



Primax Electronics Ltd.



**PRIMAX**  
Primax Electronics Ltd.

No. 669, Ruiguang Road, Neihu District,  
Taipei City 114, Taiwan(R.O.C)  
Tel: +886-2-2798-9008  
www.primax.com.tw

2022 Annual Report

# 2022 Annual Report

Information website: <https://mops.twse.com.tw>  
Company website: <https://www.primax.com.tw>  
Printing Date: April 17, 2023

## Names, titles, telephone numbers and e-mail addresses of the Spokesperson and Deputy Spokesperson

Spokesperson: Hsiao, Yin-Yi  
 Title: Chief Financial Officer  
 Telephone: 886-2-2798-9008  
 E-mail: IR@primax.com.tw

Deputy Spokesperson: Tseng, Ya-Lan  
 Title: Investor Relation Assistant Vice General Manager  
 Telephone: 886-2-2798-9008  
 E-mail: IR@primax.com.tw

## Registered address and telephone of corporate headquarters

Registered address of corporate headquarters: No. 669, Ruiguang Road, Neihu District, Taipei City  
 Telephone: 886-2-2798-9008

## Name, address, website, and telephone number of share registration and transfer agent

Name: SinoPac Securities  
 Address: 3F, No. 17, Bo'ai Road, Zhongzheng District, Taipei City  
 Website: <https://www.sinotrade.com>  
 Telephone: 886-2-2381-6288

## Names, address, website, and telephone number of the CPA, CPA firms retained for service in the most recent period

Names of CPAs: Wu, Mei-Pin ; Horng, Shyh-Gang  
 Name of CPA firm: KPMG Taiwan  
 Address: 68F., No.7, Section 5, Sinyi Road, Sinyi District, Taipei City  
 Website: <https://www.kpmg.com.tw>  
 Telephone: 886-2-8101-6666

## Names of the exchanges in foreign countries where the stock of PRIMAX is listed for trading and the means for inquiry of the securities:

None.

## Company website

<https://www.primax.com.tw/>

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# 1. Letter to Shareholders

Dear shareholders,

By spring 2022, two full years since the outbreak of the coronavirus, the world has limped out of the pandemic and was ready to embrace normalcy with global economy showing signs of recovery and demand growth. However, with the outbreak of the Russia-Ukraine War in February, global supply chain was once again impacted. With war in Ukraine reverberating across the world's regions, the conflict has triggered a massive shock to global economy, especially to energy and food markets, squeezing supply and pushing up prices to unprecedented levels. To counter inflation, global central banks adopted tighter monetary policies and ramped up interest rates. However, despite these synchronized efforts, raw material prices and costs continued their upward trajectory, leading to a slump in consumer sentiment and demand. As a result, companies around the world reported unexpected high levels of inventory, which lead to uncertainties to economic outlook and business operations, and was a critical challenge to the resilience and responsiveness of all businesses.

Thanks to operational resilience, solid financials and a visionary approach of constantly investing in new products and technologies, Primax Electronics ("PRIMAX" or "the Company") has been able to grow its business steadily throughout the pandemic, and with better product and customer mix, improved its value-add and margins. Through its unique and visionary Three-Senses-In-One (vision,

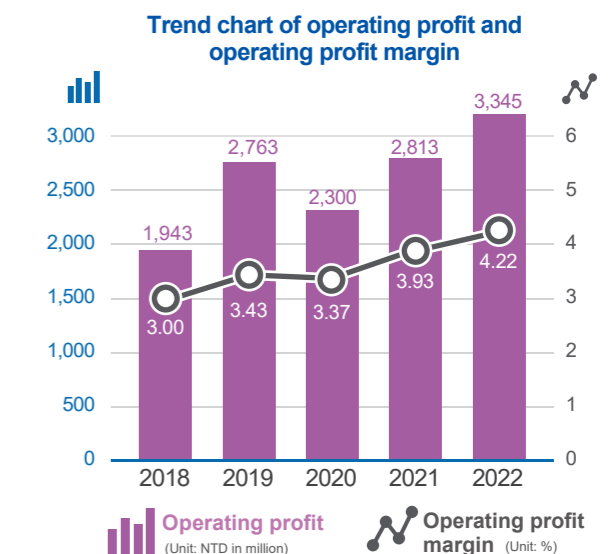
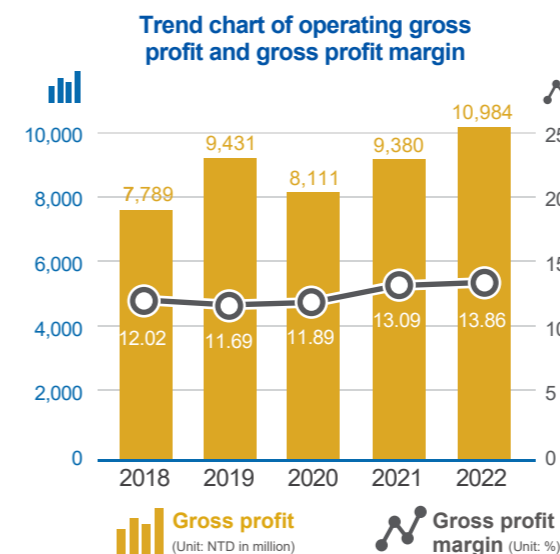
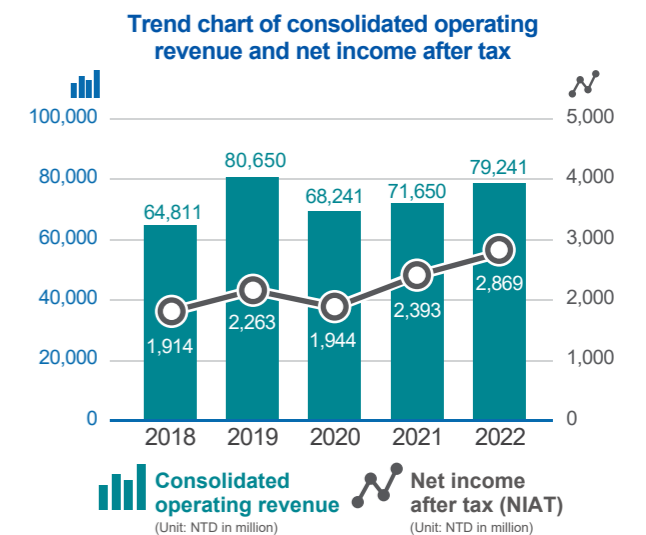
audio and interface) strategy, PRIMAX will continue to provide high quality and value-add products to its customers. Looking forward, PRIMAX expects automotive electronics, surveillance and security, conferencing products, professional audio, smart home solutions and building automation to be the key technology trends and the next leg of revenue and profit growth for the Company. Although demand for computer peripherals took a hit, especially towards the second half of 2022, PRIMAX was able to mitigate the risks by actively managing its supply chain and inventory levels, which led to significant improvement in operating cash flows compared to a year ago. Meanwhile, with aims of expanding its global footprint and minimizing geopolitical and country risks, the Company continued to ramp up production in Thailand, and expand and solidify its supply chain.

