Attributable to Owners of the Parent Company, Total Comprehensive Income Attributable to Owners of the Parent Company: Mainly due to the business performance of the current period being better than the last period.

(2) Expected Sales Quantity and Basis Thereof, and the Possible Impact on the Future Financial Business of the Company and Responsive Plan

According to the information of the Market Intelligence & Consulting Institute (MIC), European and American countries will continue to maintain the de-sinicization principle over the next few years, and a large amount of investments in the next generation of high-speed infrastructure network will stimulate greater technologies and products in the market. In 2023, the new generation of equipment of NG PON ONU, 5G FWA CPE, and Wi-Fi 7 routers will be released consecutively, bringing great business opportunities to the networking communication business operators in Taiwan.

According to the MIC's monitoring of the trend of networking communication business operators in Taiwan in 2023, in general, international market orders are proposing and optimistic. Companies will actively develop new products and seek exposure opportunities while maintaining a relatively higher inventory level to cope with any sudden demands in the market. The MIC also indicates that as the hardware performance improves continuously, the future software application will focus more on the vertical industrial field. In addition, to achieve differentiation of products, the role of software will become more important, thereby driving the software definition demand to increase continuously.

Edimax Group will continue to focus on the 4S (Software, Solution, Service, Security) and 3H (high unit price, high value-added, high gross margin) strategies. In addition to developing the existing Switch, WIFI SMB, and Industrial Grade Networking Solutions market, we will introduce more AIOT applications and solutions to enhance our overall competitive strength. For the telecom market, we will continue to build on our advantages in broadband communications equipment and provide customers with professional, customized, differentiated, and competitive products to satisfy the deployment needs of various telecom and broadband service providers. At the same time, we are seeking more customers for telecom and broadband services to expand the market and diversify the risk of customer concentration, such that the benefits can be achieved continuously.

### III. Cash flows

#### 1. Analysis of Cash Flow Change for the Most Recent Year

Unit: NT\$ Thousand

Item	Year	2022	2021	Amount of increase (decrease)
Operating activities		490,027	(771,996)	1,262,023
From investing activities		(264,873)	(125,791)	(139,082)
From financing activities		306,838	(117,121)	423,959
Effect of exchange rate changes on cash and cash equivalents		50,418	54,903	(4,485)

Cash and cash equivalents at the end of the year	582,410	(960,005)	1,542,415
Analysis of Cash Flow Change Status:			
1. Increase in Net Cash Inflow From Operating Activities: Mainly due to the increase of net income before tax of the current period, and decrease of inventories and accounts payable.			
2. Increase in Net Cash Outflow From Investing Activities: Mainly due to the subsidiary's purchase of real property.			
3. Increase in Net Cash Inflow From Financing Activities: Mainly due to the increase of short-term bank borrowings and the increase of the subsidiary's purchase of real property with long-term borrowings.			

2. Improvement Plan for Insufficient Liquidity: The Company is not subject to any insufficient liquidity.

3. Cash Liquidity Analysis for the Next Year

Unit: NT\$ Thousand

Cash Balance at the Beginning of the Year <sup>①</sup>	Expected Annual Net Cash Flow From Operating Activities <sup>②</sup>	Expected Annual Cash Outflows <sup>③</sup>	Cash flow surplus (deficit) amount ① + ② - ③	Remedial measures for cash flow deficit	
				Investment Plan	Financing Plan
1,692,999	300,000	(380,000)	1,612,999	—	—
Analysis of Changes in Cash Flows for the Current (Next) Year					
1. Operating Activities: As the key component shortage issue was mitigated along with destocking, net cash inflow from operating activities can be expected.					
2. Investing Activities: Due to the purchase of R&D instruments and related equipment, net cash outflow was generated for investing activities.					
3. Financing Activities: Due to the repayment of bank loans, employees' exercise of subscription rights and issuance of cash dividends, etc., net cash outflow was generated for financing activities.					

IV. Influence of major capital expenditures on financial business in the most recent year

The Company had not planned any major capital expenditure in the last year or as of now.

In light of progressive increases in rental cost, the Board of Directors of the Company's subsidiary Comtrend passed a resolution on October 21, 2021 to



acquire its current office premise from landlord Shida Investment Co., Ltd. for operational use and for continuity of the organization. Comtrend signed a trade agreement on November 10, 2021 for a sum of NT\$259,351 thousand (of which NT\$200,000 thousand or 77.12% was financed through bank borrowings), and completed ownership transfer later in January 2022. The subsidiary acquired the property out of necessity for corporate operations, and based on the subsidiary's assessment of available capital and comparison between cash outflow and rental expenses saved for the next 15 years, the acquisition should have insignificant impact on the subsidiary's financial health.

## V. Investment policy in recent years

### 1. Investment Policy and Main Cause of Profit or Loss of Investments

Regarding the Company's investment policy, in addition to the establishment of the production site in Dongguan China, the objective is to expand business locations. In addition, ABS Telecom is mainly in the business of telecom exchange equipment; Smax is mainly in the surveillance system industry; Comtrend is mainly in the broadband communication industry. The investment gain of the Company recognized in 2022 was NT\$39,960 thousand. For Dongguan China, due to the factors of the continuous pandemic impact, exchange loss, and recognition of inventory valuation loss, etc., it indicated a greater loss. As for subsidiaries of business locations, except that the European region indicated a loss due to the factors of revenue decline and market price competition, the rest of the subsidiaries were maintained at the break-event status. ABS Telecom's order acceptance strategy focused on high-profit projects, and in 2022, due to the agency of new brands, the Company adopted the strategic approach of reducing the profit margin for entering the market, such that its profit declined slightly; however, it still maintained certain profit. As for Smax, it has started to operate at a profit after the internal integration of the Company, and will actively engage in the development of cloud recording and license plate identification products in the future. For Comtrend, as GPON products and optical communication relay equipment delivery increases, its revenue and profit also increase. Furthermore, as the USD becomes a stronger currency, exchange gain has been generated and the profit also increases from last period. Moreover, the Company declared the investment in 30% of equity of Crystal in February 2018, and after obtaining the approval letter, it has become an affiliate of the Company, and Crystal is also under a great profit status.

### 2. Improvement plan

Presently, although the key component shortage issue of the networking industry has been mitigated, a certain level of shortages still exists, which may lead to change in supply and demand; therefore, it is necessary to be well-prepared for possible shortage situations, and Dongguan China also values the enhancement of inventory control as its priority objective. In addition, the Company will plan suitable products according to the demands of subsidiaries in each region, in order to provide the most appropriate products and services to customers for selection, thereby establishing a long-term relationship with customers and trust between customers and the Company, thus increasing the revenue of the Company.

### 3. Investment Plan for Next Year

As the global environment is still facing trade conflicts between the U.S. and China, the war between Russia and Ukraine, inflation, exchange rate instability and economic recession, the Company should be conservative and cautious about the future. However, how to reduce the impact and challenges brought by the external environment in production, sales and logistics, turn the crisis into an opportunity and capture the market opportunity will become an important task for the Company this year.

Edimax Group will continue to focus on strategies of high unit price, high added value, high gross margin. In addition to developing the existing Switch, WIFI SMB, and Industrial Grade Networking Solutions market, we will introduce more AIOT applications and solutions to enhance our overall competitive strength. For the telecom market, we will continue to build on our advantages in broadband communications equipment and provide customers with professional, customized, differentiated, and competitive products to satisfy the deployment needs of various telecom and broadband service providers. At the same time, we are seeking more customers for telecom and broadband services to expand the market and diversify the risk of customer concentration.

## VI. Evaluation of risk management issues in the last year up until the publication date of this Annual Report

### (1) The impact of interest rate, exchange rate changes, and inflation on the Company's profit or loss and future countermeasures

#### 1. Impact of Interest Rate Fluctuation on the Profit/Loss of the Company and Future Countermeasures in the Most Recent Year:

##### (1) Impact of Interest Rate Fluctuations on Profit or Loss of the Company in the Most Recent Year

Unit: NT\$ Thousand; %

Item	Year	2021	2022
	Interest revenue (1)		3,759
Interest expenditure (2)		26,567	37,793
Operating income		5,247,518	5,963,157
Net profit (loss) before income tax (3)		(54,136)	297,740
Percentage of interest revenue to net income before tax %(1)/(3)		(6.94)	2.62
Percentage of interest expenses to net income before tax %(2)/(3)		(49.07)	12.69

Source of Information: Consolidated financial statements audited by CPAs

In 2022, since Edimax Group's business performance was better than expected, the bank deposit increased, and interest income also increased. In addition, due to the material purchase demand of Edimax and its subsidiary-Comtrend's purchase of real property, the bank borrowings increased. As the bank implemented several interest rate increases, the consolidated interest expense increased; however, the amount was not great.

Edimax Group's working capital demand is satisfied mainly via the raising and issuance of securities, own funds, and own operating profit. The bank financing is mainly to satisfy the mortgage and short-term fund demand. The Group maintains an excellent relationship with banks. In the future, the Group will continue to monitor the interest rate changes and maintain the flexibility of financial operations. Accordingly, future interest rate changes have a limited effect on the profit or loss of the Company.

#### (2) Company's Future Responsive Measures

The Group will execute raising and issuance of securities depending upon its actual needs, in order to increase the ratio of own funds and the ratio of long-term funds, thereby reducing the interest rate risk to the minimum.

### 2. Impact of Interest Rate Fluctuation on the Profit/Loss of the Company and Future Countermeasures in the Most Recent Year

#### (1) Impact of Interest Rate Fluctuations on Profit or Loss of the Company in the Most Recent Year

Unit: NT\$ Thousand; %

Year	2021	2022
Item		
Net foreign exchange gains (losses)	(27,781)	130,155
Operating income	5,247,518	5,963,157
Net profit (loss) before income tax	(54,136)	297,740
Percentage of net foreign exchange gains (losses) to net income before tax	(51.32)	43.71

Source of Information: Consolidated financial statements audited by CPAs

Foreign exchange gains (losses) of Edimax Group for 2021 and 2022 were NT\$(27,781) thousand and NT\$130,155 thousand, respectively. The Group's main regions of sales include Japan, Australia, Europe, and North America, and USD is the main currency for sales transactions, accounting for more than 95% of the revenue. Some of the transactions are made in Euros. For purchase transactions, the USD is also the main transaction currency, accounting for 90% of net purchase amounts with the remaining transactions in RMB and TWD. Accordingly, the fluctuation of the USD is the main cause affecting the exchange gains or losses. Looking back on the exchange rate trend in 2022, as the U.S. faced the highest inflation it has had over the past four decades, the U.S. Fed adopted a radical interest rate increase policy, leading to significant appreciation of the USD, and the exchange rate between TWD and USD reached the whole-year cumulative depreciation of NT\$3.018. The depreciation level reached 9.83%, the largest depreciation level over the past 25 years. Accordingly, Edimax Group has been able to obtain significant exchange gains.

## (2) Company's Future Responsive Measures

- ① The Company will open foreign currency deposit accounts, and for inward remittance amounts in foreign currency, the Company will determine whether to exchange it into TWD or to deposit it into the foreign currency deposit account depending upon the actual fund demand and exchange rate level, in order to adjust the foreign currency deposit position in a timely manner.
- ② The Company will transmit exchange rate information with correspondent banks periodically, in order to understand the exchange rate change status, thus determining the level of foreign currency assets possessed. With the prediction that the TWD will appreciate and become stronger, extra foreign currency assets will be exchanged to TWD early.
- ③ During the sales quotation process, exchange rate changes will be

considered for the product selling price adjustment, in order to ensure the target profit set by the Company.

④Pre-sell forward foreign exchange to achieve the effect of hedging.

### 3. Impact of the Inflation Condition on the Profit/Loss of the Company and Future Countermeasures in the Most Recent Year

#### (1) Impact of Inflation on Profit or Loss of the Company in the Most Recent Year

The recent inflation has not caused any material impact on the operation status of Edimax Group. The Group will continue to monitor the market price fluctuations and maintain excellent interactions and relationships with suppliers and customers, in order to prevent adverse impacts of inflation on the profit or loss of the Company.

#### (2) Company's Future Responsive Measures Against Inflation

Edimax Group will continue to monitor the upstream material price change status, in order to reduce the impact of cost changes on the Group's profit or loss. In addition, the Group also implements budget system and internal control, in order to effectively control operating costs and expenditures within a reasonable range.

#### (2) The policy on engagement in high-risk and highly leveraged investment, loans to others, endorsements/guarantees provided, and derivatives trading, the main reason for profit or loss, and countermeasures

Edimax Group is an enterprise seeking stable business and does not engage in any high risk or high leverage investments. Regarding the loaning of funds to others, up to the printing date of the Annual Report, there is no loaning of funds to others. As for endorsements/guarantees, the subsidiary-Smax and Edimax Technology Europe B.V. applied for financing with the bank due to business needs. Up to the printing date of the Annual Report, the endorsements and guarantees made by Edimax were NT\$20,000 thousand and NT\$67,680 thousand respectively, and the actual drawing amounts were NT\$0 and NT\$20,304 thousand respectively, and all transactions were handled according to endorsement/guarantee-related regulations. In addition, presently, the Group does not engage in any transactions of financial derivatives.

#### (3) Future R&D Projects and Expected Investment in R&D Budget

With regards to the future R&D plan, and corporate and retail end market product strategies of Edimax Group, the Group will continue to focus on the 4S (Software, Solution, Service, Security) and 3H (high unit price, high value-added, high gross margin) strategies. In addition to developing the existing Switch, WIFI

SMB, and Industrial Grade Networking Solutions market, we will introduce more AIOT applications and solutions to enhance our overall competitive strength. For the telecom market, we will continue to build on our advantages in broadband communications equipment and will also actively research and develop the new generation of Broadband CPE, DPU, MDU, and 10 GPON products based on the advantages of the currently existing products, in order to provide customers with professional, customized, differentiated, and competitive products, thereby satisfying the deployment needs of various telecom and broadband service providers. At the same time, we are seeking more customers for telecom and broadband services to expand the market.

The Company's expected investment in R&D budget in 2023 accounts for approximately 8% of the revenue.

- (4) The influence of the changes in important policies and regulatory environment at home or abroad on the Company's financial business, and countermeasures

Edimax Group operates mainly as a supplier of communication and network equipment. Its business and financial operations are less susceptible to changes in domestic and foreign policies or laws, and for this reason, the Company encountered no significant impact of business or financial performance from changes in key policies or laws, local or abroad, in the last year.

In response to the policy of non-use of conflict minerals adopted by countries worldwide, the Company is also committed to the non-use of conflict minerals and does not accept primary materials from the central Africa region of the Republic of the Congo and surrounding countries in conflicts, in order to ensure that the five types of metals of Au, Ta, W, Co, and Sn are not obtained from the mineral sites controlled by the Republic of the Congo and military groups of its surrounding countries. Edimax Group complies and cooperates with local government policies and laws of the regions where subsidiaries are located. In addition, the Group also tracks and monitors government policies or legislative directions at all times, in order to continuously assess possible impacts on the operation and financial business of the Company. In addition, the Group also establishes the operational direction and objective of the Company according to the government's public policies in order to be consistent with the government policies, thereby ensuring smooth operation of the Company. Under the condition of full cooperation and continuous tracking of policy changes, for the most recent year and up to the printing date of the Annual Report, the Group is not subject to any material impact on the

financial business of the Company due to changes of important domestic or foreign policies and laws.

- (5) The influence of changes in technology (including cyber security risks) and the industry on the Company's financial business and countermeasures  
Edimax Group has been able to keep up with the rapid changes in networking technology and maintain professional capacity at a level that satisfies customers' needs. Coupled with the fact that no revolutionary advancement of networking technology had taken place in recent years, the Group encountered no technological or industrial change in the last year that significantly affected its financial or business performance. The Group has a business team and an R&D team that monitor industry developments closely. They are immediately informed of major changes and are able to make appropriate adjustments to product development, strategies, or plans in response. For this reason, the Group is deemed capable of responding to technological and industrial changes.

Edimax Group organizes regular cybersecurity education as a way to enforce its cybersecurity policy and to ensure that all cybersecurity measures or rules conform with prevailing policies and laws of the government. The Group conducts cybersecurity audits and tests its business continuity plan at least once a year to make sure that IT assets are properly protected against unauthorized access and damage caused by negligence, and that all cybersecurity incidents and suspected security weaknesses are reported properly and followed up with appropriate investigations and treatments. Overall, cybersecurity risk management is strictly enforced within Edimax Group.

- (6) The influence of a change in corporate image on corporate crisis management and countermeasures  
Edimax Group has always focused its on core business activities, maintained a strong corporate image, and shared its success with shareholders since it was first founded. The Company also has a spokesperson and acting spokesperson in place to maintain corporate image as well as positive interactions with society, investors, and the general public. As a result, the Group encountered no occurrence in the last year that compromised its corporate image or crisis management capability.
- (7) Estimated benefits and potential risks of M&A and countermeasures  
Edimax Group did not undertake any merger or acquisition in the last year.