With regards to business operations and financial performance, despite all the challenges and market uncertainties, PRIMAX once again achieved revenue growth in 2022 and delivered record-high earnings. The following is an overview of the Company's 2022 performance.

## 1. Business Operation Performance in 2022

### (1) Implementation Results of Business Plan

The Company's global net consolidated operating revenue for 2022 was NT \$79,240,765 thousand, which was a 10.6% increase from NT \$71,649,849 thousand in 2021. The net consolidated income after tax for 2022 was NT \$2,868,961 thousand, which was a 19.9% increase from NT \$2,393,221 thousand in 2021.



**(2) Budget execution status**

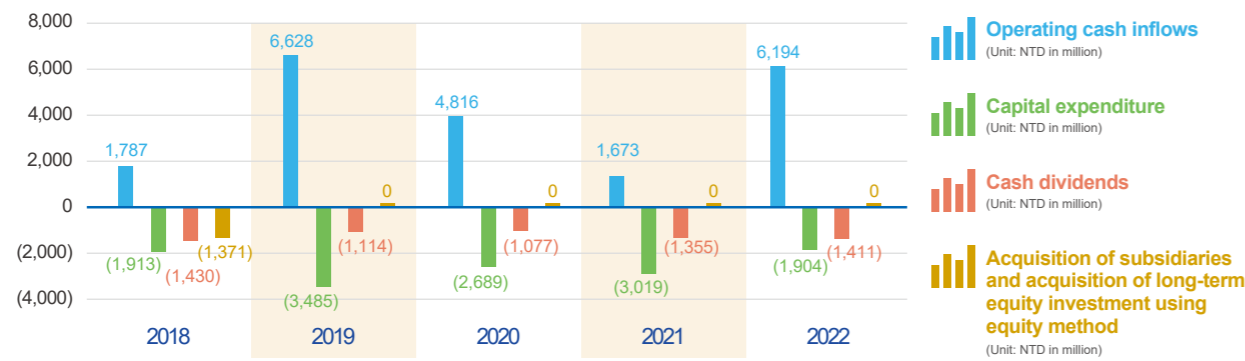
The Company did not disclose financial forecasts for 2022, so it is not applicable.

**(3) Cash flow analysis**

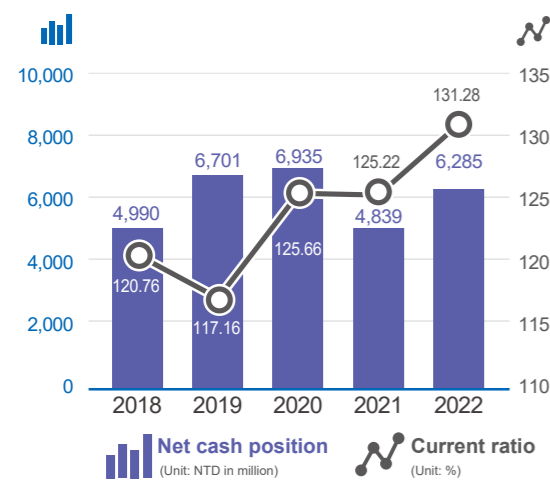
Unit: NT\$ 1,000

Item	2022	2021	Net change
Net cash inflows from operating activities	6,193,998	1,673,476	4,520,522
Net cash outflows from investing activities	(533,577)	(3,873,658)	3,340,081
Net cash (outflows)inflows from financing activities	(4,532,764)	227,249	(4,760,013)

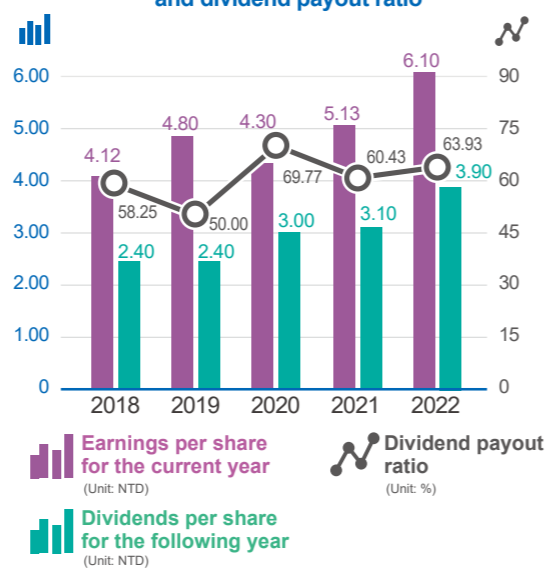
Operating cash and its major purpose distribution diagram



Trend chart of net cash position and current ratio



Trend chart of earnings per share, dividends per share, and dividend payout ratio



Note: The surplus distribution for 2022 will be handled in accordance with the regulations after the resolution was adopted at the general shareholders' meeting on May 25, 2023.

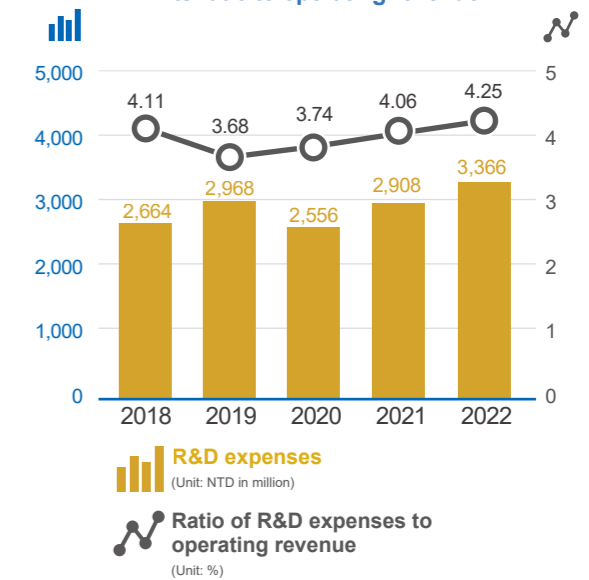
**(4) Profitability analysis**

Item	2022	2021
Return on shareholders' equity (%)	16.52	14.98
Ratio of operation profit to paid-in capital (%)	72.98	61.78
Ratio of income before tax to paid-in capital (%)	79.19	66.55
Net profit margin (%)	3.62	3.34
Earnings per share (NT\$)	6.10	5.13

**(5) Research and development**

To further maintain its technological lead and enhance competitiveness, the Company invested NT\$3,366,095 thousand in R&D in 2022 for the development of new technologies and products, while resources were also allocated for automation to upgrade and improve the production processes.

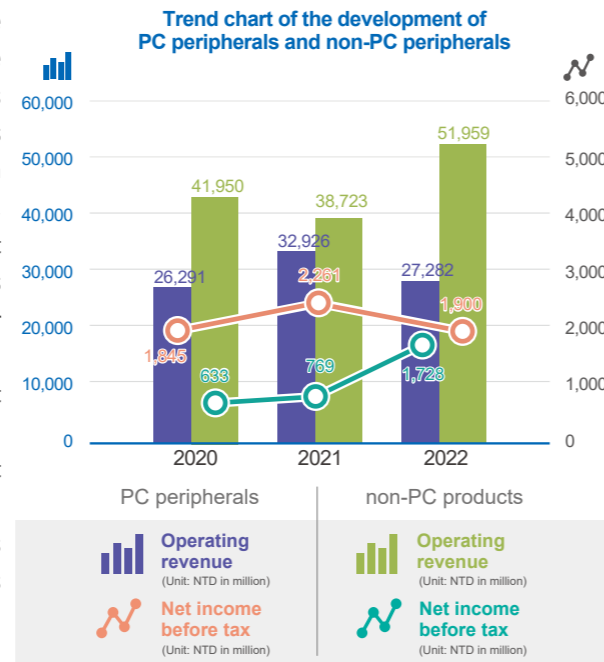
Trend chart of R&D expenses and its ratio to operating revenue



## 2. 2023 Business Plan and Business Development Strategies

PRIMAX will continue to enhance its technology by continuous investments into new technologies and by vertically integrating its global R&D resources. The technology enhancement projects will ensure PRIMAX maintains its leadership for core technology products, while at the same time strengthen the Company's system integration capabilities and ability to develop higher value-add products for its customers.

Through the integration of audio, visual and interface technologies, PRIMAX is able to reach out and embrace a wider audience with its new applications, products and innovations. For visual technology, PRIMAX is actively exploring new applications for its camera module with emphasis on car ADAS, B2B camera, smart locks, surveillance and security, and other smart IoT products. For audio, TYMPHANY will continue its focus on professional audio and high-end consumer solutions, while new products such as video conferencing and car audio will further boost revenue and profit growth. TYMPHANY's investments into next generation technologies would enhance its product development and integrated solutions ability, and expand its lead over competitors. As for its interface business, PRIMAX's focus will be value-add and smart home related products such as door lock and surveillance and security related products.



For its production strategy and global deployment, PRIMAX's expansion in Taiwan is a commitment that encompasses the fundamental values of "think globally, act locally, and manufacture intelligently", a tagline that is deep rooted in the company's core philosophy. PRIMAX's state-of-the-art facility Zhubei plant will house an advanced laboratory, support industry-academia collaboration, and invest in R&D and new product development. Aside from serving as a R&D and incubation center, highly automated production lines will be installed in Zhubei for the manufacturing of higher margin niche products such as car ADAS, surveillance and security modules, and AIoT related applications and modules. In addition, PRIMAX's Thailand plant is becoming cost competitive and an important strategic manufacturing site outside of China that provides flexibility and efficiency in the long-run. The Company is also planning to expand into North America as part of its global deployment and customer service strategy.

Lastly, the Company is placing strong emphasis on ESG by aligning its strategies with United Nations' Sustainable Development Goals (SDGs). Definitive goals will be set at the Group level to enforce carbon reduction and energy conservation, while also actively participate in charities and support for underprivileged in remote areas. Moreover, attention will be directed to employee welfare and corporate governance in support of PRIMAX's goal as a best employer and to achieve a sustainable business development.