(8) Estimated benefits, potential risks of plant expansion, and countermeasures

No plant expansion took place in the last year or as of now. In light of progressive increases in rental cost, the Board of Directors of the Company's subsidiary Comtrend passed a resolution on October 21, 2021 to acquire its current office premise from landlord Shida Investment Co., Ltd. for operational use and for continuity of the organization. Comtrend signed a trade agreement on November 10, 2021 for a sum of NT\$259,351 thousand (of which NT\$200,000 thousand or 77.12% was financed through bank borrowings), and completed ownership transfer later in January 2022. The subsidiary acquired the property out of necessity for corporate operations, and based on the subsidiary's assessment of available capital and comparison between cash outflow and rental expenses saved for the next 15 years, the acquisition should have insignificant impact on the subsidiary's financial health.

(9) Risks of supplier or client concentration and countermeasures

Regarding purchases, for the most recent two years, Edimax Group had one supplier with a purchase amount reaching more than 10% of the total purchase amount. Such company is one of the investees of Crystal invested in by Edimax for 30% of the shareholding percentage. Edimax Group's Dongguan Plant mainly focuses on high-end and high profit margin wireless products; therefore, wired products are transferred to such company for production. Except for the aforementioned company, there is no single supplier with a purchase amount reaching more than 10% of the total purchase amount. Accordingly, the purchases of the Group are not subject to the risk of excessive concentration of purchases.

Regarding the sales of products, for the most recent two years, the total sales of Company A accounts for more than 10% of the consolidated revenue. Company A is a customer of Edimax, and in recent years, it has benefited from the epidemic measures with the increase of home economic market demands associated with working from home, remote education, and remote monitoring, etc. Accordingly, the end consumers' demand for broadband network transmission increases, driving the growth of the broadband connection equipment, commercial networking equipment, internet telephone, and other telecom equipment. Company A commissions Edimax to provide design and OEM service and WiFi wireless network products. As a result, the sales to Company A in 2021 and 2022 reached more than 10% of the total sales amount. The reason for the decline in 2022 in comparison to the previous year is mainly due to the Company's focus on products of high gross profit, such that OEM-only



products are being replaced gradually. Except for the above, there is no single customer accounting for more than 10% of the total sales amount.

- (10) The influence of massive transfer or replacement of shares by the directors, supervisors, or shareholders each holding more than 10 % of the shares issued by the Company, the risk thereof, and countermeasures

On January 11, 2022, the Company's directors Chueh-Hsi Wang and Yung-Shao Teng resigned from the position of director of the Company due to personal reasons (both were relatives of the first degree of kinship) at the same time. Except for such resignation, there was no large amount of equity transfer or changes made by directors or major shareholders with shareholding exceeding 10%, and it had no material impact on the Company.

On June 21, 2022, subsidiary-Comtrend received the resignation letter from the corporate director-Humax Co., Ltd. resigning from the position of Comtrend corporate director. Except for such resignation, there were no large amounts of equity transfer or changes made by directors or major shareholders with shareholding exceeding 10%, and it had no material impact on Comtrend.

- (11) The influence of change in the Company's management right, the risk thereof, and countermeasures

Edimax Group did not encounter any change of management in the last year.

- (12) For litigation or non-litigation cases indicating the Company and directors, supervisors, presidents, substantial responsible person, major shareholder with shareholding exceeding 10% of the Company, and affiliates that are involved in major lawsuits with affirmative judgments or is pending in the court proceeding, non-litigation or administrative dispute cases with results capable of causing material impacts on the interests of shareholders or stock price, the dispute fact, claim amount, litigation starting date, primary litigation parties, and handling status up to the printing date of the Annual Report shall be disclosed:

For the Company and the Company's directors, presidents, substantial responsible person, and major shareholders with shareholding percentage above 10%, there were no affirmative ruling or any currently pending major litigation, non-contentious case, or administrative dispute event, and there were no results having material impacts on the shareholders' rights or stock price in the most recent year and up to the printing date of the Annual Report.

- (13) Other Significant Risks and Countermeasure: Please refer to page 94-96 for an explanation on the Company's risk management identification and

countermeasures.

VII. Other material issues: None.

## Eight. Special Matters

- I. Relevant information on affiliates: Please see pages 204 to 220 of this Annual Report.
- II. Private placement of securities in the last year up until the publication date of this Annual Report: None.
- III. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up until the publication date of this Annual Report.

Company Name	Paid-in capital	Source of capital	Percentage owned by the Company	Date of acquisition or disposal	Number and amount of shares acquired (Note 1)	Number and amount of shares disposed of (Note 2)	Investment income or loss (Note 3)	Number and amount of shares held as at the publication date of this Annual Report (Note 4)	Encumbrances	Amount of endorsements/guarantees offered by the Company for subsidiaries	Amount of loans granted by the Company to subsidiaries
Comtrend Corporation	NT\$586,655 thousand	Proprietary capital	33.49%	September 7, 2015 - September 25, 2015	5,166,000 shares NT\$48,416,169	—	—	4,120,000 shares NT\$38,612,973	None	None	None
				April 24, 2019 - December 18, 2019	—	886,000 shares NT\$10,582,101	NT\$2,278,437				
				July 7, 2020 - September 24, 2020	—	80,000 shares NT\$1,131,236	NT\$381,470				
				August 10, 2022 - November 3, 2022	—	80,000 shares NT\$1,452,060	NT\$702,294				

Note 1: Acquisition amount refers to the amount actually paid (including fees).

Note 2: Disposal amount refers to the net amount received (net of fees and transaction taxes).

Note 3: Investment gains/losses represent the net amount received less the amount paid on acquisition.

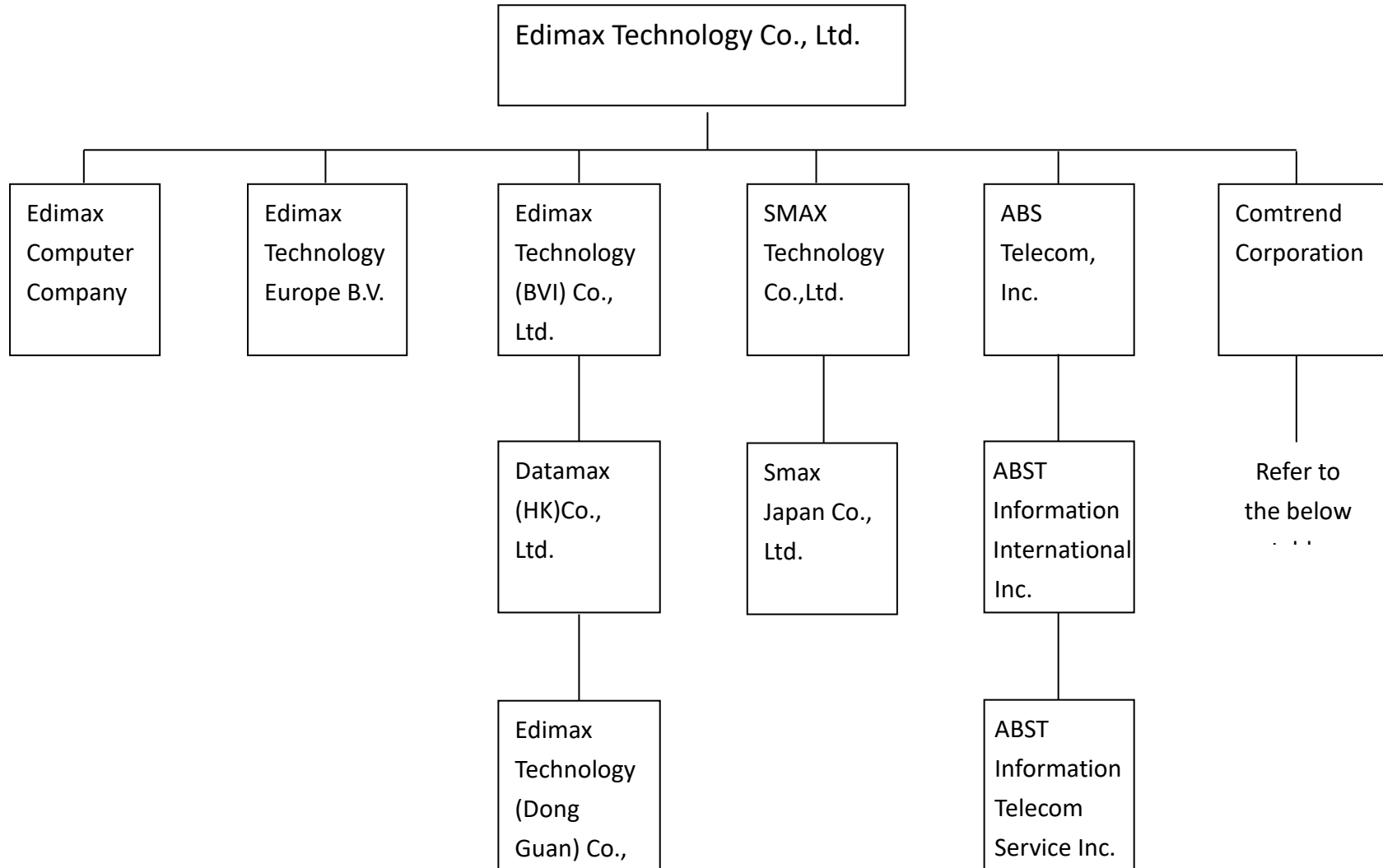
Note 4: The amount of shares held as of the publication date of this Annual Report represents the initial amount paid on acquisition.

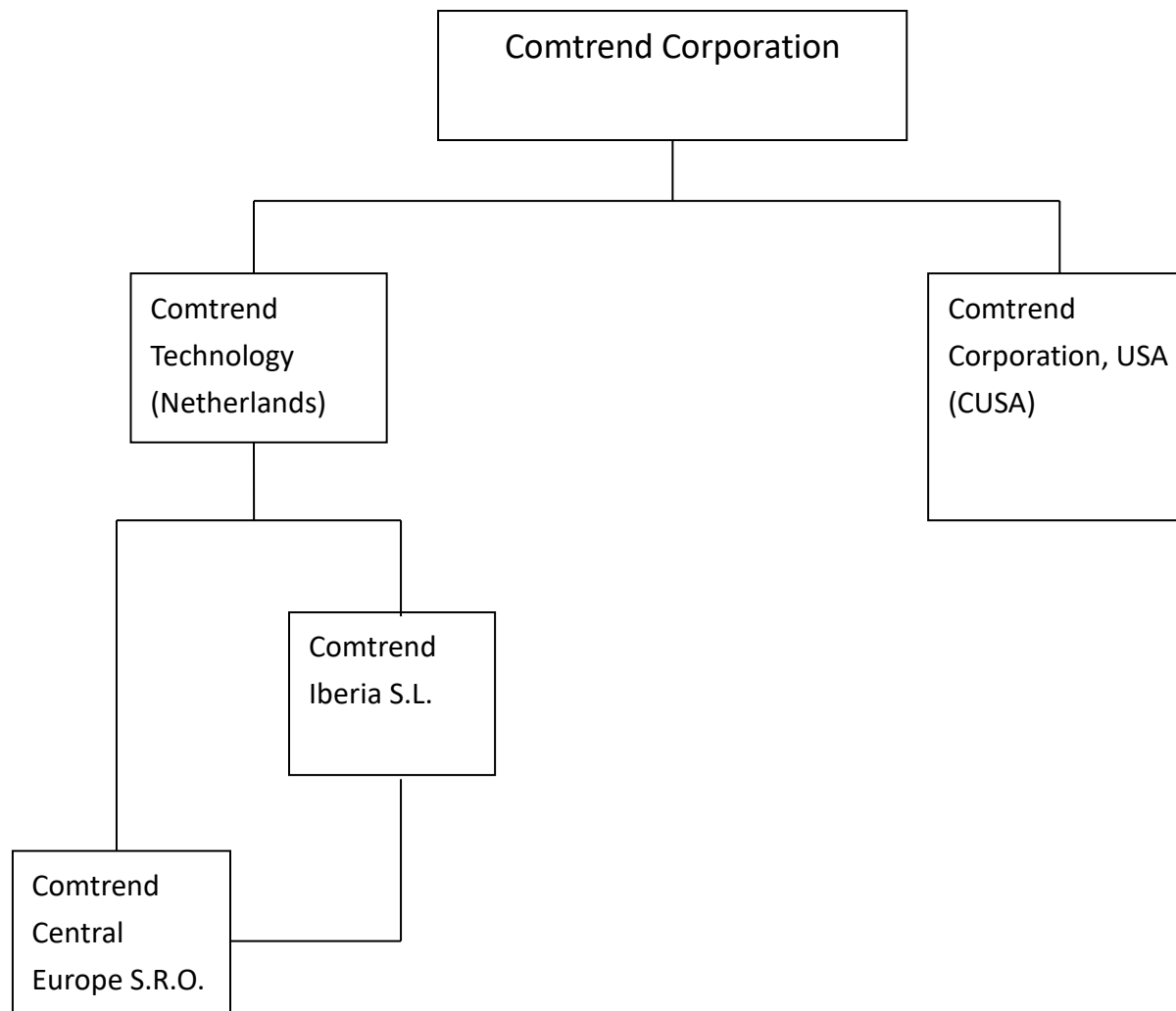
Disposal of the Company's shares by subsidiary Comtrend Corporation had no material impact on the Company's financial performance or financial position.

IV. Other supplementary information: None.

V. Any event as specified in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act with a material impact on shareholders' rights and interest or securities prices occurred to the Company during the most recent year and up to the publication date of this annual report: None.

- I. Relevant information on affiliates
  - (1) Consolidated Business Report
    - 1. Overview of Affiliated Enterprises
      - (1) Organizational chart of affiliates





## (2) Name, Date of Establishment, Address, Paid-in Capital, and Main Business Activities of Affiliated Enterprises

Company	Date of Establishment	Address	Paid-in capital	Main business or item produced
Edimax Technology Co., Ltd.	1986/06/28	No. 278, Xinhua 1st Road, Neihu District, Taipei City	NTD2,114,585,370	Research, development, production, and sale of network equipment
Edimax Computer Company	1988/05/31	530 Technology Dr. Ste 100 Irvine, CA 92618	USD170,460	Trading of network equipment
Edimax Technology Europe B.V.	1999/02/24	Fijenhof 2, 5652 AE Eindhoven, The Netherlands	EUR1,600,000	Trading of network equipment
Edimax Technology (BVI) Co., Ltd.	1998/09/23	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD8,966,076	Trading of network equipment
ABS Telecom Inc.	1993/01/05	Unit B, 8F, No. 19-13, Sanchong Road, Nangang District, Taipei City	NTD 105,000,000	Trading, installation, and rental of telecommunication exchange equipment
SMAX Technology Co., Ltd.	2010/11/23	8F, No. 19-13, Sanchong Road, Nangang District, Taipei City	NTD21,394,000	Wired/Wireless Communication Mechanical Equipment Manufacturing
Comtrend Corporation	1990/04/07	3F-1, No. 10, Lane 609, Section 5, Chongxin Road, Sanchong District, New Taipei City	NTD586,655,270	Research, development, manufacturing, and sale of broadband communication equipment

Company	Date of Establishment	Address	Paid-in capital	Main business or item produced
Datamax (HK) Co., Ltd. (註 1)	2009/09/24	Flat/Rm 701 7/F Witty Comm Bldo Ia-II Tung Choi St Kl	HKD64,906,002	General investment
Edimax Technology (Dong Guan) Co., Ltd. (Note 2)	2002/01/17	Niushan Foreign Economic Industrial Park, Dongcheng, Dongguan, Guangdong Province	RMB58,256,237	Production and sale of networking equipment
ABST Information International Inc. (Note 3)	2010/10/28	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD140,000	General investment
ABST Information Telecom Service Inc. (Note 4)	2011/03/10	Unit 16, Zone A, No. 23, Alley 4999, South Hongmei Road, Minhang District, Shanghai	USD140,000	Trading, installation, and rental of telecommunication exchange equipment
Smax Japan Co., Ltd. (Note 5)	2021/07	東京都港区芝浦四丁目 21 番 1 号芝浦アイランドグロ - ヴタワ - 809	JPY 8,000,000	Trading of network equipment
Comtrend Corporation (U.S.) (Note 6)	2001/03/26	103 Tropea Aisle City of Irvine County of Orange State of California	USD 200,000	Sale and servicing of broadband communication products
Comtrend Technology (Netherlands) B.V.(The Netherlands) (Note 6)	2011/12/16	Korsjespoortsteeg 13, 1015AP, Amsterdam, Netherlands	EUR 1,518,000	Sale and servicing of broadband communication products
Comtrend Iberia S.L.(Spain) (Note 7)	2006/12/26	C/Proción, 7, portal 2, 1ºC Edificio América II 28023 Madrid	EUR 323,100	Sale and servicing of broadband communication products



Company	Date of Establishment	Address	Paid-in capital	Main business or item produced
Comtrend Central Europe S.R.O (Note 8)	2006/12/12	Jankovcova 1518/2 170 00 Praha 7 Czech Republic	CZK 40,200,000	Sale and servicing of broadband communication products

Note 1: A 100%-owned investee of Edimax Technology (BVI) Co., Ltd.

Note 2: A 100%-owned investee of Datamax (HK) Co., Ltd.

Note 3: A 100%-owned investee of ABS Telecom Inc.

Note 4: A 100%-owned investee of ABST Information International Inc.