**Chairman and General Manager**  
**Liang, Li-Sheng**



# 2. Company Profile

## 1. Date of Incorporation: March 20, 2006

## 2. Company History

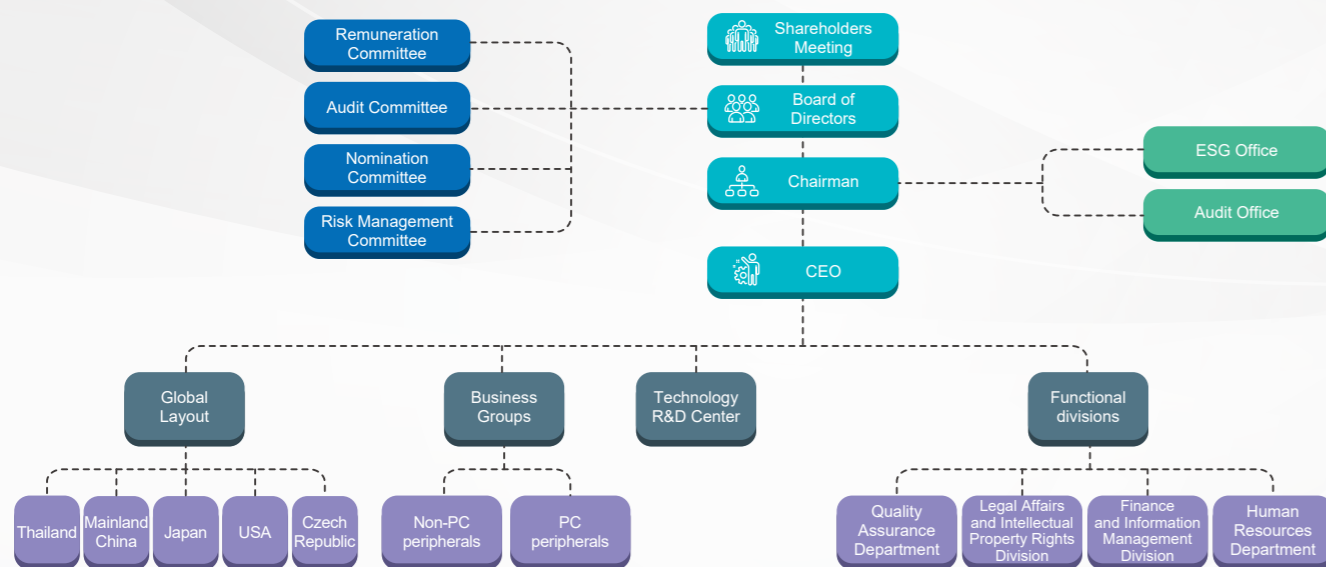
March 2006	The Company was approved to be established on March 20, 2006, formerly known as Hong Chuan Investments Ltd., with a capital of NT\$1,000,000.
October 2007	The Company was renamed Hong Chuan Electronics Ltd.
December 2007	The Company acquired Primax Electronics Ltd. (hereinafter referred to as "former PRIMAX"). After the acquisition, the Company remains to be the acquirer and former PRIMAX was the acquiree.
February 2008	The Company was renamed Primax Electronics Ltd. with Mr. Liang, Li-Sheng as the Chairman.
December 2009	IPO of the Company's shares.
December 2009	The Company listed its stock for trading in Taiwan's emerging stock market.
December 2009	The Investment Commission, MOEA, approved PRIMAX to invest in the establishment of Primax Electronics (KunShan) Co., Ltd. via a third place.
February 2011	The Investment Commission, MOEA, approved PRIMAX to invest in the establishment of Primax Electronics (ChongQing) Co., Ltd. via a third place.
October 2012	The stock was listed for trading on TWSE.
October 2012	New capital of NT\$235,290,000 raised through issuing new shares with its registered capital amounting to NT\$4,269,698,210.
January 2014	The Company successfully acquired 70% of the equity issued by Tymphany Group, a speaker driver manufacturer, and registered the shareholding change.
January 2015	The Company successfully acquired 30% of the equity issued by GLOBALTEK, an automobile and aerospace precision machinery manufacturer.
October 2016	The Company disposed 20% of the equity of GLOBALTEK, thus losing its power of control of GLOBALTEK.
June 2017	The Company completed the acquisition of 100% of the equity of Bang & Olufsen s.r.o. through Tymphany Worldwide Enterprise Limited.
November 2017	The Company established Primax AE (Cayman) Holdings Ltd.
January 2018	The Company acquired 37% of the equity of Belfast Limited through Primax AE (Cayman) Holdings Ltd.
August 2019	The Company invested in the establishment of Primax Electronics (Singapore) Pte.Ltd. and through its investment in the establishment of Primax Electronics (Thailand) Co., Ltd.



# 3. Corporate Governance Report

## 1. Organizational System

### (1) Organizational structure



### (2) Department functions

Department	Major Responsibilities
Remuneration Committee	<ol style="list-style-type: none"> <li>1. Formulate policies, systems, standards, and structure of remuneration to Directors (including the Chairman), General Manager, and Vice General Manager and review them as necessary based on factors, including the Company's goals, operational performance, and competitive environment.</li> <li>2. Periodically assess the performance of the Chairman, General Manager, and Vice General Manager and verify the content and amount of their individual remuneration based on the evaluation results of individual performance. Review the relevance and rationality of the items and amounts of the remunerations of directors and officers according to the results of their performance evaluation results.</li> <li>3. Assess and approve the standards of benefits for General Manager, and Vice General Manager.</li> </ol>
Audit Committee	<ol style="list-style-type: none"> <li>1. Supervise the adequate presentation of the Company's financial statements.</li> <li>2. Supervise the appointment (dismissal) of CPAs and their independence competency and performance.</li> <li>3. Supervise the effective implementation of the Company's internal control.</li> <li>4. Supervise the Company's compliance with relevant laws and regulations.</li> <li>5. Supervise the Company's control over existing or potential risks.</li> <li>6. Supervise the performance of the Company's internal audit department.</li> </ol>
Nomination Committee	<ol style="list-style-type: none"> <li>1. Search for qualified Directors and senior managers, and propose the lists to the Board of Directors, include the Company's Directors, General Manager, Chief Executive Officer, Chief Financial Officer, and Directors and Supervisors of major subsidiaries.</li> <li>2. Review the list of candidates and provide suggestions for the Board to determine if replacement is necessary.</li> </ol>
Risk Management Committee	<ol style="list-style-type: none"> <li>1. Review risk management policies.</li> <li>2. Review the appropriateness of the risk management framework.</li> <li>3. Review the early warning and response measures for key risk management issues and supervise the improvement.</li> <li>4. Periodically report the implementation of risk management to the Board.</li> </ol>
ESG Office	<ol style="list-style-type: none"> <li>1. Assist each department to promote and implement sustainable development projects for enterprises in response to the Company's economic, environmental and social issues.</li> <li>2. Learn from the best practices of sustainable operation of benchmarking companies at home and abroad, provide suggestions and guide relevant departments to implement accordingly, in order to continuously strengthen the Company's competitiveness in sustainable operation.</li> </ol>
Audit Office	Review and audit the implementation of the internal control system and regularly report it to the Board of Directors and the management, while measuring operational efficiency and providing timely suggestions for improvement, to ensure effective implementation of the internal control system and to improve the effectiveness of the overall organization.
Quality Assurance Department	<ol style="list-style-type: none"> <li>1. Plan and supervise quality systems.</li> <li>2. Upgrade design quality and technology.</li> <li>3. Improve product quality.</li> <li>4. Handle and improve customer complaints.</li> <li>5. Plan and implement employee quality training.</li> </ol>
Legal Affairs and Intellectual Property Rights Division	Manage intellectual property rights-related affairs and handle legal affairs.
Finance and Information Management Division	<p>Finance &amp; Accounting Department:</p> <ol style="list-style-type: none"> <li>1. Responsible for accounting, finance, taxation, and shareholder service matters.</li> <li>2. Assist in implementing and promoting projects.</li> <li>3. Perform the businesses or duties related to or arising from spokesperson system and operation, investor relations activities and opinion addressing, information disclosure to the public and media release contact and etc.</li> </ol> <p>IT Department:</p> <ol style="list-style-type: none"> <li>1. Coordinate and plan the security, implementation, and system integration of the Company's electronic information.</li> <li>2. Establish and maintain computerized information management system while analyzing current manual processes and designing future operating processes.</li> <li>3. Plan and develop new application systems as well as expand and update the functionality of the developed application systems.</li> <li>4. Plan user education and training and operations.</li> <li>5. Plan and execute disaster recovery management.</li> <li>6. Plan and manage equipment.</li> <li>7. Manage computer operations.</li> </ol>
Human Resources Department	<ol style="list-style-type: none"> <li>1. Manage employees and human resource.</li> <li>2. Manage salary and benefits.</li> <li>3. Responsible for education and training and development.</li> <li>4. Offer general affairs services</li> <li>5. Responsible for health and safety management.</li> </ol>
Product Business Group	<ol style="list-style-type: none"> <li>1. R&amp;D: research, design and development of new products. New product project assessment, analysis, and planning. New product manufacturing technology and document and data transfer.</li> <li>2. Marketing: Product planning, marketing and market development</li> </ol>
Technology R&D Center	Responsible for the research, design, and development of forward-looking core technologies in various product areas.

## 2. Profiles of the Directors, Supervisors, General Manager, Vice General Manager, Assistant General Manager, Head of Each Department, and Branch Officers

### (1) Information on Directors

#### Information on Directors (1)

April 17, 2023; Unit: share; %

Title	Nationality/ Place of Registration	Name	Gender/Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Education and Work Experiences	Other Positions Concurrently Held at the Company or Other Companies	Other Executives, Directors, or Supervisors Who Are Spouses or within the Second Degree of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman and General Manager	TW	Liang, Li-Sheng	Male/71~80 years old	2021.7.13	3 years	2009.10.23 (Note 8)	3,791,001	0.84	4,001,001	0.87	0	0	1,030,000	0.22	Business Administration, Tamkang University Chairman of PRIMAX	Note 1	-	-	-	Note 9
Vice Chairman	TW	Pan, Yung-Chung	Male/61~70 years old	2021.7.13	3 years	2014.9.5	7,455,046	1.65	7,575,046	1.65	0	0	0	0	Department of Electronics, Feng Chia University General Manager of Business Department of PRIMAX	Note 2	Director and General Manager of Business Department	Pan, Yung-Tai	Brothers	-
Director and General Manager of Business Department	TW	Pan, Yung-Tai	Male/61~70 years old	2021.7.13	3 years	2014.9.5	4,982,599	1.10	4,918,599	1.07	815,517	0.18	0	0	Department of Mechanical Engineering, Chung Yuan Christian University General Manager of Business Department of PRIMAX	Note 3	Vice Chairman	Pan, Yung-Chung	Brothers	-
Director	TW	Green Land Investment Limited	-	2021.7.13	3 years	2021.7.13	130,000	0.03	1,030,000	0.22	-	-	-	-	-	None	-	-	-	-
		Representative: Lee, Ji-Ren	Male/61~70 years old			2021.7.13	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	TW	Cheng, Chih-Kai	Male/61~70 years old	2021.7.13	3 years	2015.6.29	0	0	0	0	0	0	0	0	Department of Management Science, National Chiao Tung University Senior Vice President of Synnex USA	Note 5	-	-	-	-
Independent Director	TW	Wu, Chun-Pang	Male/61~70 years old	2021.7.13	3 years	2018.10.25	0	0	0	0	0	0	0	0	MBA, University of Missouri, U.S.A General Manager, Taiwan Branch, Deutsche Bank	Note 6	-	-	-	-
Independent Director	TW	Wang, Jia-Qi	Female/51~60 years old	2021.7.13	3 years	2019.6.18	0	0	0	0	0	0	0	0	MBA, Kellogg School of Management, Northwestern University, USA Managing Director and Director of Zenith Consulting Company Limited	Note 7	-	-	-	-
Independent Director	TW	Shen, Ying-Chuan	Male/71~80 years old	2021.7.13	3 years	2021.7.13	0	0	0	0	0	0	0	0	Executive Program, University of Michigan; Independent Director of Qisda Corporation	None	-	-	-	-

Note 1: Primax Tech. (Cayman Holding) Ltd. Director, Polaris Electronics, Inc. Director, Destiny Tech. Holding Co., Ltd. Director, Primax Ind. (Cayman Holding) Ltd. Director, Primax Ind. (HK) Ltd. Director, legal representative and director of Dongguan Primax Electronic & Telecommunications Products Ltd., legal representative and director of Primax Electronics (Kunshan) Co., Ltd., legal representative and director of Primax Electronics (ChongQing) Co., Ltd., Chairman of Beijing Destiny Electronic Technology Co., Ltd., Director of Primax Destiny Co., Ltd., legal representative and director of Diamond (Cayman) Holdings Ltd., Tymphony Worldwide Enterprises Ltd. Director, Alpine Asia Investment Limited Director, Tymphony Acoustic Technology (Thailand) Co., Ltd. Director, Primax AE (Cayman) Holdings Ltd. Director, Primax Electronics (Singapore) Pte. Ltd. Director, Primax Electronics (Thailand) Co., Ltd. Director, Director of Green Land Investment Limited.

Note 2: Primax Ind. (HK) Ltd. Director, Primax Tech. (Cayman Holding) Ltd. Director, Primax Ind. (Cayman Holding) Ltd. Director, Tymphony Worldwide Enterprises Ltd. Director, Tymphony HK Ltd. Director, Chairman of Tymphony Acoustic Technology (Huizhou) Co., Ltd., Executive Director of Dongguan Tymphony Acoustic Technology Co., Ltd., Executive Director of Dongguan Dongcheng Tymphony Acoustic Technology Co., Ltd., Tymphony Acoustic Technology HK Ltd. Director, Director of Tymphony Acoustics Technology Limited, Gratus Technology Corp. Director, Tymphony Acoustic Technology (Thailand) Co., Ltd. Director, Primax Electronics (Singapore) Pte. Ltd. Director, Primax Electronics (Thailand) Co., Ltd. Director.