Note 5: A 100%-owned investee of SMAX Technology Co., Ltd.

Note 6: A 100%-owned investee of Comtrend Corporation.

Note 7: A 100%-owned investee of Comtrend Technology (Netherlands) B.V.

Note 8: An investee owned 99.96% by Comtrend Technology (Netherlands) B.V. and 0.04% by Comtrend Iberia S.L.

(3) Controlling and controlled entities, as defined in Article 369-3 of the Company Act: As above.

(4) Industries to which the affiliates belong

Company	Controller (subordinate)	Control (subordinate) relationship	Business activities and job specialization among affiliated enterprises
Edimax Technology Co., Ltd.	Controlling entity	—	Research, development, production, and sale of network equipment
Edimax Computer Company	Subordinate entity	Control through shareholding	Trading of networking equipment; sale of products under the proprietary brand of Edimax Technology Co., Ltd.
Edimax Technology Europe B.V.	Subordinate entity	Control through shareholding	Trading of networking equipment; sale of products under the proprietary brand of Edimax Technology Co., Ltd.
Edimax Technology (BVI) Co., Ltd.	Subordinate entity	Control through shareholding	Trading of networking equipment; sale of products under the proprietary brand of Edimax Technology Co., Ltd.
ABS Telecom Inc.	Subordinate entity	Control through shareholding	Trading, installation, and rental of telecommunication exchange equipment
SMAX Technology Co.,Ltd.	Subordinate entity	Control through shareholding	Wired/Wireless Communication Mechanical Equipment Manufacturing
Comtrend Corporation	Subordinate entity	Control through shareholding	Research, development, manufacturing, and sale of broadband communication equipment

Company	Controller (subordinate)	Control (subordinate) relationship	Business activities and job specialization among affiliated enterprises
Datamax (HK) Co., Ltd.	Subordinate entity	Control through shareholding	General investment
Edimax Technology (Dong Guan) Co., Ltd.	Subordinate entity	Control through shareholding	Production and sale of networking equipment
ABST Information International Inc.	Subordinate entity	Control through shareholding	General investment
ABST Information Telecom Service Inc.	Subordinate entity	Control through shareholding	Trading, installation, and rental of telecommunication exchange equipment
Smax Japan Co., Ltd.	Subordinate entity	Control through shareholding	Trading of network equipment
Comtrend Corporation(U.S.)	Subordinate entity	Control through shareholding	Sale and servicing of broadband communication products; responsible for business activities and customer service in America
Comtrend Technology (Netherlands) B.V. (The Netherlands)	Subordinate entity	Control through shareholding	Sale and servicing of broadband communication products; responsible for business activities in Europe

Company	Controller (subordinate)	Control (subordinate) relationship	Business activities and job specialization among affiliated enterprises
Comtrend Iberia S.L, (Spain)	Subordinate entity	Control through shareholding	Sale and servicing of broadband communication products; responsible for business activities and customer service in Western Europe
Comtrend Central Europe S.R.O	Subordinate entity	Control through shareholding	Sale and servicing of broadband communication products; responsible for business activities and customer service in Eastern Europe

(5) Directors, Supervisors, and General Managers of Affiliated Enterprises and Their Respective Shareholding Percentages or Capital Contribution

Company	Title	Name or representative	Shareholding	
			Number of shares	Shareholding percentage
Edimax Technology Co., Ltd.	Chairman-cum-President	Guan-Sheng Renn	4,360,676	2.06%
		Han-Shen Lee	2,912,089	1.38%
	Director-cum-Vice President	Liang-Jung Pan	1,312,833	0.62%
		Representative of Chia Hua Investment Co., Ltd.:	509,755	0.24%
	Director-cum-Senior Vice President	Yu-Chang Chiu	509,755	0.24%
		Representative of Chia Hua Investment Co., Ltd.:	1,808,229	0.86%
	Director	Jung-Lung Hung	157,237	0.07%
	Director-cum-ODM BU President	Jiann-Shing Ding	—	—
		Ching-Te Hou	—	—
	Director	Chung-Ming Tsao	600,000	0.28%
	Director	Jin-Sheng Luo	—	—
	Independent Director	Yu-Liang Lin		
	Independent Director	Jian-Chao Zeng		
	Independent Director			
Edimax Computer Company	Director	Yong-Shen Huang	—	—
	Director	Liang-Jung Pan	—	—
Edimax Technology Europe B.V.	Chairman	Guan-Sheng Renn	—	—
	Director	Han-Shen Lee	—	—

Company	Title	Name or representative	Shareholding	
			Number of shares	Shareholding percentage
Edimax Technology (BVI) Co., Ltd.	Chairman Director	Liang-Jung Pan Han-Shen Lee	—	—
ABS Telecom Inc.	Chairman Director Director Director-cum-President Director Director Supervisors	Representative of Edimax Technology Co., Ltd.: Guan-Sheng Renn Representative of Edimax Technology Co., Ltd.: Liang-Jung Pan Representative of Edimax Technology Co., Ltd.: Han-Shen Lee Representative of Edimax Technology Co., Ltd.: Ching-Te Hou Representative of Edimax Technology Co., Ltd.: Jung-Lung Hung Representative of Edimax Technology Co., Ltd.: Yu- Pin Hsieh Representative of Edimax Technology Co., Ltd.: I- Ching Chen	10,500,000	100.00%

Company	Title	Name or representative	Shareholding	
			Number of shares	Shareholding percentage
SMAX Technology Co.,Ltd.	Chairman Director Director Director-cum-President Director Supervisors	Representative of Edimax Technology Co., Ltd.: Guan-Sheng Renn Representative of Edimax Technology Co., Ltd.: Liang-Jung Pan Representative of Edimax Technology Co., Ltd.: Han-Shen Lee Representative of Edimax Technology Co., Ltd.: Jung-Lung Hung Representative of Edimax Technology Co., Ltd.: Wei-Ming Lee Representative of Edimax Technology Co., Ltd.: I- Ching Chen	2,139,400	100.00%

Company	Title	Name or representative	Shareholding	
			Number of shares	Shareholding percentage
Comtrend Corporation	Chairman	Representative of Edimax Technology Co., Ltd.:	19,649,060	33.49%
	Director-cum-President	Guan-Sheng Renn	19,649,060	33.49%
	Director	Representative of Edimax Technology Co., Ltd.: Yu-	19,649,060	33.49%
	Director	Chang Chiu	—	—
	Director	Representative of Edimax Technology Co., Ltd.:	—	—
	Independent Director	Liang-Jung Pan	—	—
	Independent Director	You-Ren Xu	—	—
	Independent Director	Shih-Hua Hung	—	—
		Pai-Hsien Wang		
		Shao-Chang Chu		
	Te-Pu Wang			
Datamax (HK) Co., Ltd.	Chairman	Liang-Jung Pan	—	—
Edimax Technology (Dong Guan) Co., Ltd.	Chairman	Liang-Jung Pan		
	Director	Han-Shen Lee	—	—
	President	Guan-Sheng Renn		
ABST Information International Inc.	Chairman	Ching-Te Hou	—	—
ABST Information Telecom Service Inc.	Chairman	Ching-Te Hou	—	—
Smax Japan Co., Ltd.	Director	Guan-Sheng Renn		
	Director	Jung-Lung Hung	800	100.00%
	Director	Yukihiro Nakashima		



Company	Title	Name or representative	Shareholding	
			Number of shares	Shareholding percentage
Comtrend Corporation (U.S.)	Director Director	Comtrend Corporation: Yu-Chang Chiu Comtrend Corporation: Han-Shen Lee	200,000	100.00%
Comtrend Technology (Netherlands) B.V. (The Netherlands)	Director Director	Representative of Comtrend Corporation: Yu-Chang Chiu Representative of Comtrend Corporation: Guan-Sheng Renn	1,518,000	100.00%
Comtrend Iberia S.L, (Spain)	Responsible Person	Comtrend Technology (Netherlands) B.V.: Yu-Chang Chiu	—	100.00%
Comtrend Central Europe (Czech Republic)	Responsible Person	Comtrend Technology (Netherlands) B.V.: Yu-Chang Chiu Comtrend Iberia S.L.: Yu-Chang Chiu	—	99.96% 0.04%

## 2. Operational Overview of Affiliated Enterprises

### Overview of the operations of affiliates

2022

Unit: NT\$ Thousand

Company	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit	Current net income (after tax)	Earnings per share (NT\$) (after tax)
Edimax Technology Co., Ltd.	2,078,605	5,900,186	3,335,062	2,565,124	3,998,386	92,401	252,658	1.30
Edimax Computer Company	49,803	86,945	11,453	75,492	58,355	315	954	56.18
Edimax Technology Europe B.V.	196,773	87,769	45,539	42,230	108,177	(963)	(2,943)	(1,471.50)
Edimax Technology (BVI) Co., Ltd.	287,735	684,894	528,763	156,131	0	(3,077)	(12,354)	(1.38)
ABS Telecom Inc.	105,000	217,265	60,887	156,378	198,341	30,283	25,105	2.39
SMAX Technology Co.,Ltd.	21,394	34,324	11,831	22,493	14,396	(1,525)	720	0.34
Datamax (HK) Co., Ltd.	271,417	2,654	0	2,654	0	(76)	(29,972)	(0.46)
Edimax Technology (Dong Guan) Co., Ltd.	257,046	519,306	516,728	2,578	2,178,556	20,598	(30,005)	—
ABST Information International Inc.	4,175	13,635	798	12,837	0	(89)	2,162	15.44
ABST Information Telecom Service Inc.	4,175	16,305	2,662	13,643	22,977	2,578	2,259	—
Comtrend Corporation	584,639	1,738,146	478,879	1,259,267	1,725,024	9,222	9,271	0.16
Smax Japan Co.,Ltd.	1,992	1,879	2,121	(242)	0	(1,189)	(1,205)	(0.15)
Comtrend Corporation	6,991	357,734	233,692	124,042	618,860	(26,496)	(20,133)	(100.67)

Company	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit	Current net income (after tax)	Earnings per share (NT\$) (after tax)
Comtrend Technology (Netherlands) B.V.	50,901	212,323	106,071	106,252	601,253	2,186	3,700	2.44
Comtrend Central Europe S.R.O	52,098	129,731	75,897	53,834	103,458	1,336	(84)	Not applicable.
Comtrend Iberia S.L,	12,294	15,588	6,589	8,999	18,061	956	1,101	Not applicable.

3. Consolidated financial statements of affiliates: We hereby declare that we have confirmed the companies which shall be included in the consolidated financial statements of the affiliates and the ones which shall be included in the consolidated financial statements in accordance with IFRS 10 are identical; the related information has been disclosed in the consolidated financial statements and will hence not be included in the consolidated financial statements of the affiliates for the year ended in 2022, (January 1-December 31, 2022) in accordance with “Criteria Governing Preparation of Affiliation Reports” and “Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”.

4. Relationship Report: Not applicable.

**Edimax Technology Co., Ltd. and Subsidiaries**

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

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

EDIMAX TECHNOLOGY CO., LTD.

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December

31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2022 is stated as follows:

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

The Group's revenue from the top five fast growth customers was \$1,719,039, which representing 29% of consolidated total revenue for the year ended December 31, 2022. As the amount of the revenue from the top five fast growth customers was significant, it was deemed to be a key audit matter.

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

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

#### **Other Matter**

We did not audit the financial statements of several subsidiaries included in the consolidated financial statements of the Group, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for those subsidiaries, was based solely on the reports of other auditors. The total assets of those subsidiaries were \$426,303 thousand and \$396,167 thousand, which constituted 6% and 5% of consolidated total assets as of December 31, 2022 and 2021, respectively, and total revenues were \$350,512 thousand and \$321,081 thousand, which constituted 6% and 6% of consolidated total revenues for the years ended December 31, 2022 and 2021, respectively.

In addition, the financial statements of associates included in the consolidated financial statements were audited by other auditors. Thus, our opinion, insofar as it relates to the investments in associates accounted for using the equity method, the share of profit (loss) of the associates accounted for using the equity method, and the share of comprehensive income (loss) of the associates, was based solely on the reports of other auditors. Investments in associates accounted for using the equity method were \$71,531 thousand and \$57,398 thousand, which constituted 1% and 1% of consolidated total assets as of December 31, 2022

and 2021, respectively; the share of profit of the associates was \$25,502 thousand and \$13,759 thousand, which constituted 9% and (25%) of the consolidated profit (loss) before income tax for the years ended December 31, 2022 and 2021, respectively; and the share of the other comprehensive income of associates accounted for using the equity method was \$32,770 thousand and \$11,851 thousand, which constituted 11% and (14%) of the consolidated total comprehensive income (loss) for the years ended December 31, 2022 and 2021, respectively.

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion with other matter paragraph.



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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 3, 2023

Notice to Readers

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

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

**EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 1,692,999	22	\$ 1,110,589	15
Financial assets at amortized cost - current (Notes 9 and 33)	14,370	-	4,716	-
Contract assets - current (Note 24)	8,355	-	5,782	-
Notes receivable from unrelated parties (Note 10)	2,462	-	15,845	-
Trade receivables from unrelated parties (Notes 10 and 24)	1,238,027	16	1,099,908	15
Other receivables from unrelated parties (Note 10)	8,729	-	5,110	-
Other receivables from related parties (Note 32)	18,637	1	16,608	-
Current tax assets (Note 26)	13,079	-	2,296	-
Inventories (Note 11)	1,721,919	23	2,251,454	31
Prepayments	75,480	1	165,573	3
Other current assets	13,794	-	15,596	-
Total current assets	<u>4,807,851</u>	<u>63</u>	<u>4,693,477</u>	<u>64</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 7, 19 and 31)	244	-	520	-
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 31)	53,503	1	76,117	1
Financial assets at amortized cost - non-current (Notes 9 and 33)	20,197	-	810	-
Investments accounted for using the equity method (Note 13)	71,531	1	57,398	1
Property, plant and equipment (Notes 14 and 33)	2,483,468	33	2,276,903	31
Right-of-use assets (Note 15)	48,499	1	54,247	1
Intangible assets (Note 16)	33,718	-	30,386	-
Deferred tax assets (Note 26)	27,905	-	35,916	-
Refundable deposits	12,354	-	15,642	-
Net provisions for retirement (Note 22)	3,295	-	-	-
Other financial assets - non-current (Note 17)	69,800	1	66,201	1
Other non-current assets	-	-	56,801	1
Total non-current assets	<u>2,824,514</u>	<u>37</u>	<u>2,670,941</u>	<u>36</u>
<b>TOTAL</b>	<u>\$ 7,632,365</u>	<u>100</u>	<u>\$ 7,364,418</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 18)	\$ 739,632	10	\$ 574,792	8
Short-term bills payable (Note 18)	29,969	1	29,915	-
Financial liabilities at fair value through profit or loss - current (Notes 7 and 31)	783	-	-	-
Contract liabilities - current (Note 24)	93,974	1	111,494	2
Notes payable to unrelated parties	7,060	-	10,303	-
Accounts payable to unrelated parties	880,166	12	1,227,114	17
Accounts payable to related parties (Note 32)	153,273	2	147,329	2
Other payables (Notes 20 and 32)	330,456	4	317,721	4
Current tax liabilities (Note 26)	40,774	1	46,000	1
Provisions - current (Note 21)	7,914	-	5,382	-
Lease liabilities - current (Note 15)	22,586	-	30,518	-
Current portion of long-term borrowings (Notes 18 and 33)	16,800	-	16,800	-
Other current liabilities (Note 20)	105,307	1	118,934	2
Total current liabilities	<u>2,428,694</u>	<u>32</u>	<u>2,636,302</u>	<u>36</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Notes 19 and 33)	185,143	3	390,835	5
Long-term borrowings (Notes 18 and 33)	1,550,314	20	1,367,114	19
Deferred tax liabilities (Note 26)	6,737	-	709	-
Lease liabilities - non-current (Note 15)	26,102	-	24,356	-
Net defined benefit liabilities - non-current (Note 22)	75,392	1	86,028	1
Guarantee deposits received	-	-	5	-
Total non-current liabilities	<u>1,843,688</u>	<u>24</u>	<u>1,869,047</u>	<u>25</u>
Total liabilities	<u>4,272,382</u>	<u>56</u>	<u>4,505,349</u>	<u>61</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)</b>				
Share capital				
Common stock	2,070,101	27	1,893,702	26
Capital collected in advance	8,504	-	8,800	-
Total share capital	<u>2,078,605</u>	<u>27</u>	<u>1,902,502</u>	<u>26</u>
Capital surplus	284,928	4	236,689	3
Retained earnings				
Legal reserve	10,460	-	10,460	-
Special reserve	38,904	1	38,904	1
Unappropriated earnings	188,181	2	(67,331)	(1)
Total retained earnings	<u>237,545</u>	<u>3</u>	<u>(17,967)</u>	<u>-</u>
Other equity				
Exchange differences on arising from translation to the presentation currency	(10,792)	-	(49,822)	(1)
Unrealized gain/(loss) on financial assets at fair value through other comprehensive income	(12,189)	-	10,425	-
Total other equity	<u>(22,981)</u>	<u>-</u>	<u>(39,397)</u>	<u>(1)</u>
Treasury shares	(12,973)	-	(13,497)	-
Total equity attributable to owners of the Company	2,565,124	34	2,068,330	28
<b>NON-CONTROLLING INTERESTS (Note 23)</b>	<u>794,859</u>	<u>10</u>	<u>790,739</u>	<u>11</u>
Total equity	<u>3,359,983</u>	<u>44</u>	<u>2,859,069</u>	<u>39</u>