Note 3: Director of Tymphony Acoustic Technology Limited, Tymphony Acoustic Technology (Thailand) Co., Ltd. Director, Primax Electronics (Singapore) Pte. Ltd. Director, Primax Electronics (Thailand) Co., Ltd. Director.

Note 4: Honorary Professor of National Taiwan University, Chairman of Cheng Zhi Education Foundation, Chairman of AXR Entrepreneurship and Business Consulting Co., Ltd., Chairman of B Current Impact Investment Fund 3, Director of Social Enterprise Insights Co., Ltd., Independent Director of Delta Electronics Inc., Independent Director of Acer Incorporated, Independent Director of VIVOTEK Inc., Legal representative and director of Longchen Paper & Packaging Co., Ltd., Director of Commonwealth Education Media and Publishing Co., Ltd., Director of Commonwealth Magazine Co., Ltd., Director of Emerging Capital Co., Ltd.

Note 5: Director of Eureka Therapeutics (California), Chairman of B Current Impact Investment, Director of Social Enterprise Insights Co., Ltd., Director of H3 Platform, Chairman of B Current Impact Investment Fund II, Partner of Acorn Pacific Ventures, Director of B Current Impact Investment Fund 3, Director of MStar B Current Impact Investment, Partner of Acorn Pacific Ventures Fund II, Independent Director of Tymphony Worldwide Enterprises Ltd.

Note 6: Legal representative and director of Far Eastern International Bank.

Note 7: Zenith Consulting Company Limited Managing Director and Director, CITIC Capital Holdings Limited Managing Partner.

Note 8: The date of the first election after the base date of merger of former PRIMAX shall prevail.

Note 9: Description of the reasons, reasonableness, necessity, and response measures where the Chairman and the General Manager are same person:

- Reason and necessity: In response to the rapid changes in the industry, more long-term technology development strategies and investments are needed, and the global layout is necessary to maintain this model for the time being.
- Reasonableness: Mr. Liang, Li-Sheng is the original founder of the Company and also has been general manager of the Company for a long time, with more than 40 years of experience in this industry, and his grasp of the industry and the company is extremely deep and complete.
- Countermeasures:
  - More than half of the Directors of the Board of Directors do not serve as employees or managerial officers concurrently, and the number of Independent Directors have been increased to strengthen the structure of the Board of Directors.
  - Considering the needs for long-term corporate governance, the Board of Directors has passed a succession plan and is actively training candidates for the succession of the General Manager, and will appoint a candidate as the General Manager at an appropriate time according to actual needs.



Major Shareholders of Corporate Shareholders

April 17, 2023

Corporate Shareholder	Major Shareholders of Corporate Shareholders
Green Land Investment Limited	Liang, Li-Sheng (80%) and Yang, Chun-Ling (20%)

Information on Directors (2)

i Qualifications and Independence Status of Directors (Including Independent Directors):

April 17, 2023

Name	Qualifications and Experience	Independence Status	Number of Other Public Companies Where the Individual Concurrently Serves as an Independent Director
Liang, Li-Sheng	He has ever served as director, chairman and general manager of the Company and its subsidiaries for more than a total of 40 years. He has achieved a complete grasp of the industry and the Company. He has many years of relevant work experience and corporate governance expertise required by the industry, marketing, management and business of the Company. He has the abilities in respects of decision-making, operation management, risk management, information technology, and financial accounting. There are not the matters specified in Article 30 of the Companies Act.	Non-independent director	None.
Pan, Yung-Chung	He ever worked as a senior manager and a director of the Company and its subsidiaries for more than 33 years with the work experience required for this industry, marketing, management and the Company's business. He has the abilities in respects of decision-making, management, risk management and information technology. There are not the matters specified in Article 30 of the Companies Act.		None.
Pan, Yung-Tai	He ever worked as a senior manager and a director of the Company and its subsidiaries for more than 35 years with work experience in this industry, research and development, management and the Company's business, and has the abilities in decision-making, management and information technology. There are not the matters specified in Article 30 of the Companies Act.		None.
Lee, Ji-Ren	He ever acted as Vice Dean engaging in Teaching and Resource Development and Vice Dean of the School of Management as well as Executive Director of EMBA, in National Taiwan University. He is now a professor emeritus of the University of Taiwan. He is specialized in strategic management and planning of enterprises. He won the National Golden Book Award in 2014 and 2015 and ever helped enterprises establish medium- and long-term growth strategies, and develop organizational capabilities and leadership talents, and promote transformation of enterprises. He ever served as Manager of Marketing Service Department of Boehringer Ingelheim Taiwan Ltd., Chairman of Cheng Zhi Education Foundation, Chairman of AXR Entrepreneurship and Business Consulting Co., Ltd., Chairman of B Current Impact Investment Fund 3, Director of Social Enterprise Insights Co., Ltd., Independent Director of Delta Electronics Inc., Independent Director of Acer Incorporated, Independent Director of VIVOTEK Inc., Legal Representative and Director of Longchen Paper & Packaging Co., Ltd., Director of Commonwealth Education Media and Publishing Co., Ltd., Director of Commonwealth Magazine Co., Ltd., and Director of Emerging Capital Co., Ltd. There are not the matters specified in Article 30 of the Companies Act.		3

Name	Qualifications and Experience	Independence Status	Number of Other Public Companies Where the Individual Concurrently Serves as an Independent Director
Cheng, Chih-Kai	He has over 35 years of relevant working experience in industry, finance, financial accounting and management. He has demonstrated leadership in decision-making, business management, risk management, and financial accounting, and can enhance the supervision function of the Board of Directors and functional committees. He was the co-founder and General Manager of Harbinger Venture Management (USA), Senior Vice President of Synnex Corporation USA, President of Monte Jade West Science and Technology Association, Senior Management Roles of MiTAC International Corp., Chairman of B Current Impact Investment, Chairman of B Current Impact Investment Fund II, Director of B Current Impact Investment Fund 3, Director of Eureka Therapeutics (California), Director of Social Enterprise Insights Co., Ltd., Director of H3 Platform, Partner of Acorn Pacific Ventures, Director of MStar B Current Impact Investment, Partner of Acorn Pacific Ventures Fund II, Independent Director of Tymphony Worldwide Enterprises Ltd. There are not the matters specified in Article 30 of the Companies Act.	As an independent director that accords with the regulations in relation to independence including, but not limited to, he, his spouse or any his near relative not being a director, a supervisor or an employee of the Company or its affiliated companies, not holding the shares in the Company, not being a director, a supervisor or an employee of a company with which the Company has a specific relationship; not receiving the amount of remuneration received for commercial, legal, financial or accounting services provided by the Company or its affiliates in the last two years.	None.
Wu, Chun-Pang	He has over 35 years of relevant working experience in marketing, finance, management and banking, and has a Bachelor of Law degree from National Taiwan University with legal expertise and relevant skills in leadership, decision making, business management, risk management, and financial accounting, and can enhance the supervision function of the Board of Directors and functional committees. He was the General Manager of Deutsche Bank Taipei, Vice Chairman of Citibank, Head of Fidelity Investments Taiwan, Head and Managing Director of Bankers Trust New York Corporation, Vice General Manager of Chase Bank, Representative of Institutional Director of Far Eastern International Bank. There are not the matters specified in Article 30 of the Companies Act.		None.
Wang, Jia-Qi	She has more than 30 years of work experience in finance, risk, financial accounting and management, and good command in decision-making, management, risk management, information technology, financial accounting. That can contribute to the quality of the board of directors and the supervision of its committees. She ever served as a mentor of the direct investment department of Ping An Trust of China, a global senior partner of Egon Zehnder International and general manager of its consumer electronics industry department, an associate of the corporate development department of Primax Electronics Ltd., a consultant of McKinsey (Hong Kong/ Shanghai), a project manager of P&G Taiwan, managing director of Zenith Consulting Company Limited, and an operating partner of CITIC Capital Holdings Limited. There are not the matters specified in Article 30 of the Companies Act.		None.
Shen, Ying-Chuan	He has more than 30 years of work experience in industry, R&D and management and the abilities in decision-making, operation management, risk management, information technology, financial accounting, etc. That can enhance the supervision functions of the board of directors and its committees. He was the Independent Director of Waffer Technology Corp., Independent Director of Qisda Corporation, President of Changan Ford Automobile Co., Ltd, China, President of Ford Lio Ho Motor Co., Ltd, and Chairman of EAGLE OTTAWA ASIA. There are not the matters specified in Article 30 of the Companies Act.		None.



ii Board Diversity and Independence Status:

(i) Board diversity:

The Company attaches importance to the diversity of composition of directors and sets the specific stage targets for the diversity of the board: the ratio of female or foreign directors will reach more than 10% (achieved) before 2020, reaching more than 20% in the period of 2024-2027, and reaching more than 30% in 2030-2033.

At the end of 2022, the Board of Directors of the Company had a total of 8 members, including four independent directors (accounting for 50%). One of the independent directors is given a term of less than three years, two a term of three to six years, and the rest one a term of six to nine years. There are seven male directors (accounting for 87.5%) and one female director (accounting for 12.5%). There are two directors aged 71 to 80 (accounting for 25%), five aged 61 to 70 (accounting for 62.5%), and one aged 51 to 60 (accounting for 12.5%), showing the gradual succession from one generation to another.

In terms of the professional and education background of the directors, eight of them have management background (accounting for 100%), and six industrial (accounting for 75%), two research and development (accounting for 25%), four marketing (accounting for 50%), and three financial (accounting for 37.5%). As for their expertise and professional knowledge, eight have leadership and management skills (accounting for 100%), seven risk management (accounting for 87.5%), three information technology (accounting for 37.5%), five financial accounting (accounting for 62.5%), and one legal knowledge (accounting for 12.5%).

Title	Name	Basic Information				Experience					Expertise and Skills					
		Gender	Nationality	Age	Term of Independent Director	Industry	R&D	Marketing	Finance	Management	Leadership and Decision-making	Business Administration	Risk management	Information Technology	Finance and Accounting	Law
Director	Liang, Li-Sheng	Male	Republic of China	71~80	Less than 3 years	✓		✓		✓	✓	✓	✓	✓		
Independent Director	Shen, Ying-Chuan	Male	Republic of China			✓	✓			✓	✓	✓				
Director	Pan, Yung-Chung	Male	Republic of China	61~70		✓		✓		✓	✓	✓	✓			
Director	Pan, Yung-Tai	Male	Republic of China			✓	✓			✓	✓	✓		✓		
Director	Green Land Investment Limited Representative: Lee, Ji-Ren	Male	Republic of China	61~70		✓		✓		✓	✓	✓			✓	
Independent Director	Cheng, Chih-Kai	Male	Republic of China			6 ~ 9 years	✓			✓	✓	✓	✓	✓		
Independent Director	Wu, Chun-Pang	Male	Republic of China	51~60	3 ~ 6 years			✓	✓	✓	✓	✓			✓	✓
Independent Director	Wang, Jia-Qi	Female	Republic of China			✓	✓			✓	✓	✓	✓			✓

(ii) Independence status:

- The total number of directors of the Company is 8, of which 4 are independent directors, accounting for 50%. Independent directors are independent, including, but not limited to, he, their spouse or any their near relative not being a director, a supervisor or an employee of the Company or its affiliated companies, not holding the shares in the Company, not being a director, a supervisor or an employee of a company with which the Company has a specific relationship; not receiving the amount of remuneration received for commercial, legal, financial or accounting services provided by the Company or its affiliates in the last two years. There are not the matters stated in Article 30, Companies Act.
- Except that Pan, Yung-Chung and Pan, Yung-Tai, the directors of the Company are brothers, and amongst the other directors there are no relative relations. So there is no violation of the provisions in paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.