TOTAL

\$ 7,632,365

100

\$ 7,364,418

100

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

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

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 32)	\$ 5,963,157	100	\$ 5,247,518	100
OPERATING COSTS (Notes 11, 25 and 32)	<u>(4,509,884)</u>	<u>(75)</u>	<u>(4,069,648)</u>	<u>(78)</u>
GROSS PROFIT	<u>1,453,273</u>	<u>25</u>	<u>1,177,870</u>	<u>22</u>
OPERATING EXPENSES (Notes 22, 25 and 32)				
Selling and marketing expenses	(580,143)	(10)	(531,024)	(10)
General and administrative expenses	(267,465)	(5)	(253,798)	(5)
Research and development expenses	(442,021)	(7)	(422,094)	(8)
Expected credit loss	<u>(8,544)</u>	<u>-</u>	<u>(8,598)</u>	<u>-</u>
Total operating expenses	<u>(1,298,173)</u>	<u>(22)</u>	<u>(1,215,514)</u>	<u>(23)</u>
PROFIT (LOSS) FROM OPERATIONS	<u>155,100</u>	<u>3</u>	<u>(37,644)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 25)	38,979	1	25,435	1
Other gains and losses (Note 25)	108,141	2	(32,878)	(1)
Finance costs (Note 25)	(37,793)	(1)	(26,567)	-
Share of profit of associates (Note 13)	25,502	-	13,759	-
Interest income (Note 25)	<u>7,811</u>	<u>-</u>	<u>3,759</u>	<u>-</u>
Total non-operating income and expenses	<u>142,640</u>	<u>2</u>	<u>(16,492)</u>	<u>-</u>
PROFIT (LOSS) BEFORE INCOME TAX	297,740	5	(54,136)	(1)
INCOME TAX EXPENSE (Note 26)	<u>(38,763)</u>	<u>(1)</u>	<u>(18,048)</u>	<u>(1)</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>258,977</u>	<u>4</u>	<u>(72,184)</u>	<u>(2)</u>

(Continued)

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 22)	\$ 8,211	-	\$ (7,760)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(22,614)	-	10,761	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 26)	(1,933)	-	58	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>54,403</u>	<u>1</u>	<u>(14,394)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>38,067</u>	<u>1</u>	<u>(11,335)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 297,044</u>	<u>5</u>	<u>\$ (83,519)</u>	<u>(2)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 252,658	4	\$ (55,028)	(1)
Non-controlling interests	<u>6,319</u>	<u>-</u>	<u>(17,156)</u>	<u>-</u>
	<u>\$ 258,977</u>	<u>4</u>	<u>\$ (72,184)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 271,928	5	\$ (68,169)	(2)
Non-controlling interests	<u>25,116</u>	<u>-</u>	<u>(15,350)</u>	<u>-</u>
	<u>\$ 297,044</u>	<u>5</u>	<u>\$ (83,519)</u>	<u>(2)</u>
EARNINGS (LOSS) PER SHARE (Note 27)				
Basic	<u>\$ 1.30</u>		<u>\$ (0.29)</u>	
Diluted	<u>\$ 1.14</u>			

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

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

(Concluded)



EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company (Note 23)								Other Equity			Non-controlling Interests (Note 23)	Total Equity		
	Share Capital			Capital Surplus	Retained Earnings				Exchange Differences on Translation Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares			Total	
	Common Stock	Capital Collected in Advance	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total							
BALANCE AT JANUARY 1, 2021	\$ 1,864,916	\$ 27,492	\$ 1,892,408	\$ 228,100	\$ 1,802	\$ 16,214	\$ 86,582	\$ 104,598	\$ (33,468)	\$ (5,436)	\$ (38,904)	\$ (13,714)	\$ 2,172,488	\$ 873,808	\$ 3,046,296
Appropriation of 2020 earnings	-	-	-	-	8,658	-	(8,658)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	(8,658)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	22,690	(22,690)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(54,889)	(54,889)	-	-	-	-	(54,889)	-	(54,889)
Other capital surplus change	-	-	-	979	-	-	-	-	-	-	-	-	979	-	979
Share-based payments (Note 28)	-	-	-	979	-	-	-	-	-	-	-	-	979	-	979
Equity component of convertible bonds issued by the company (Note 19)	-	-	-	10,684	-	-	-	-	-	-	-	-	10,684	-	10,684
Disposal of investments in equity instruments measured at fair value through other comprehensive income by a subsidiary (Note 8)	-	-	-	-	-	-	(5,100)	(5,100)	-	5,100	5,100	-	-	-	-
Adjustment of capital reserve by dividends paid to subsidiaries	-	-	-	418	-	-	-	-	-	-	-	-	418	-	418
Changes in percentage of ownership interests in subsidiaries (Note 29)	-	-	-	(4,391)	-	-	-	-	-	-	-	-	(4,391)	-	(4,391)
Recognition of employee share options by the subsidiaries (Note 28)	-	-	-	179	-	-	-	-	-	-	-	-	179	3,719	3,898
Issuance of ordinary shares under employee share options (Note 28)	28,786	(18,692)	10,094	720	-	-	-	-	-	-	-	-	10,814	-	10,814
Non-controlling interests (Note 23)	-	-	-	-	-	-	-	-	-	-	-	217	217	(71,438)	(71,221)
Net loss for the year ended December 31, 2021	-	-	-	-	-	-	(55,028)	(55,028)	-	-	-	-	(55,028)	(17,156)	(72,184)
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(7,548)	(7,548)	(16,354)	10,761	(5,593)	-	(13,141)	1,806	(11,335)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	(62,576)	(62,576)	(16,354)	10,761	(5,593)	-	(68,169)	(15,350)	(83,519)
BALANCE AT DECEMBER 31, 2021	1,893,702	8,800	1,902,502	236,689	10,460	38,904	(67,331)	(17,967)	(49,822)	10,425	(39,397)	(13,497)	2,068,330	790,739	2,859,069
Other capital surplus change	-	-	-	386	-	-	-	-	-	-	-	-	386	-	386
Share-based payments (Note 28)	-	-	-	386	-	-	-	-	-	-	-	-	386	-	386
The equity method is used to recognize the number of changes in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	272	272	-	272
Disposal of the Company's common stock by subsidiaries treated as treasury shares transactions	-	-	-	237	-	-	-	-	-	-	-	252	489	963	1,452
Changes in percentage of ownership interests in subsidiaries (Note 29)	-	-	-	(4,826)	-	-	-	-	-	-	-	-	(4,826)	-	(4,826)
Recognition of employee share options by the subsidiaries (Note 28)	-	-	-	423	-	-	-	-	-	-	-	-	423	316	739
Conversion of convertible corporate bond	149,036	8,074	157,110	52,019	-	-	-	-	-	-	-	-	209,129	-	209,129
Issuance of ordinary shares under employee share options (Note 28)	27,363	(8,370)	18,993	-	-	-	-	-	-	-	-	-	18,993	-	18,993
Non-controlling interests (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,275)	(22,275)
Net profit for the year ended December 31, 2022	-	-	-	-	-	-	252,658	252,658	-	-	-	-	252,658	6,319	258,977
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	2,854	2,854	39,030	(22,614)	16,416	-	19,270	18,797	38,067
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	255,512	255,512	39,030	(22,614)	16,416	-	271,928	25,116	297,044
BALANCE AT DECEMBER 31, 2022	\$ 2,070,101	\$ 8,504	\$ 2,078,605	\$ 284,928	\$ 10,460	\$ 38,904	\$ 188,181	\$ 237,545	\$ (10,792)	\$ (12,189)	\$ (22,981)	\$ (12,973)	\$ 2,565,124	\$ 794,859	\$ 3,359,983

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

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

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 297,740	\$ (54,136)
Adjustments for:		
Depreciation expense	125,063	133,998
Amortization expense	10,429	7,147
Expected credit loss recognized	8,544	8,598
Net loss (gain) on fair value changes of financial assets and liabilities designated as at fair value through profit or loss	1,059	(682)
Finance costs	37,793	26,567
Interest income	(7,811)	(3,759)
Dividend income	(733)	(2,673)
Share-based payment	1,125	4,877
Share of profit of associates	(25,502)	(13,759)
Gain on disposal of property, plant and equipment	(1)	(136)
Loss for market price decline and obsolete and slow-moving inventories	20,429	39,177
Changes in operating assets and liabilities		
Contract assets	(2,573)	(4,362)
Notes receivable	13,383	(4,995)
Trade receivables	(147,107)	115,287
Other receivables	(3,619)	144
Other receivables from related parties	-	(16,041)
Inventories	502,939	(787,964)
Prepayment	90,093	(90,662)
Other current assets	1,802	13,402
Contract liabilities	(17,520)	(15,129)
Note payables	(3,243)	4,967
Trade payables (including related parties)	(341,004)	(57,627)
Other payables	12,735	(32,366)
Provisions	2,532	1,941
Other current liabilities	(13,627)	5,708
Net defined benefit liabilities	(13,931)	1,693
Cash generated from (used in) operations	548,995	(720,785)
Interest received	7,811	3,759
Interest paid	(32,324)	(23,558)
Income tax paid	(34,455)	(31,412)
Net cash generated from (used in) operating activities	<u>490,027</u>	<u>(771,996)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of financial assets at fair value through other comprehensive income	-	(1,826)
Purchase of financial assets measured at amortized cost	(29,041)	(661)
Proceeds from financial assets measured at amortized cost	-	95
Payments for property, plant and equipment	(239,905)	(60,737)

(Continued)

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2022	2021
Proceeds from disposal of property, plant and equipment	\$ 107	\$ 4,027
Decrease (increase) in refundable deposits	3,288	(1,170)
Payments for intangible assets	(13,069)	(8,378)
Increase in other financial assets	(3,599)	(3,013)
Increase in other non-current assets	-	(56,801)
Decrease in other non-current assets	5	-
Dividends received	<u>17,341</u>	<u>2,673</u>
Net cash used in investing activities	<u>(264,873)</u>	<u>(125,791)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	164,840	-
Repayments of short-term borrowings	-	(282,976)
Proceeds from issuance of convertible bonds	-	398,653
Proceeds from long-term borrowings	200,000	-
Repayments of long-term borrowings	(16,800)	(16,800)
Repayment of the principal portion of lease liabilities	(35,031)	(87,159)
Decrease in refundable deposits	(5)	(6,675)
Dividends paid to owners of the company	-	(54,889)
Exercise of employee share option	18,993	10,814
Proceeds from reissuance of treasury shares	1,472	635
Dividends paid to non-controlling interests	(38,271)	(74,826)
Difference in non-controlling interests	<u>11,640</u>	<u>(3,898)</u>
Net cash generated from (used in) financing activities	<u>306,838</u>	<u>(117,121)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>50,418</u>	<u>54,903</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	582,410	(960,005)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,110,589</u>	<u>2,070,594</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,692,999</u>	<u>\$ 1,110,589</u>

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

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

(Concluded)

# EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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### 1. GENERAL INFORMATION

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

The Company and its subsidiaries are hereinafter collectively referred to as “the Group.”

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for

financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 12, Tables 5 and 6 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency which are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries operation in other countries or those that use currencies that are different from the Company) are translated into New Taiwan dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss.

f. Inventories

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

g. Investments in associates

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

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

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



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

h. Property, plant and equipment

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

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

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

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

j. Intangible assets

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

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

k. Impairment of property, plant and equipment, right-of-use asset, and intangible assets other than goodwill

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

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

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

#### I. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

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

##### 1) Financial assets

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

##### a) Measurement categories

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

##### i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest revenue, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized

cost (including trade receivables).

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

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

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

#### c) Derecognition of financial assets

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

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

### 2) Financial liabilities

#### a) Subsequent measurement

Except for the financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL include financial liabilities may be designated as at FVTPL.

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which does not incorporate any interest or dividends paid on such financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 31.

#### b) Derecognition of financial liabilities

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

### 3) Convertible bonds

The group issued compound financial instruments (convertible bonds) are based on the definition of contract agreement substance, financial liabilities, and equity instruments, and their compositions classified into financial liabilities and equity at initial recognition. The fair value of liabilities composition is estimated by current market value of similar non-convertible instruments, measured at amortized cost using the effective rate before converting or maturity date. The liabilities composition of embedded non-equity derivatives is measured at fair value. It classified as convertible options of equity, equaling to the fair value of whole compound financial instruments eliminates the remaining amount of liability composition by individually determined, recognized as equity through deducting tax effects, and it would not be measured afterwards. When the option of equity is conducted, relative liability composition and the amount of equity will be covertly recognized as ordinary shares and share capital - capital surplus. If the option of convertible bonds was still not be conducted, the amount of equity covertly recognized as share capital - capital surplus. The relative transaction of issued cost of convertible bonds, divided by the proportion of all amount allocated to liability (recognized as the book value of liability) and equity composition (recognized as equity.)

#### m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations to assure that products comply with agreed upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group's obligations.

#### n. Revenue recognition

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

1) Revenue from the sale of goods

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

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

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

2) Rendering of services

Services income is recognized when services are provided.

3) Service revenue

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

o. Leases

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

- The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate

line in the consolidated balance sheets.

p. Governments grants

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit or the date when the Group recognized any related restructuring costs.

r. Share-based payment arrangements - employee share options

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

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

s. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes



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

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

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

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

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Cash on hand	\$ 933	\$ 1,011
Checking accounts and demand deposits	1,388,493	1,095,738
Cash equivalents (investments with original maturities within 3 months)		
Time deposits	<u>303,573</u>	<u>13,840</u>
	<u>\$ 1,692,999</u>	<u>\$ 1,110,589</u>

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

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Demand deposits	0.001%-3.50%	0.001%-0.05%
Time deposits	1.20%-4.10%	0.23%

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

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets - current</u>		
Held for trading		
Derivative instruments (not designated as hedge)		
Convertible bonds redemption and sale option (Note 19)	<u>\$ 244</u>	<u>\$ 520</u>
<u>Financial liabilities - current</u>		

Held for trading

Derivative instruments (not designated as hedge)

Foreign exchange forward contracts

\$ 783

\$ -

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

December 31, 2022

	Currency	Maturity Date	Notional Amount (In Thousands)
Foreign exchange forward contracts	EUR to USD	2023.01.20	EUR200/USD207
Foreign exchange forward contracts	EUR to USD	2023.07.24	EUR300/USD315
Foreign exchange forward contracts	EUR to USD	2023.07.24	EUR200/USD210
Foreign exchange forward contracts	EUR to USD	2023.07.25	EUR200/USD210

The purpose of the Group trading in derivative financial instruments is to avoid the risks of foreign currency assets and liabilities from exchange rate fluctuations. However, such derivative financial instrument does not meet the conditions for effective hedging; therefore, hedge accounting is inapplicable.

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

### Investments in Equity Instruments at FVTOCI

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

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

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2022	2021
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	<u>\$ 14,370</u>	<u>\$ 4,716</u>
<u>Non-current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	<u>\$ 20,197</u>	<u>\$ 810</u>
a. As the years ended December 31, 2022 and 2021, the ranges of interest rates for time deposits with original maturities of more than 3 months were from 0.98% to 5.85% and 0.815% per annum respectively.		
b. Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.		

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

	<u>December 31</u>	
	2022	2021
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	<u>\$ 2,462</u>	<u>\$ 15,845</u>
Notes receivable	<u>\$ 2,462</u>	<u>\$ 15,845</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 1,296,717	\$ 1,168,257
Less: Allowance for impairment loss	<u>(58,690)</u>	<u>(68,349)</u>
	<u>\$ 1,238,027</u>	<u>\$ 1,099,908</u>
<u>Other receivables</u>		
Others	<u>\$ 8,729</u>	<u>\$ 5,110</u>
<b>Trade Receivables at Amortized Cost</b>		

The average credit period of the Group's sales of goods varies among customers due to their different credit ratings, and no interest was charged on trade receivables. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

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

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

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

#### December 31, 2022

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.27%	1.37%	7.28%	42.97%	95.21%	
Gross carrying amount	\$ 1,111,472	\$ 101,044	\$ 24,157	\$ 8,842	\$ 51,202	\$ 1,296,717
Loss allowance (Lifetime ECLs)	<u>(2,998)</u>	<u>(1,384)</u>	<u>(1,758)</u>	<u>(3,799)</u>	<u>(48,751)</u>	<u>(58,690)</u>
Amortized cost	<u>\$ 1,108,474</u>	<u>\$ 99,660</u>	<u>\$ 22,399</u>	<u>\$ 5,043</u>	<u>\$ 2,451</u>	<u>\$ 1,238,027</u>

#### December 31, 2021

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.06%	0.57%	14.70%	75.52%	99.64%	
Gross carrying amount	\$ 987,734	\$ 102,598	\$ 11,614	\$ 2,418	\$ 63,893	\$ 1,168,257
Loss allowance (Lifetime ECLs)	<u>(575)</u>	<u>(581)</u>	<u>(1,707)</u>	<u>(1,826)</u>	<u>(63,660)</u>	<u>(68,349)</u>
Amortized cost	<u>\$ 987,159</u>	<u>\$ 102,017</u>	<u>\$ 9,907</u>	<u>\$ 592</u>	<u>\$ 233</u>	<u>\$ 1,099,908</u>

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

	<u>December 31</u>	
	2022	2021

Balance at January 1	\$ 68,349	\$ 59,935
Add: Net remeasurement of loss allowance	8,544	8,598
Less: Amounts written off (Note)	(18,647)	-
Foreign exchange gains and losses	<u>444</u>	<u>(184)</u>
Balance at December 31	<u>\$ 58,690</u>	<u>\$ 68,349</u>

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

## 11. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Raw materials	\$ 580,526	\$ 1,327,787
Finished goods	254,619	209,533
Work in progress and semi-finished goods	624,171	361,584
Merchandise	<u>262,603</u>	<u>352,550</u>
	<u>\$ 1,721,919</u>	<u>\$ 2,251,454</u>

For the years ended December 31, 2022 and 2021, the costs of inventories recognized as cost of goods sold included write-down of \$20,429 thousand and \$39,177 thousand, respectively.

## 12. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	<u>Proportion of Ownership</u>		Remark
			<u>December 31</u>		
			<u>2022</u>	<u>2021</u>	
The Company	Edimax Computer Co. ("Edimax USA")	Networking equipment wholesale	100.00%	100.00%	
	Edimax Technology Europe B.V. ("Edimax Europe")	Networking equipment wholesale	100.00%	100.00%	
	Edimax Technology (BVI) Co., Ltd. ("Edimax BVI")	Networking equipment wholesale	100.00%	100.00%	
	ABS Telecom Inc. ("ABS Telecom")	Telecommunication equipment wholesale, transmission and rental	100.00%	100.00%	
	Edimax Technology Australia Pty, Ltd. ("Edimax AU")	Networking equipment wholesale	-	100.00%	(1)
	SMAX Technology Co., Ltd. ("SMAX Technology")	Wired and wireless telecommunication equipment for manufacturing	100.00%	100.00%	
	Comtrend Corporation ("Comtrend")	Cable and telecommunication transmission equipment	33.60%	34.29%	(2)
Edimax Europe	Edimax Technology Poland. Sp. Zo.o. ("Edimax Poland")	Networking equipment wholesale	-	100.00%	(3)
Edimax BVI	Datamax (HK) Co., Ltd. ("Datamax HK")	Investing	100.00%	100.00%	
ABS Telecom	ABST Information International Inc. ("ABST")	Investing	100.00%	100.00%	
SMAX Technology	Smax Japan Co., Ltd. ("Smax Japan")	Networking equipment wholesale	100.00%	100.00%	(4)

Comtrend	Comtrend Corporation, USA ("CUSA")	Cable and cableless transmission equipment wholesale, retail sale, and international trade	100.00%	100.00%	
	Interchan Global Limited ("Interchan Global")	Investing	-	100.00%	(5)
	Comtrend Technology (Netherlands) B.V. ("CTBV")	Wholesale, retail sale, and international trade	100.00%	100.00%	
Datamax HK	Edimax Electronic (Dongguan) Co., Ltd.	Networking production and marketing	100.00%	100.00%	
ABST	ABST Information Telecom Service Inc.	Telecommunication equipment wholesale, transmission and rental	100.00%	100.00%	
Interchan Global	Interchan Taiwan ("8086")	Telecommunication value-added services	-	100.00%	(5)
CTBV	Comtrend Central Europe S.R.O. ("CCE")	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	100.00%	100.00%	
	Comtrend Iberia S.L. ("Comtrend Iberia")	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	100.00%	100.00%	

- 1) Edimax AU cancelled the registration in September 2022.
- 2) For the changes in the proportion of Comtrend Corporation held by the Group, please refer to Note 29 for additional information.
- 3) Edimax Poland cancelled the registration in July 2022.
- 4) The Group invested in SMAX JAPAN in July 2021.
- 5) The Group completed the liquidation procedures of Interchan Global and 8086 in December and July 2022, respectively.
- 6) Refer to Table 5 "Information on Investees" for the nature of activities, Edimax Europe converted liabilities into equities which amounted to 28,439 thousand for the year ended December 31, 2021.

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

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	
		2022	2021
Comtrend	Taiwan	66.40%	65.71%

Name of Subsidiary	Profit Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		December 31	
	2022	2021	2022	2021
Comtrend (excluding non-controlling interests in subsidiaries)	<u>\$ 6,319</u>	<u>\$ (17,156)</u>	<u>\$ 794,859</u>	<u>\$ 790,739</u>

The summarized financial information below represents amounts before intragroup eliminations.

Comtrend and subsidiaries

	December 31	
	2022	2021
Current assets	\$ 1,423,427	\$ 1,621,311
Non-current assets	365,123	163,108
Current liabilities	(320,674)	(502,584)
Non-current liabilities	<u>(208,609)</u>	<u>(18,578)</u>
Equity	<u>\$ 1,259,267</u>	<u>\$ 1,263,257</u>
Equity attributable to:		
Owners of Comtrend	\$ 423,114	\$ 433,171
Non-controlling interests of Comtrend	<u>836,153</u>	<u>830,086</u>
	<u>\$ 1,259,267</u>	<u>\$ 1,263,257</u>
	For the Year Ended December 31	
	2022	2021
Revenue	<u>\$ 1,921,542</u>	<u>\$ 1,663,318</u>
Net profit (loss) for the year	\$ 9,271	\$ (26,108)
Other comprehensive income (loss) for the year	<u>32,117</u>	<u>(8,824)</u>
Total comprehensive income (loss) for the year	<u>\$ 41,388</u>	<u>\$ (34,932)</u>
		(Continued)
	For the Year Ended December 31	
	2022	2021
Profit (loss) attributable to:		
Owners of Comtrend	\$ 2,952	\$ (8,952)
Non-controlling interests of Comtrend	<u>6,319</u>	<u>(17,156)</u>

	<u>\$ 9,271</u>	<u>\$ (26,108)</u>
Total comprehensive income attributable to:		
Owners of Comtrend	\$ 16,272	\$ (19,582)
Non-controlling interests of Comtrend	<u>25,116</u>	<u>(15,350)</u>
	<u>\$ 41,388</u>	<u>\$ (34,932)</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 114,095	\$ (417,712)
Investing activities	(239,181)	(82,994)
Financing activities	139,778	(124,741)
Effect of exchange rate	<u>26,452</u>	<u>(11,140)</u>
Net cash inflow (outflow) inflow	<u>\$ 41,144</u>	<u>\$ (636,587)</u> (Concluded)

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

Refer to Table 5 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

### 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 1,299,846	\$ 919,692	\$ 385,623	\$ 557,529	\$ 3,162,690
Additions	190,052	67,047	832	38,770	296,701
Disposals	-	-	(207)	(17,955)	(18,162)
Reclassified	-	-	-	(53,686)	(53,686)
Effect of foreign currency exchange differences	<u>-</u>	<u>-</u>	<u>5,940</u>	<u>1,878</u>	<u>7,818</u>



Balance at December 31, 2022	<u>\$ 1,489,898</u>	<u>\$ 986,739</u>	<u>\$ 392,188</u>	<u>\$ 526,536</u>	<u>\$ 3,395,361</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	\$ -	\$ 133,945	\$ 323,339	\$ 428,503	\$ 885,787
Depreciation expense	-	23,038	13,715	54,129	90,882
Disposals	-	-	(212)	(17,844)	(18,056)
Reclassified	-	-	-	(53,511)	(53,511)
Effect of foreign currency exchange differences	-	-	4,892	1,899	6,791
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 156,983</u>	<u>\$ 341,734</u>	<u>\$ 413,176</u>	<u>\$ 911,893</u>
Carrying amounts at December 31, 2022	<u>\$ 1,489,898</u>	<u>\$ 829,756</u>	<u>\$ 50,454</u>	<u>\$ 113,360</u>	<u>\$ 2,483,468</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 1,299,846	\$ 919,692	\$ 430,880	\$ 617,307	\$ 3,267,725
Additions	-	-	12,696	48,041	60,737
Disposals	-	-	(54,417)	(106,688)	(161,105)
Effect of foreign currency exchange differences	-	-	(3,536)	(1,131)	(4,667)
Balance at December 31, 2021	<u>\$ 1,299,846</u>	<u>\$ 919,692</u>	<u>\$ 385,623</u>	<u>\$ 557,529</u>	<u>\$ 3,162,690</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	\$ -	\$ 113,954	\$ 362,390	\$ 473,916	\$ 950,260
Depreciation expense	-	19,991	16,830	59,964	96,785
Disposals	-	-	(52,890)	(104,324)	(157,214)
Effect of foreign currency exchange differences	-	-	(2,991)	(1,053)	(4,044)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 133,945</u>	<u>\$ 323,339</u>	<u>\$ 428,503</u>	<u>\$ 885,787</u>
Carrying amounts at December 31, 2021	<u>\$ 1,299,846</u>	<u>\$ 785,747</u>	<u>\$ 62,284</u>	<u>\$ 129,026</u>	<u>\$ 2,276,903</u>

- No impairment loss was recognized or reversal for the years ended December 31, 2022 and 2021.
- The cash flow information for the acquisition of property, plant and equipment by the Group for the years ended December 31, 2022 and 2021 is adjusted as follows:

	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2022</b>	<b>2021</b>
Additions to property, plant and equipment	\$ 296,701	\$ 60,737
Prepayments for land and buildings, beginning of period	(56,796)	-
Prepayments for land and buildings, end of period	<u>-</u>	<u>-</u>
Payment for property, plant and equipment	<u>\$ 239,905</u>	<u>\$ 60,737</u>

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

Building	21-50 years
Machinery and equipment	2-13 years

Other equipment 1-10 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 33.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amounts</u>		
Buildings	\$ 41,593	\$ 44,252
Transportation equipment	<u>6,906</u>	<u>9,995</u>
	<u>\$ 48,499</u>	<u>\$ 54,247</u>
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 26,867</u>	<u>\$ 29,554</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 27,730	\$ 27,278
Transportation equipment	<u>6,451</u>	<u>9,935</u>
	<u>\$ 34,181</u>	<u>\$ 37,213</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amounts</u>		
Current	<u>\$ 22,586</u>	<u>\$ 30,518</u>
Non-current	<u>\$ 26,102</u>	<u>\$ 24,356</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Buildings	1.38%-1.50%	1.36%
Transportation equipment	1.25%-1.36%	1.36%

### c. Material lease activities and terms

The Group leases certain transportation equipment for the use of transportation with lease terms of 3 to 8 years. The Group also leases buildings for the use of offices and warehouses with lease terms of 2 to 15 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to low-value asset leases	<u>\$ 5,821</u>	<u>\$ 1,464</u>
Total cash outflow for leases	<u>\$(41,841)</u>	<u>\$(90,198)</u>

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

**16. INTANGIBLE ASSETS**

	<b>Goodwill</b>	<b>Computer Software</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2022	\$ 31,842	\$ 74,602	\$ 106,444
Additions	-	13,069	13,069
Reclassified	-	2,652	2,652
Effect of foreign currency exchange differences	<u>-</u>	<u>517</u>	<u>517</u>
Balance at December 31, 2022	<u>\$ 31,842</u>	<u>\$ 90,840</u>	<u>\$ 122,682</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2022	\$ 8,611	\$ 67,447	\$ 76,058
Amortization expense	-	10,429	10,429
Reclassified	<u>-</u>	<u>2,477</u>	<u>2,477</u>
Balance at December 31, 2022	<u>\$ 8,611</u>	<u>\$ 80,353</u>	<u>\$ 88,964</u>
Carrying amounts at December 31, 2022	<u>\$ 23,231</u>	<u>\$ 10,487</u>	<u>\$ 33,718</u>
<u>Cost</u>			
Balance at January 1, 2021	\$ 31,842	\$ 66,257	\$ 98,099
Additions	-	8,378	8,378
Effect of foreign currency exchange differences	<u>-</u>	<u>(33)</u>	<u>(33)</u>

Balance at December 31, 2021	<u>\$ 31,842</u>	<u>\$ 74,602</u>	<u>\$ 106,444</u> (Continued)
	<b>Goodwill</b>	<b>Computer Software</b>	<b>Total</b>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2021	\$ 8,611	\$ 60,300	\$ 68,911
Amortization expense	<u>-</u>	<u>7,147</u>	<u>7,147</u>
Balance at December 31, 2021	<u>\$ 8,611</u>	<u>\$ 67,447</u>	<u>\$ 76,058</u>
Carrying amounts at December 31, 2021	<u>\$ 23,231</u>	<u>\$ 7,155</u>	<u>\$ 30,386</u> (Concluded)

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

Computer software	1-11 years
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#### 17. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
<u>Non-current</u>		
Pension reserve fund	\$ 69,400	\$ 65,801
Reserve account	<u>400</u>	<u>400</u>
	<u>\$ 69,800</u>	<u>\$ 66,201</u>

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

#### 18. BORROWINGS

##### a. Short-term borrowings

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
<u>Unsecured borrowings</u>		
Bank loans	<u>\$ 739,632</u>	<u>\$ 574,792</u>

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

##### b. Short-term bills payable

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

As of December 31, 2022 and 2021, the weighted average effective interest rate on commercial paper was 2.04% and 1.00%, respectively.

c. Long-term borrowings

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Secured borrowings</u>		
Bank loans (1)	\$ 1,367,114	\$ 1,383,914
Bank loans (2)	<u>200,000</u>	<u>-</u>
	1,567,114	1,383,914
Less: Current portions	<u>(16,800)</u>	<u>(16,800)</u>
	<u>\$ 1,550,314</u>	<u>\$ 1,367,114</u>

1) The bank loans are secured by the Group's land and buildings; please refer to Note 33 for additional information. The maturity date is February 1, 2036 and the effective annual interest rate were 1.50%. The purpose of the borrowings is to purchase land and buildings for operations.

2) The bank loans are secured by the Group's land and buildings, please refer to Note 33 for additional information. The maturity date is January 14, 2042 and the grace period is three years. The effective annual interest rate from January 14, 2022 to January 14, 2024 is 1.25% to 1.63%, and the effective annual interest rate from January 15, 2024 to January 14, 2042 is 1.74%. The purpose of the borrowings is to purchase land and buildings for operations.

## 19. CONVERTIBLE BONDS

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

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

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

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

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

Proceeds from issuance at March 30, 2021 (less transaction costs of \$5,347 thousand)	\$ 398,653
Equity component (less transaction costs allocated to the equity component of \$143 thousand)	<u>(10,684)</u>
Liability component at the date of issue (less transaction costs allocated to the liability component of \$5,204 thousand)	387,969
Interest charged at an effective interest rate of 1.04%	3,028
Valuation profit on financial investments	<u>(682)</u>
Liability component at December 31, 2021	<u>\$ 390,315</u>
Liability component at January 1, 2022	\$ 390,315
Interest charged at an effective interest rate of 1.04%	3,437
Conversion of convertible bonds into common stock	(209,129)
Valuation loss on financial investments	<u>276</u>
Liability component at December 31, 2022	<u>\$ 184,899</u>

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

## 20. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Other payables		
Payable for salaries	\$ 97,648	\$ 106,715
Payable for employees' bonuses and directors' remuneration	22,821	-
Payable for labor fee	17,713	15,577
Payable for freight and customs fee	5,785	27,626
Payable for royalties	2,726	2,457
Others	<u>183,763</u>	<u>165,346</u>
	<u>\$ 330,456</u>	<u>\$ 317,721</u>

(Continued)

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Other liabilities		
Receipts under custody	\$ 40,453	\$ 61,079
Refund liabilities	35,269	37,973
Temporary credit	29,585	16,010
Others	<u>-</u>	<u>3,872</u>
	<u>\$ 105,307</u>	<u>\$ 118,934</u>

(Concluded)

## 21. PROVISIONS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Warranties	<u>\$ 7,914</u>	<u>\$ 5,382</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under contracts for the sale of goods.

## 22. RETIREMENT BENEFIT PLANS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Defined contribution plans	\$ 25,460	\$ 23,440
Net defined benefit liabilities	<u>46,637</u>	<u>62,588</u>
	<u>\$ 72,097</u>	<u>\$ 86,028</u>

### a. Defined contribution plans

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

The Company contributes a certain percentage of total monthly salaries and wages of managerial personnel to a pension reserve fund account (classified as other financial assets - non-current) from July 2005. Refer to Note 17 for information relating to the pension reserve fund. The actual pension amounts paid in 2022 and 2021 were both \$0 and the Company's contributions to the fund amounted to \$25,460 thousand and \$23,440 thousand for the years ended December 31, 2022 and 2021, respectively.

The employees of the Group's subsidiary in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

### b. Defined benefit plans

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

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ 146,287	\$ 149,378
Fair value of plan assets	<u>(99,650)</u>	<u>(86,790)</u>



Net defined benefit liability	<u>\$ 46,637</u>	<u>\$ 62,588</u>
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Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2021	<u>\$ 146,639</u>	<u>\$ (87,679)</u>	<u>\$ 58,960</u>
Service cost			
Past service cost	904	-	904
Net interest expense (income)	<u>705</u>	<u>(690)</u>	<u>15</u>
Recognized in profit or loss	<u>1,609</u>	<u>(690)</u>	<u>919</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(429)	(429)
Actuarial loss - changes in demographic assumptions	6,408	-	6,408
Actuarial gain - changes in financial assumptions	(1,305)	-	(1,305)
Actuarial loss - experience adjustments	<u>3,086</u>	<u>-</u>	<u>3,086</u>
Recognized in other comprehensive income	<u>8,189</u>	<u>(429)</u>	<u>7,760</u>
Contributions from the employer	<u>-</u>	<u>(5,051)</u>	<u>(5,051)</u>
Benefit expenses	<u>(7,059)</u>	<u>7,059</u>	<u>-</u>
Balance at December 31, 2021	<u>149,378</u>	<u>(86,790)</u>	<u>62,588</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Service cost			
Past service cost	\$ 2,163	\$ -	\$ 2,163
Net interest expense (income)	<u>901</u>	<u>(902)</u>	<u>(1)</u>
Recognized in profit or loss	<u>3,064</u>	<u>(902)</u>	<u>2,162</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,467)	(4,467)
Actuarial loss - changes in demographic assumptions	1,444	-	1,444
Actuarial gain - changes in financial assumptions	(7,783)	-	(7,783)
Actuarial loss - experience adjustments	<u>2,595</u>	<u>-</u>	<u>2,595</u>
Recognized in other comprehensive income	<u>(3,744)</u>	<u>(4,467)</u>	<u>(8,211)</u>
Contributions from the employer	<u>-</u>	<u>(9,902)</u>	<u>(9,902)</u>
Benefit expenses	<u>(2,411)</u>	<u>2,411</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 146,287</u>	<u>\$ (99,650)</u>	<u>\$ 46,637</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Selling and marketing expenses	\$ 597	\$ 265
General and administrative expenses	326	134
Research and development expenses	<u>1,239</u>	<u>520</u>
	<u>\$ 2,162</u>	<u>\$ 919</u>

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

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

- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Discount rates	1.25%-1.38%	0.50%-0.63%
Expected rates of salary increase	2.00%-3.00%	2.00%-3.00%
Turnover rates	3.67%-17.17%	3.67%-17.17%

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

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Discount rate		
0.5% increase	<u>\$ (5,348)</u>	<u>\$ (6,057)</u>
0.5% decrease	<u>\$ 5,611</u>	<u>\$ 6,677</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 5,481</u>	<u>\$ 7,265</u>
0.5% decrease	<u>\$ (5,221)</u>	<u>\$ (7,102)</u>

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

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
The expected contributions to the plan for the next year	<u>\$ 9,077</u>	<u>\$ 9,084</u>
The average duration of the defined benefit obligation	8.23 years	9.05 years

## 23. EQUITY

- a. Share capital

### Ordinary shares

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Number of shares authorized (in thousands)	<u>300,000</u>	<u>300,000</u>

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

The Company converted employee share options to ordinary shares for \$28,786 thousand, 2,879 thousand shares, with a subscription price for \$10 per share. The paid-up capital shares were \$1,893,702 thousand after capital increased and had been completed the change registration on May 31, 2021.

Employees exercised the share options for 8,800 thousand which is capital collected in advance of the Company on December 31, 2021, issued 880 thousand ordinary shares, with a subscription price for \$10 per share. As of December 31, 2021, the Company did not change registration, so the share options were recognized as capital collected in advance. The change registration has been completed as of January 22, 2022 and April 12, 2022.

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

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

b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Premium from issuance of common shares	\$ 41,417	\$ 34,447
Premium from conversion of bonds	71,016	24,662
Treasury share transactions	6,836	6,600
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	49,362	49,362
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interest in subsidiaries (2)	65,624	70,027
Others	33,437	33,437
<u>May not be used for any purpose</u>		
Employee share options	6,552	7,470

Convertible bond stock options (Note 19)	<u>10,684</u>	<u>10,684</u>
	<u>\$ 284,928</u>	<u>\$ 236,689</u>

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

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to employees' compensation and remuneration of directors in Note 25 (h).

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

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

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

	<b>The Appropriation of Earnings 2020</b>
Legal reserve	<u>\$ 8,658</u>
Special reserve	<u>\$ 22,690</u>
Cash dividends	<u>\$ 54,889</u>
Cash dividends per share	\$ 0.29

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

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

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

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

d. Treasury shares

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

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

<b>Name of Subsidiary</b>	<b>Number of Shares Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
<u>December 31, 2022</u>			

Comtrend	1,384	\$ 12,974	\$ 20,903
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December 31, 2021

Comtrend	1,440	13,497	20,523
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For both of the years ended December 31, 2022 and 2021, Comtrend held 4,120 thousand and 4,200 thousand ordinary shares of the Company, respectively and the Company recognized 1,384 thousand and 1,440 thousand treasury shares based on the ownership percentage of 33.60% and 34.29% as at December 31, 2022 and 2021, respectively.

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

e. Non-controlling interests

	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 790,739	\$ 873,808
Share of profit (loss) for the year	6,319	(17,156)
Other comprehensive income/(loss) during the year		
Exchange differences arising on translation of foreign operations	15,373	1,960
Remeasurement of defined benefit plans	4,279	(192)
Related income tax	(855)	38
Cash dividends distributed by the subsidiaries	(38,271)	(74,826)
Employee share options of the subsidiaries	316	3,719
Share of changes in capital surplus of subsidiaries	<u>16,959</u>	<u>3,388</u>
Balance at December 31	<u>\$ 794,859</u>	<u>\$ 790,739</u>

**24. REVENUE**

a. Disaggregation of revenue

	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2022</b>	<b>2021</b>
Revenue from the sale of goods	\$ 5,949,021	\$ 5,223,524
Revenue from the rendering of services	13,707	23,610
Other income	<u>429</u>	<u>384</u>
	<u>\$ 5,963,157</u>	<u>\$ 5,247,518</u>

b. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Trade receivables (Note 10)	<u>\$ 1,296,717</u>	<u>\$ 1,168,257</u>	<u>\$ 1,283,544</u>
Contract assets sale of goods	<u>\$ 8,355</u>	<u>\$ 5,782</u>	<u>\$ 1,420</u>
Contract liabilities sale of goods	<u>\$ 93,974</u>	<u>\$ 111,494</u>	<u>\$ 126,623</u>

Changes in contract assets are mainly due to contracts with a right of return signed by customers under repurchase agreements. The changes in the balance of contract liabilities primarily result from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

## 25. NET PROFIT (LOSS)

### a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	<u>\$ 7,811</u>	<u>\$ 3,759</u>

### b. Other income

	For the Year Ended December 31	
	2022	2021
Dividends		
Investments in equity instruments at FVTOCI	\$ 733	\$ 2,673
Others	<u>38,246</u>	<u>22,762</u>
	<u>\$ 38,979</u>	<u>\$ 25,435</u>

### c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Gain on disposal of property, plant and equipment	\$ 1	\$ 136
Net foreign exchange gain (loss)	130,155	(27,781)
(Loss) gain on financial assets/liabilities		
Financial instruments at fair value through profit or loss	(1,059)	682
Others	<u>(20,956)</u>	<u>(5,915)</u>
	<u>\$ 108,141</u>	<u>\$ (32,878)</u>



d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank loans	\$ 33,367	\$ 21,964
Interest on lease liabilities	989	1,575
Interest on convertible bonds	<u>3,437</u>	<u>3,028</u>
	<u>\$ 37,793</u>	<u>\$ 26,567</u>

e. Impairment losses reversed

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Trade receivables	<u>\$ 8,544</u>	<u>\$ 8,598</u>
Inventories (included in operating costs)	<u>\$ 20,429</u>	<u>\$ 39,177</u>

f. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Property, plant and equipment	\$ 90,882	\$ 96,785
Right-of-use assets	34,181	37,213
Intangible assets	<u>10,429</u>	<u>7,147</u>
	<u>\$ 135,492</u>	<u>\$ 141,145</u>
 An analysis of depreciation by function		
Operating costs	\$ 17,695	\$ 21,780
Operating expenses	<u>107,368</u>	<u>112,218</u>
	<u>\$ 125,063</u>	<u>\$ 133,998</u>
 An analysis of amortization by function		
Operating costs	\$ 779	\$ 729
Operating expenses	<u>9,650</u>	<u>6,418</u>
	<u>\$ 10,429</u>	<u>\$ 7,147</u>

g. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Post-employment benefits (see Note 22)		
Defined contribution plans	\$ 30,862	\$ 26,878
Defined benefit plans	<u>2,162</u>	<u>919</u>
	<u>33,024</u>	<u>27,797</u>
Share-based payments		
Equity-settled	<u>1,125</u>	<u>4,877</u>
Termination benefits	<u>1,132</u>	<u>304</u>
Other employee benefits	<u>1,006,010</u>	<u>960,135</u>
Total employee benefits expense	<u>\$ 1,041,291</u>	<u>\$ 993,113</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 202,379	\$ 203,970
Operating expenses	<u>838,912</u>	<u>789,143</u>
	<u>\$ 1,041,291</u>	<u>\$ 993,113</u>

h. Compensation of employees and remuneration of directors

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

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

Amount

	<b>For the Year Ended December 31, 2020</b>
	<b>Cash</b>
Compensation of employees	\$ 14,534
Remuneration of directors	4,152

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

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

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

Amount

	<b>For the Year Ended December 31, 2020</b>
	<b>Cash</b>
Compensation of employees	\$ 7,818
Remuneration of directors	2,233

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

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

I. Gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Foreign exchange gains	\$ 268,025	\$ 127,400
Foreign exchange losses	<u>(137,870)</u>	<u>(155,181)</u>
	<u>\$ 130,155</u>	<u>\$ (27,781)</u>

**26. INCOME TAXES**

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
In respect of the current year	\$ 29,228	\$ 34,546
Income tax on unappropriated earnings	-	18
Adjustments for prior periods	<u>(2,571)</u>	<u>806</u>
	<u>26,657</u>	<u>35,370</u>
Deferred tax		
In respect of the current year	<u>12,106</u>	<u>(17,322)</u>
Income tax expense recognized in profit or loss	<u>\$ 38,763</u>	<u>\$ 18,048</u>

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

	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2022</b>	<b>2021</b>
Profit (loss) before tax	<u>\$ 297,740</u>	<u>\$ (54,136)</u>
Income tax expense calculated at the statutory rate	\$ 85,182	\$ 15,885
Nondeductible expenses in determining taxable income	22,013	19,040
Tax-exempt income	(9,844)	(12,344)
Income tax on unappropriated earnings	-	18
Realization of investment losses	(4,412)	(7,063)
Loss carryforwards	7,878	(6,947)
Unrecognized loss carryforwards/deductible temporary differences	(59,483)	8,653
Adjustments for prior years' tax	<u>(2,571)</u>	<u>806</u>
Income tax expense recognized in profit or loss	<u>\$ 38,763</u>	<u>\$ 18,048</u>

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2022</b>	<b>2021</b>
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement of defined benefit plans	<u>\$ (1,933)</u>	<u>\$ 58</u>
Total income tax (expense) recognized in other comprehensive income	<u>\$ (1,933)</u>	<u>\$ 58</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax assets		
Tax refund receivable	<u>\$ 13,079</u>	<u>\$ 2,296</u>
Current tax liabilities		
Income tax payable	<u>\$ 40,774</u>	<u>\$ 46,000</u>

d. Deferred tax liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Defined benefit plans	\$ 1,683	\$ (1,064)	\$ (1,288)	\$ (669)
Loss on market price decline of inventories	9,333	(2,539)	-	6,794
Warranty expenses	1,077	506	-	1,583
Unrealized profits from downstream transactions	4,587	5,576	-	10,163
Unrealized exchange losses	1,773	(1,773)	-	-
Financial liabilities at fair value through profit or loss	-	157	-	157
Others	<u>2,725</u>	<u>(106)</u>	<u>-</u>	<u>2,619</u>
	21,178	757	(1,288)	20,647
Loss carryforwards	<u>14,738</u>	<u>(7,480)</u>	<u>-</u>	<u>7,258</u>
	<u>\$ 35,916</u>	<u>\$ (6,723)</u>	<u>\$ (1,288)</u>	<u>\$ 27,905</u>
<u>Deferred tax liabilities</u>				
Unrealized foreign exchange gains	\$ 709	\$ 5,383	\$ -	\$ 6,092
Defined benefit obligations	<u>-</u>	<u>-</u>	<u>645</u>	<u>645</u>
	<u>\$ 709</u>	<u>\$ 5,383</u>	<u>\$ 645</u>	<u>\$ 6,737</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Defined benefit plans	\$ 1,732	\$ (107)	\$ 58	\$ 1,683
Loss on market price decline of inventories	4,378	4,955	-	9,333
Provisions	688	389	-	1,077
Unrealized profits from downstream transactions	2,504	2,083	-	4,587
Unrealized exchange losses	-	1,773	-	1,773
Others	<u>4,704</u>	<u>(1,979)</u>	<u>-</u>	<u>2,725</u>
	14,006	7,114	58	21,178
Loss carryforwards	<u>7,738</u>	<u>7,000</u>	<u>-</u>	<u>14,738</u>
	<u>\$ 21,744</u>	<u>\$ 14,114</u>	<u>\$ 58</u>	<u>\$ 35,916</u>
<u>Deferred tax liabilities</u>				
Unrealized foreign exchange gains	\$ 2,215	\$ (1,506)	\$ -	\$ 709

Others	<u>1,702</u>	<u>(1,702)</u>	-	-
	<u>\$ 3,917</u>	<u>\$ (3,208)</u>	<u>\$ -</u>	<u>\$ 709</u>

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

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Loss carryforwards	\$ 464,249	\$ 508,623
Deductible temporary differences	<u>80,754</u>	<u>65,433</u>
	<u>\$ 545,003</u>	<u>\$ 574,056</u>

- f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2022 comprised:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 35,609	2023
20,771	2024
5,830	2025
73,909	2026
182,016	2027
85,418	2028
83,341	2031
<u>3,822</u>	2041
<u>\$ 490,716</u>	

- g. Income tax assessments

As of December 31, 2022, the tax returns of the Company and its subsidiaries have been assessed by the tax authorities as follows:

	<b>Last Tax Assessment Year</b>
The Company	2020
Edimax Electronic (Dongguan) Co., Ltd.	2020
Comtrend	2020
CUSA	2021
CTBV	2021
CCE	2021
Iberia	2021

ABS Telecom  
SMAX Technology

2020  
2020

## 27. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share

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

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

### Net Profit (Loss) for the Year

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

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

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

Since the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in

the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

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

## 28. SHARE-BASED PAYMENT ARRANGEMENTS

### a. Employee share option plan of the Company

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

Information on outstanding issued employee share options is as follows:

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

Exercise price is the closing price of the company's ordinary shares on the date of issuance. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly. It will take par value of ordinary shares as exercise price if the exercise price issued by the Company was lower than par value of ordinary shares.

Exercise price was adjusted from \$10.25 to \$10.00 on September 1, 2021.

Information on outstanding options is as follows:

	December 31	
	2022	2021
Range of exercise price (NT\$)	\$10.00	\$10.00



Weighted-average remaining contractual life (years) 0.75 1.75

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

b. Employee share option plan of the subsidiaries

Comtrend did not issue employee share options during the years ended December 31, 2022 and 2021.

Information on outstanding employee share options is as follows:

	<b>For the Year Ended December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	1,547	\$ 10.00	2,513	\$ 10.00
Options exercised	(1,164)	10.00	(915)	10.00
Options forfeited	<u>(3)</u>	10.00	<u>(51)</u>	10.00
Balance at December 31	<u>380</u>	10.00	<u>1,547</u>	10.00
Options exercisable, end of period	<u>380</u>	10.00	<u>474</u>	10.00

Information on outstanding options as of December 31, 2022 and 2021 is as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Range of exercise price (NT\$)	\$10.00	\$10.00
Weighted-average remaining contractual life (in years)	0.07 years	1.07 years

Compensation costs recognized by the subsidiary were \$739 thousand and \$3,898 thousand for the years ended December 31, 2022 and 2021, respectively.

## 29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

As the employees of Comtrend exercised the share options in March, June, September and December 2022, the Group's shareholding decreased from 34.29% to 33.60%.

The above transactions were accounted for as equity transactions since the Group did not cease to have control over the subsidiaries.

### 30. CAPITAL MANAGEMENT

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

### 31. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values except detailed information show as the table below.

December 31, 2022

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

December 31, 2021

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

Level 2 inputs are inputs except quoted prices with reference to an active market that are observable for the asset or liability, either directly or indirectly.

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

##### 1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value thought profit or loss - <u>non-current</u>				

Convertible bonds redemption and sale option	\$ -	\$ 244	\$ -	\$ 244
<u>Financial assets at FVTOCI - non-current</u>				
Investment in equity instruments at FVTOCI				
Foreign unlisted shares	\$ -	\$ -	\$ 18,798	\$ 18,798
Domestic unlisted shares	-	-	34,705	34,705
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,503</u>	<u>\$ 53,503</u>
<u>Financial liability at fair value thought profit or loss - current</u>				
Convertible bonds redemption and sale option	\$ -	\$ 783	\$ -	\$ 783
<u>December 31, 2021</u>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI - non-current</u>				
Investment in equity instruments at FVTOCI				
Foreign unlisted shares	\$ -	\$ -	\$ 24,149	\$ 24,149
Domestic unlisted shares	-	-	51,968	51,968
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,117</u>	<u>\$ 76,117</u>
<u>Financial liability at fair value thought profit or loss - non-current</u>				
Convertible bonds redemption and sale option	\$ -	\$ 520	\$ -	\$ 520

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

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

<u>Types of Financial Instruments</u>	<u>Evaluation Techniques and Input Values</u>
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Financial liabilities - convertible bonds	Evaluated by binary tree convertible bond valuation model, evaluated by stock price volatility, risk-free interest rate, risk discount rate and remaining maturity.
Derivatives - forward foreign exchange contracts	Discounted cash flow method: The future cash flow is estimated based on the observable forward exchange rates and the exchange rates set in the contracts at the end of the period, and discounted separately at the discount rate that can reflect the credit risk of each counterparty.

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

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

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ 244	\$ 520
Financial assets at amortized cost (1)	3,077,575	2,335,429
Financial assets at FVTOCI		
Equity instruments	53,503	76,117
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	783	-
Amortized cost (2)	3,892,813	4,081,928

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

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

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 35.

Sensitivity analysis

The Group was mainly exposed to the currencies USD and the EUR.

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

	<b>Currency USD Impact</b>		<b>Currency EUR Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Profit or loss	\$ (18,113) (i)	\$ (10,315) (i)	\$ (999) (i)	\$ (2,309) (i)

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

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

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

b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value interest rate risk		
Financial assets	\$ 338,140	\$ 19,366
Financial liabilities	2,570,546	2,434,331
Cash flow interest rate risk		
Financial assets	1,458,293	1,161,939

#### Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would increase/decrease by \$14,583 thousand and \$11,619 thousand, respectively.

The Group's sensitivity to interest rates was increasing during the current period mainly due to the bank deposits was increasing.

#### c) Other price risk

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

#### Sensitivity analysis

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

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

The Group's sensitivity to equity prices was decreasing during the current period mainly due to the gain (loss) of remeasurement of equity securities was decreasing.

#### 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting

in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

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

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

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

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

### 3) Liquidity risk

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

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

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

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

#### December 31, 2022

	Book Value	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 739,632	\$ 399,632	\$ 340,000	\$ -	\$ -
Lease liabilities	50,678	7,324	15,785	22,268	5,301

Short-term bills payable	30,000	30,000	-	-	-
Long-term loans payable	1,728,417	-	-	565,735	1,162,682
Notes and trade payables	1,040,499	853,028	187,415	56	-
Other payables	330,456	282,857	32,586	15,013	-
Bonds payable	187,900	-	-	187,900	-
Current portion of long-term loans payable	<u>43,631</u>	<u>10,932</u>	<u>32,699</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,151,213</u>	<u>\$ 1,583,773</u>	<u>\$ 608,485</u>	<u>\$ 790,972</u>	<u>\$ 1,167,983</u>

Additional information about the maturity analysis for lease liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>
Lease liabilities	<u>\$ 23,109</u>	<u>\$ 22,268</u>	<u>\$ 3,742</u>	<u>\$ 1,559</u>	<u>\$ -</u>
Long-term loans payable	<u>\$ 43,631</u>	<u>\$ 565,735</u>	<u>\$ 677,850</u>	<u>\$ 429,327</u>	<u>\$ 55,505</u>

December 31, 2021

	<b>Book Value</b>	<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 574,792	\$ 484,792	\$ 90,000	\$ -	\$ -
Lease liabilities	56,613	8,302	22,939	19,322	6,050
Short-term bills payable	30,000	30,000	-	-	-
Long-term loans payable	1,457,685	-	-	461,877	995,808
Notes and trade payables	1,384,746	1,127,137	250,204	7,405	-
Other payables	317,721	274,049	29,650	14,022	-
Bonds payable	400,000	-	-	400,000	-
Current portion of long-term loans payable	<u>30,689</u>	<u>7,783</u>	<u>22,906</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,252,246</u>	<u>\$ 1,932,063</u>	<u>\$ 415,699</u>	<u>\$ 902,626</u>	<u>\$ 1,001,858</u>

Additional information about the maturity analysis for lease liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>
Lease liabilities	<u>\$ 31,241</u>	<u>\$ 19,322</u>	<u>\$ 3,742</u>	<u>\$ 2,308</u>	<u>\$ -</u>
Long-term loans payable	<u>\$ 30,689</u>	<u>\$ 461,877</u>	<u>\$ 553,984</u>	<u>\$ 441,824</u>	<u>\$ -</u>

Bank loans with a repayment on demand clause were included the period when 1-5 years of the maturity analysis table. As of December 31, 2022 and 2021, undiscounted principals of bank loans were \$2,306,746 thousand and \$1,367,114 thousand, respectively. After considering financial situation of the Group, it is unfeasible that the bank will require the Group to settle the loans immediately in management opinion. Management believes the bank loans will be settled in 2 years after the end of reporting period according to agreement, and the cash outflow of principal and interest are \$2,711,680 thousand and \$1,457,685 thousand, respectively.

b) Liquidity and interest rate risk table for derivative financial liabilities

The table is based on the undiscounted contractual net cash inflows and outflows on derivative



instruments that require net settlement; the table is based on the undiscounted contractual gross cash inflows and outflows on derivative instruments that require gross settlement. When the amount of payable or receivable is not fixed, the amount of disclosures is determined based on the estimated interest rate estimated by the yield curve on the balance sheet date.

December 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1 Year to 5 Years</b>	<b>Over 5 Years</b>
Foreign exchange forward contracts					
Inflows	\$ 6,362	\$ -	\$ 22,580	\$ -	\$ -
Outflows	<u>(6,550)</u>	<u>-</u>	<u>(23,175)</u>	<u>-</u>	<u>-</u>
	<u>\$ (188)</u>	<u>\$ -</u>	<u>\$ (595)</u>	<u>\$ -</u>	<u>\$ -</u>

c) Financing facilities

As of December 31, 2022 and 2021, unused financing facilities amounted to \$1,320,417 thousand and \$1,135,078 thousand, respectively.

**32. TRANSACTIONS WITH RELATED PARTIES**

Balances and transactions between the Company and its subsidiaries, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Talent Vantage Limited (ITI)	Associate
Crystal Centre Int'l Corp. (Crystal)	Associate
Onward Security Corporation	Related party in substance

b. Sale of goods

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
		<b>2022</b>	<b>2021</b>
Sales	Associate	<u>\$ -</u>	<u>\$ 26,658</u>

There was no significant difference between related parties and clients regarding transaction terms of sale prices and collection terms.

c. Purchases of goods

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Associate - ITI	<u>\$ 872,267</u>	<u>\$ 705,150</u>

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

d. Receivables from related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
Other receivables from related parties	Associate - Crystal	<u>\$ 18,637</u>	<u>\$ 16,608</u>

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

Other receivables are dividends receivable from related parties.

e. Payables to related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
Accounts payable	Associate - ITI	<u>\$ 153,273</u>	<u>\$ 147,329</u>
Other payables	Associate	<u>\$ 4,516</u>	<u>\$ 1,556</u>
Other payables	Related party in substance	<u>\$ -</u>	<u>\$ 562</u>

The outstanding trade payables to related parties are unsecured.

f. Other transaction with related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
		<b>2022</b>	<b>2021</b>
Operating expenses	Associate	<u>\$ 4,786</u>	<u>\$ 1,359</u>
Operating expenses	Related party in substance	<u>\$ 142</u>	<u>\$ -</u>

g. Remuneration of key management personnel

**For the Year Ended December 31**

	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 62,563	\$ 43,919
Share-based payments	<u>400</u>	<u>922</u>
	<u>\$ 62,963</u>	<u>\$ 44,841</u>

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

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

The following assets were provided as collateral for bank borrowings and the leasing buildings:

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Pledged deposits (classified as financial assets at amortized cost)	\$ 3,370	\$ 5,526
Property, plant and equipment	<u>2,202,292</u>	<u>2,007,999</u>
	<u>\$ 2,205,662</u>	<u>\$ 2,013,525</u>

### 34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group as of December 31, 2022 were as follows:

- a. As of December 31, 2022, the Group issued promissory notes with stated amounts of \$1,871,000 thousand and US\$23,500 thousand as collateral for loans and foreign exchange forward contracts.
- b. Taipei Fubon Bank issued to the Taipei Customs Office a guarantee note for customs duties on the bonded warehouse of the Group; the stated amount of the note was \$2,000 thousand as of December 31, 2022.
- c. As of December 31, 2022, the Group made endorsements and guarantees for SMAX Technology and Edimax Europe with stated amounts of \$20,000 thousand and \$65,440 thousand, respectively, and actual borrowings amounted to \$0 and \$19,632 thousand, respectively.

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

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

December 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 66,663	30.71 (USD:NTD)	\$ 2,047,221
USD	12,957	6.97 (USD:RMB)	398,088
USD	3,099	22.62 (USD:CZK)	95,173
USD	1,582	0.94 (USD:EUR)	48,580
EUR	2,901	32.72 (EUR:NTD)	94,921
EUR	647	24.12 (EUR:CZK)	21,158
Non-monetary items			
Investments accounted for using the equity method			
USD	2,329	30.71 (USD:NTD)	71,532 (Continued)

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 20,954	30.71 (USD:NTD)	\$ 643,497
USD	1,428	6.97 (USD:RMB)	43,874
USD	1,119	0.94 (USD:EUR)	34,377
USD	1,825	22.62 (EUR:CZK)	56,059
EUR	494	24.12 (EUR:CZK)	16,148 (Concluded)

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 54,342	27.68 (USD:NTD)	\$ 1,504,187
USD	13,905	6.37 (USD:RMB)	384,769
USD	1,243	21.95 (USD:CZK)	34,417
USD	1,340	0.88 (USD:EUR)	37,091
EUR	6,811	31.32 (EUR:NTD)	213,321
EUR	708	24.86 (EUR:CZK)	22,175
Non-monetary items			
Investments accounted for using the equity method			

USD	2,074	27.68 (USD:NTD)	57,398
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### Financial liabilities

#### Monetary items

USD	29,664	27.68 (USD:NTD)	821,100
USD	2,723	6.37 (USD:RMB)	75,349
USD	723	0.88 (USD:EUR)	20,024
USD	451	21.95 (EUR:CZK)	12,489

The Group is mainly exposed to the USD and the EUR. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

Functional Currency	For the Year Ended December 31			
	2022		2021	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ 178,327	1 (NTD:NTD)	\$ (50,435)
USD	29.81 (USD:NTD)	(47,365)	28.01 (USD:NTD)	23,270
EUR	31.36 (EUR:NTD)	<u>(807)</u>	33.16 (EUR:NTD)	<u>(616)</u>
		<u>\$ 130,155</u>		<u>\$ (27,781)</u>

### 36. SEPARATELY DISCLOSED ITEMS

#### a. Information about significant transactions

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

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4).
  - 9) Trading in derivative instruments (Note 7).
  - 10) Intercompany relationships and significant intercompany transactions (Table 8).
- b. Information on investees (Table 5).
- c. Information on investment in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 7)
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9).

### **37. SEGMENT INFORMATION**

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments by business areas were as follows:

a. Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	<b>Enterprise, Retail Products and Services</b>	<b>Telecommuni- cation Products and Services</b>	<b>Others</b>	<b>Total</b>
For the year ended <u>December 31, 2022</u>				
Revenues from external customers	<u>\$ 3,828,878</u>	<u>\$ 1,921,542</u>	<u>\$ 212,737</u>	<u>\$ 5,963,157</u>
Segment income	<u>\$ 139,140</u>	<u>\$ (12,797)</u>	<u>\$ 28,757</u>	\$ 155,100
Nonoperating income and expense				<u>142,640</u>
Profit before tax				<u>\$ 297,740</u>
For the year ended <u>December 31, 2021</u>				
Revenues from external customers	<u>\$ 3,372,953</u>	<u>\$ 1,663,318</u>	<u>\$ 211,247</u>	<u>\$ 5,247,518</u>
Segment income	<u>\$ (49,229)</u>	<u>\$ (20,313)</u>	<u>\$ 31,898</u>	\$ (37,644)
Nonoperating income and expense				<u>(16,492)</u>
Loss before tax				<u>\$ (54,136)</u>

Segment profit represents the profit before tax earned by each segment without allocation of interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations classified by major products and services:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Enterprise and consumer communication equipment	\$ 3,828,878	\$ 3,372,953
Telecommunications business communication equipment	1,907,835	1,639,708
Communication services	198,341	190,793
Others	<u>28,103</u>	<u>44,064</u>

\$ 5,963,157      \$ 5,247,518

c. Geographical information

The Group operates in three principal geographical areas - Europe, United States, and Asia and others.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2022	2021	2022	2021
Europe	\$ 1,012,149	\$ 875,649	\$ 34	\$ 878
United States	1,077,488	1,038,046	1,260	1,144
Asia and others	<u>3,873,520</u>	<u>3,333,823</u>	<u>2,546,322</u>	<u>2,401,570</u>
	<u>\$ 5,963,157</u>	<u>\$ 5,247,518</u>	<u>\$ 2,547,616</u>	<u>\$ 2,403,592</u>

Non-current assets exclude financial assets at fair value through profit or loss - non-current, financial assets at fair value through other comprehensive income - non-current, financial assets at amortized cost - non-current, investments accounted for using the equity method, intangible assets, deferred tax assets, and other financial assets - non-current.

d. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	December 31			
	2022		2021	
	Amount	% of Sales Revenue	Amount	% of Sales Revenue
Customer A	\$ 876,861	15	\$ 1,113,558	21

In addition to the above, there was no other revenue from a single customer that exceed 10% of the total consolidated revenue for both 2022 and 2021.



## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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

Note 1: Endorser/Guarantor is numbered as follows:

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

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

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

Note 3: a. The limit on endorsement/guarantee given on behalf of each party is 20% of the individual companies' net assets based on the most recent financial statements.  
b. The aggregate endorsement/guarantee limit is 50% of the individual companies' net assets based on the most recent financial statements.

EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

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

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

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

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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

Note: Except for ITI, the transactions of the related parties have been eliminated in the consolidated financial statements as of and for the year ended December 31, 2022.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

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

Note: The transactions of the related parties have been eliminated in the consolidated financial statements as of and for the year ended December 31, 2022.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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

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

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

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

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

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

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

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

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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

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

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

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

Note 2: Investment gain (loss):

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

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

Note 4: Investments accounted for using equity method and stockholders' equity, net worth in the transactions with the related parties have been eliminated in consolidated financial statements as of and for the year ended December 31, 2022.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

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

Note: The transactions with the related parties have been eliminated in the consolidated financial statements as of and for the year ended December 31, 2022.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Intercompany Transactions			% to Total Sales or Assets (Note 3)
				Financial Statement Account	Amount	Payment Terms	
0	The Company	For the year ended December 31, 2022					
		Edimax Europe	a	Sales revenue	\$ 72,926	Normal	1.22
		Edimax Europe	a	Accounts receivable	13,840	Normal	0.18
		Edimax USA	a	Sales revenue	30,098	Normal	0.50
		Edimax USA	a	Accounts receivable	9,685	Normal	0.13
		Edimax Electronic (Dongguan)	a	Processing fees	1,200,393	By operating condition	20.13
		Edimax Electronic (Dongguan)	a	Accounts payable	53,454	By operating condition	0.70
		Comtrend	a	Sales revenue	223,121	Normal	3.74
		Comtrend	a	Accounts receivable	54,688	Normal	0.72
		ABST Information Telecom Service	b	Sales revenue	8,444	Normal	0.14
1	Comtrend	CUSA	a	Sales revenue	442,587	Normal	23.03
		CUSA	a	Services revenue	19,225	Normal	1.00
		CUSA	a	Accounts receivable	197,822	Normal, collection period: 60-180 days	11.06
		CCE	a	Sales revenue	84,687	Normal	4.41
		CCE	a	Accounts receivable	66,719	Normal	3.74
		CTBV	a	Sales revenue	563,514	Normal	29.33
		CTBV	a	Services revenue	6,173	Normal	0.32
		CTBV	a	Accounts receivable	97,182	Normal, collection period: 60-180 days	5.43

Note 1: Business relationships between the parent and subsidiaries are numbered as follows:

- a. Parent: 0.
- b. Subsidiaries: 1.
- c. Sub-subsidiaries: 2.

Note 2: Relationships between counterparties are numbered as follows:

- a. Parent to subsidiary.
- b. Parent to sub-subsidiary
- c. Subsidiary to parent.
- d. One subsidiary to another subsidiary.



Note 3: Percentage of consolidated operating revenues or consolidated total assets: For balance sheet account, the percentage is calculated by dividing the ending balance of the account by consolidated total assets; for an income statement account, the percentage is calculated by dividing the interim accumulated amount of the account by the consolidated operating revenues.

Note 4: The transactions of the related parties have been eliminated in the consolidated financial statements as of and for the year ended December 31, 2022.

Note 5: The amount of the significant transactions between related parties listed above is over NT\$5 million.

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

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

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

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

**Edimax Technology Co., Ltd.**

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

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

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

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

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

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

#### **Other Matter**

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

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

Management is responsible for the preparation and fair presentation of the financial

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 3, 2023

Notice to Readers

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

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



**EDIMAX TECHNOLOGY CO., LTD.**
**BALANCE SHEETS**
**DECEMBER 31, 2022 AND 2021**

(In Thousands of New Taiwan Dollars)

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

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

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

## EDIMAX TECHNOLOGY CO., LTD.

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

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

**EDIMAX TECHNOLOGY CO., LTD.**

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

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

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

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

(Concluded)

EDIMAX TECHNOLOGY CO., LTD.

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

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

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

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

## EDIMAX TECHNOLOGY CO., LTD.

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

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

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

## EDIMAX TECHNOLOGY CO., LTD.

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

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

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

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

(Concluded)

# EDIMAX TECHNOLOGY CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair

value measurement in its entirety, are described as follows:

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from

the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which case, the exchange differences are also recognized directly in other comprehensive income.

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

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

e. Inventories

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

f. Investments in subsidiaries

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

Subsidiaries are the entities controlled by the Company.

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

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

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

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole.

Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

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

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

g. Investments in associates

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

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

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

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

h. Property, plant and equipment

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

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

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

i. Investment properties

Investment properties are properties held to earn rental or for capital appreciation. Investment

properties also include land held for a currently undetermined future use.

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

Depreciation is recognized using the straight-line method.

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

j. Intangible assets

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

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

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

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

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

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

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

recognized in profit or loss.

## I. Financial instruments

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

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

### 1) Financial assets

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

#### a) Measurement categories

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

##### i. Financial assets at FVTPL

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

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

##### ii. Financial assets at amortized cost

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

3) Convertible bonds

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

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

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

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



m. Revenue recognition

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

1) Revenue from the sale of goods

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

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

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

2) Revenue from the rendering of services

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

3) Service revenue

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

n. Leases

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

1) The Company as lessor

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

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

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

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a

recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

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

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

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

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

o. Government grants

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

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Share-based payment arrangements - employee share options

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

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

r. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

probable that future taxable profit will allow the deferred tax asset to be recovered.

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

### 3) Current and deferred taxes

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

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

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

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

## 6. CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

### Investments in Equity Instruments at FVTOCI

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

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

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

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

	<u>December 31</u>	
	2022	2021
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	<u>\$ 1,353</u>	<u>\$ 10,444</u>

## Trade receivables

### At amortized cost

Gross carrying amount	\$ 820,563	\$ 737,948
Less: Allowance for impairment loss	<u>(52,754)</u>	<u>(63,877)</u>
	<u>\$ 767,809</u>	<u>\$ 674,071</u>

## Other receivables

Others	<u>\$ 25,162</u>	<u>\$ 21,929</u>
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## **Trade Receivables**

### At amortized cost

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

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

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

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

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

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

### December 31, 2022

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.36%	3.57%	29.74%	-	100%	

Gross carrying amount	\$ 745,550	\$ 24,739	\$ 1,523	\$ -	\$ 48,751	\$ 820,563
Loss allowance (Lifetime ECLs)	<u>(2,668)</u>	<u>(882)</u>	<u>(453)</u>	<u>-</u>	<u>(48,751)</u>	<u>(52,754)</u>
Amortized cost	<u>\$ 742,882</u>	<u>\$ 23,857</u>	<u>\$ 1,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 767,809</u>

### December 31, 2021

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

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

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

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

## 10. INVENTORIES

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

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

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

a. Investments in subsidiaries

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

**Proportion of Ownership and  
Voting Rights**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Edimax USA	100.00%	100.00%
Edimax Europe	100.00%	100.00%
Edimax BVI	100.00%	100.00%
ABS Telecom	100.00%	100.00%
Edimax AU	-	100.00%
SMAX Technology	100.00%	100.00%
Comtrend	33.60%	34.29%

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

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

Edimax AU cancelled the registration in September 2022.

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

b. Investments in associates

**December 31**



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

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

## 12. PROPERTY, PLANT AND EQUIPMENT

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

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

The above items of property, plant and equipment are depreciated on a straight-line basis over their

estimated useful lives as follows:

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

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

### 13. LEASE ARRANGEMENTS

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

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

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

#### b. Lease liabilities

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

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>

Building	1.38%-1.50%	1.36%
Transportation equipment	1.36%	1.36%

c. Material leasing activities and terms - as lessee

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

d. Other lease information

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

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

#### 14. INVESTMENT PROPERTIES

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

Balance at January 1, 2021	\$ -	\$ 6,676	\$ 6,676
Depreciation expense	<u>-</u>	<u>977</u>	<u>977</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 7,653</u>	<u>\$ 7,653</u>
Carrying amount at December 31, 2021	<u>\$ 22,012</u>	<u>\$ 27,515</u>	<u>\$ 49,527</u>

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

Buildings	3-45 years
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The management of the Company used the valuation model that market participants would use in determining the fair value.

#### 15. INTANGIBLE ASSETS

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

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

Computer software	1-5 years
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#### 16. OTHER FINANCIAL ASSETS

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

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

## 17. BORROWINGS

### a. Short-term borrowings

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

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

### b. Short-term bills payable

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

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

### c. Long-term borrowings

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

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

## 18. CONVERTIBLE BONDS

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

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

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

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

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

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

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

## 19. OTHER LIABILITIES

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

## 20. RETIREMENT BENEFIT PLANS

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

### a. Defined contribution plans

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

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

### b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and

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

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

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

Movements in net defined benefit liability were as follows:

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



Service cost			
Past service cost	2,163	-	2,163
Net interest expense (income)	<u>474</u>	<u>(530)</u>	<u>(56)</u>
Recognized in profit or loss	<u>2,637</u>	<u>(530)</u>	<u>2,107</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(976)	(976)
Actuarial loss - changes in demographic assumptions	1,444	-	1,444
Actuarial gain - changes in financial assumptions	(3,323)	-	(3,323)
Actuarial loss - experience adjustments	<u>(372)</u>	<u>-</u>	<u>(372)</u>
Recognized in other comprehensive income	<u>(2,251)</u>	<u>(976)</u>	<u>(3,227)</u>
Contributions from the employer	<u>-</u>	<u>(1,711)</u>	<u>(1,711)</u>
Benefits paid	<u>(1,197)</u>	<u>1,197</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 75,009</u>	<u>\$(25,460)</u>	<u>\$ 49,549</u>

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

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

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

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

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

as follows:

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

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

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

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

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

## 21. EQUITY

### a. Share capital

#### Ordinary shares

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

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

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

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

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

b. Capital surplus

	<u>December 31</u>	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Premium from issuance of common shares	\$ 41,417	\$ 34,447
Premium from conversion of bonds	71,016	24,662
Treasury share transactions	6,836	6,600
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	49,362	49,362
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interest in subsidiaries (2)	65,624	70,027
Others	33,437	33,437
		(Continued)
	<u>December 31</u>	
	2022	2021
<u>May not be used for any purpose</u>		
Employee share options	\$ 6,552	\$ 7,470
Share options from convertible bonds (Note 18)	<u>10,684</u>	<u>10,684</u>

\$ 284,928                      \$ 236,689  
(Concluded)

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

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

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

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

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

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

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

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

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

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

d. Treasury shares

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

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

<b>Name of Subsidiary</b>	<b>Number of Shares Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
<u>December 31, 2022</u>			

Comtrend	1,384	\$ 12,974	\$ 20,903
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December 31, 2021

Comtrend	1,440	13,497	20,523
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For the years ended December 31, 2022 and 2021, Comtrend held 4,120 thousand and 4,200 thousand, respectively ordinary shares of the Company, and the Company recognized 1,384 thousand and 1,440 thousand treasury shares based on the ownership percentage of 33.60% and 34.29% as at December 31, 2022 and 2021, respectively.

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

## 22. REVENUE

a. Disaggregation of revenue

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

b. Contract balances

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

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

## 23. NET PROFIT (LOSS)

a. Interest income

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

Bank deposits	<u>\$ 3,650</u>	<u>\$ 366</u>
b. Other income		
	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2022</b>	<b>2021</b>
Rental income		
Investment properties	\$ 2,336	\$ 2,499
Dividends		
Investments in equity instruments at FVTOCI	733	1,874
Others	<u>3,281</u>	<u>5,231</u>
	<u>\$ 6,350</u>	<u>\$ 9,604</u>
c. Other gains and losses		
	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2022</b>	<b>2021</b>
(Loss) gain on disposal of property, plant and equipment	\$ (4)	\$ 112
Net foreign exchange gain (loss)	153,625	(35,063)
Others	<u>(4,768)</u>	<u>(2,506)</u>
	<u>\$ 148,853</u>	<u>\$ (37,457)</u>
d. Finance costs		
	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank loans	\$ 29,919	\$ 21,728
Interest on convertible bonds	3,437	3,028
Interest on lease liabilities	<u>101</u>	<u>34</u>
	<u>\$ 33,457</u>	<u>\$ 24,790</u>
e. Depreciation and amortization		
	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2022</b>	<b>2021</b>
Property, plant and equipment	\$ 40,598	\$ 42,516
Investment properties	977	977
Right-of-use assets	5,295	1,702

Intangible assets	<u>9,324</u>	<u>6,185</u>
	<u>\$ 56,194</u>	<u>\$ 51,380</u>
		(Continued)
	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2022</b>	<b>2021</b>
An analysis of depreciation by function		
Operating costs	\$ 3,923	\$ 1,530
Operating expenses	<u>42,947</u>	<u>43,665</u>
	<u>\$ 46,870</u>	<u>\$ 45,195</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 9,324</u>	<u>\$ 6,185</u>
		(Concluded)
f. Employee benefits expense		

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

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

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

Amount



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

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

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

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

Amount

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

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

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

h. Gain or (loss) on foreign currency exchange

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

**24. INCOME TAXES**

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

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

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

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

b. Income tax recognized in other comprehensive income

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

c. Current tax assets and liabilities

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

d. Deferred tax liabilities

The movements of deferred tax liabilities are as follows:

For the year ended December 31, 2022

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

For the year ended December 31, 2021

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

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

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

f. Information about unused loss carryforwards

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

**25. EARNINGS (LOSS) PER SHARE**

Unit: NT\$ Per Share

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

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

**Net Profit (Loss) for the Year**

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

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

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

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

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

share.

## 26. SHARE-BASED PAYMENT ARRANGEMENTS

### Employee Share Option Plan of the Company

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

Information on outstanding issued employee share options is as follows:

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

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

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

Information on outstanding options is as follows:

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

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

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

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

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

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

## 28. CAPITAL MANAGEMENT

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

## 29. FINANCIAL INSTRUMENTS

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

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

#### December 31, 2022

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

#### December 31, 2021

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

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

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

1) Fair value hierarchy

December 31, 2022

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

December 31, 2021

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

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

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

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

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

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

c. Categories of financial instruments

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

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

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

d. Financial risk management objectives and policies

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

1) Market risk



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

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

a) Foreign currency risk

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

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

Sensitivity analysis

The Company was mainly exposed to the USD.

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

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

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

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

b) Interest rate risk

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

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

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

#### Sensitivity analysis

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

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

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

#### c) Other price risk

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

#### Sensitivity analysis

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

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

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

#### 2) Credit risk

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

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

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

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

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

### 3) Liquidity risk

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

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

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

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

#### December 31, 2022

	Book Value	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Short-term borrowings	\$ 720,000	\$ 380,000	\$ 340,000	\$ -	\$ -
Lease liabilities	18,218	2,114	6,340	9,764	-
Short-term bills payable	30,000	30,000	-	-	-
Long-term loans payable	1,493,810	-	-	522,567	971,243
Notes and trade payables	614,253	614,253	-	-	-
Other payables	163,354	163,354	-	-	-

Current portion of long-term loans payable	40,386	10,124	30,262	-	-
Bonds payable	<u>187,900</u>	<u>-</u>	<u>-</u>	<u>187,900</u>	<u>-</u>
	<u>\$ 3,267,921</u>	<u>\$ 1,199,845</u>	<u>\$ 376,602</u>	<u>\$ 720,231</u>	<u>\$ 971,243</u>

Additional information about the maturity analysis for lease liabilities

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

December 31, 2021

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

Additional information about the maturity analysis for lease liabilities

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

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

b) Financing facilities

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

**30. TRANSACTIONS WITH RELATED PARTIES**

Besides information disclosed elsewhere in the other notes, details of transactions between the Company

and other related parties are disclosed below.

a. Related party name and category

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

b. Sales of goods

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

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

c. Purchases of goods

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

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

d. Processing fees (accounting for operating costs)

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
		<b>2022</b>	<b>2021</b>
Processing fees	Sub-subsidiary		

Dongguan \$ 1,200,393      \$ 896,935

e. Receivables from related parties

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

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

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

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

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

f. Payables to related parties

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

Associate	<u>3,837</u>	<u>2,034</u>
	<u>\$ 5,518</u>	<u>\$ 4,854</u>

The purchase price of subsidiary, sub-subsidiary and associate is based on the general market conditions. The payment terms are equivalent to the other suppliers, and the monthly settlement is 45 days. The above payment is the advertising subsidy paid to the related parties, freight and customs clearance fee.

g. Endorsement guarantee

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

h. Other transactions with related parties

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

i. Remuneration of key management personnel

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

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

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

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

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

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

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

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

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

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

#### December 31, 2022

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

#### December 31, 2021

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



EUR	989	31.32 (EUR:NTD)	30,988
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Financial liabilities

Monetary items

USD	17,643	27.68 (USD:NTD)	488,358
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The significant realized and unrealized foreign exchange gains (losses) were as follows:

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

**34. SEPARATELY DISCLOSED ITEMS**

a. Information about significant transactions:

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

b. Information on investees (Table 5).

c. Information on investment in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds,

ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 7)
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8).

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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

Note 1: Endorser/guarantor is numbered as follows:

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

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

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

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

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

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

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

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

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

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

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

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
The Company	Edimax USA	USA	Networking equipment wholesale	\$ 49,803	\$ 49,803	17,046	100.00	\$ 70,105	\$ 954	(573)	Subsidiary
	Edimax BVI	British Virgin Islands	Networking equipment wholesale	287,735	287,735	8,966,076	100.00	156,131	(12,354)	(12,354)	Subsidiary
	Edimax Europe	Holland	Networking equipment wholesale	196,773	196,773	1,600	100.00	25,070	(2,943)	(7,729)	Subsidiary
	Edimax AU	Australia	Networking equipment wholesale	-	22,641	-	-	-	-	(170)	Subsidiary
	ABS Telecom	Taiwan	Telecommunication equipment wholesale, transmission and rental	66,000	66,000	10,500,000	100.00	151,854	25,105	21,280	Subsidiary
	SMAX Technology	Taiwan	Wired/wireless telecommunications equipment manufacturing	137,175	137,175	2,139,400	100.00	22,530	720	720	Subsidiary
	Comtrend	Taiwan	Cable and cableless transmission equipment wholesale, research and development and retail sale	278,084	278,084	19,649,060	33.60	425,356	9,268	3,766	Subsidiary
	Crystal	Seychelles	Seychelles General import and export trade and investing	31,815	31,815	1,050,000	30.00	71,531	85,007	25,502	Associate
Edimax BVI	Datamax HK	Hong Kong	Investing	271,417	271,417	64,906,002	100.00	2,654	(29,972)	(29,972)	Second-tier subsidiary
	Edimax Poland	Poland	Networking equipment wholesale	-	10,801	-	100.00	-	-	-	Second-tier subsidiary
ABS Telecom	ABST	Mauritius	Investing	4,175	4,175	140,000	100.00	12,853	2,162	2,162	Second-tier subsidiary
SMAX Technology	Smax Japan Inc.	Japan	Networking equipment wholesale	1,992	1,992	8,000,000	100.00	(242)	(1,205)	(1,205)	
Comtrend	CUSA	USA	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	98,341	98,341	200,000	100.00	73,511	(20,133)	(47,728)	Second-tier subsidiary
	Interchan	Samoa	Investing	-	42,393	-	-	-	-	-	Second-tier subsidiary
	CTBV	Holland	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	50,901	50,901	1,518,000	100.00	105,968	3,700	3,417	Second-tier subsidiary
										(Note 6)	
										(Note 7)	
Interchan	8086	Taiwan	Telecommunication value-added services	-	2,915	-	-	-	-	-	Second-tier subsidiary
CTBV	CCE	Czech Republic	Wholesale, retail sale and international trade, etc.	71,438	71,438	-	100.00	53,834	(84)	(84)	Second-tier subsidiary
	Iberia	Spain	Wholesale, retail sale and international trade, etc.	12,294	12,294	-	100.00	8,999	1,101	1,101	Second-tier subsidiary

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

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

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

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

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

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

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

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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

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

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

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

Note 2: Investment gain (loss):

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

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



## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

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

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

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

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

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

Edimax Technology Co., Ltd.

Chairman : Guan-Sheng Renn