(2) Profiles of the General Manager, Vice General Manager, Assistant General Manager, head of each department, and branch officers

April 17, 2023; Unit: share; %

Title	Nationality	Name	Gender	Date Taking Office	Shareholding		Spouse/Minor Shareholding		Shareholding by Nominees		Education and Work Experiences	Other Positions Concurrently Held at the Company or Other Companies	Managers Who Are Spouses or within the Second Degree of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman and General Manager	TW	Liang, Li-Sheng	Male	2018.10.01	4,001,001	0.87	0	0	1,030,000	0.22	Business Administration, Tamkang University Chairman of PRIMAX	Note 1	-	-	-	Note 11
Director and General Manager of Business Department	TW	Pan, Yung-Tai	Male	2007.12.28 (Note 8)	4,918,599	1.07	815,517	0.18	0	0	Department of Mechanical Engineering, Chung Yuan Christian University General Manager of Business Department of PRIMAX	Note 2	-	-	-	-
Chief Strategy Officer	TW	Duh, Jia-Bin	Male	2022.12.01	0	0	0	0	0	0	MBA, Kellogg School of Management at Northwestern University, Master's in Hong Kong University of Science and Technology, Chairman of Foxcent Technology Co., Ltd.	Note 3	-	-	-	-
General Manager of Operations	TW	Kuo, You-Min	Male	2018.01.15	875,000	0.19	0	0	0	0	MBA, Industrial Marketing, University of North Carolina at Chapel Hill Senior Vice President, Hon Hai Group	Note 4	-	-	-	-
General Manager of Finance and Information Department	TW	Hsiao, Yin-Yi	Male	2016.09.19	626,000	0.14	0	0	0	0	EMBA, Swiss Business School CFO of CMC Magnetics Co., Ltd.	Note 5	-	-	-	-
General Manager of Business Department	TW	Chou, Yen-Chou	Male	2011.01.17	404,000	0.09	0	0	0	0	Doctor of Industrial Engineering, University of Cincinnati, USA Senior Vice President of PRIMAX	Note 6	-	-	-	--
Vice General Manager	TW	Chiang, Yan-Ying	Female	2015.04.01	563,106	0.12	0	0	0	0	Department of Labor Relations, Chinese Culture University; EMBA, National Chengchi University Senior Assistant General Manager, PRIMAX	None	-	-	-	-
Vice General Manager	TW	Chang, Ching-Kai	Male	2015.04.01	872,703	0.19	0	0	0	0	Department of Information Engineering, Tamkang University Senior Assistant General Manager, PRIMAX	None	-	-	-	-
Vice General Manager	TW	Wei, Hao-San	Male	2015.10.07	844,732	0.18	0	0	0	0	Electrical Engineering Institute, California State University, Long Beach, USA Senior Assistant General Manager, PRIMAX	Note 7	-	-	-	-
Vice General Manager	TW	Chang, Chen-Te	Male	2020.04.15	353,880	0.08	0	0	0	0	Department of Mechanical Engineering, China University of Science and Technology Senior Assistant Vice General Manager in Administration Management, PRIMAX	Note 9	-	-	-	-
Vice General Manager	TW	Zhuo, Yi-Li	Male	2020.10.01	165,500	0.04	0	0	0	0	PhD, Claremont Graduate University Senior Assistant General Manager, PRIMAX	Note 10	-	-	-	-
Vice General Manager	TW	Wang, Ching-Der	Male	2020.10.05	75,000	0.02	0	0	0	0	Mechanical Engineering, University of California at Berkeley Vice President, Accton Technology Corporation	None	-	-	-	-
Vice General Manager	TW	Hsueh, Ya-Lin	Female	2022.04.01	21,000	0.005	0	0	0	0	Institute of Human Resources, National Changhua Normal University Global Chief HR Officer, Hon Hai Technology Group Mobile Phone A	None	-	-	-	-
Vice General Manager	TW	Hsu, Chia Chih	Male	2022.10.01	134,500	0.03	0	0	0	0	Master's in Institute of Finance and Banking at the University of Texas at Arlington USA Senior Assistant Vice General Manager, PRIMAX	None	-	-	-	-
Vice General Manager	TW	Hu, Ching-Yuan	Male	2022.10.01	48,000	0.01	0	0	0	0	Thunderbird, THUNDERBIRD SCHOOL OF GLOBAL MANAGEMENT MBA Senior Assistant Vice General Manager, PRIMAX	None	-	-	-	-
Accounting Supervisor	TW	Chang, Shu-Chuen	Female	2017.11.15	103,000	0.02	0	0	0	0	Institute of Accounting, National Cheng Kung University Assistant General Manager, Finance Department, Lian Hwa Foods Corp	None	-	-	-	-
Head of Corporate Governance	TW	Su, Yu-Chen	Male	2020.08.06	171,000	0.04	0	0	0	0	Master's in Business Administration, Case Western Reserve University, USA Assistant Vice General Manager, PRIMAX	None	-	-	-	-

Note 1: Primax Tech. (Cayman Holding) Ltd. Director, Polaris Electronics, Inc. Director, Destiny Tech. Holding Co., Ltd. Director, Primax Ind. (Cayman Holding) Ltd. Director, Primax Ind. (HK) Ltd. Director, legal representative and director of Dongguan Primax Electronic & Telecommunications Products Ltd., legal representative and director of Primax Electronics (KunShan) Co., Ltd., legal representative and director of Primax Electronics (ChongQing) Co., Ltd., Chairman of Beijing Destiny Electronic Technology Co., Ltd., Director of Primax Destiny Co., Ltd., legal representative and director of Diamond (Cayman) Holdings Ltd., Tymphony Worldwide Enterprises Ltd. Director, Alpine Asia Investment Limited Director, Tymphony Acoustic Technology (Thailand) Co., Ltd. Director, Primax AE (Cayman) Holdings Ltd. Director, Primax Electronics (Singapore) Pte. Ltd. Director, Primax Electronics (Thailand) Co., Ltd. Director, Green Land Investment Limited Director.

Note 2: Tymphony Acoustic Technology Limited Director, Tymphony Acoustic Technology (Thailand) Co., Ltd. Director, Primax Electronics (Singapore) Pte. Ltd. Director, Primax Electronics (Thailand) Co., Ltd. Director.

Note 3: Laowang Holding Limited Taiwan Branch (Cayman) Director, Tymphony Worldwide Enterprises Ltd. Director.

Note 4: Polaris Electronics, Inc. Director, Gratus Technology Corp. Director.

Note 5: Dongguan Primax Electronic & Telecommunication Products Ltd. Supervisor, Primax Electronics (KunShan) Corp., Ltd. Supervisor, Primax Electronics (ChongQing) Corp., Ltd. Supervisor, Beijing Destiny Electronic Technology Co., Ltd. Director, Primax Destiny Co., Ltd. Director, Primax Tech. (Cayman Holding) Ltd. Director, Primax Ind. (Cayman Holding) Ltd. Director, legal representative and director of Diamond (Cayman) Holdings Ltd, Tymphony Acoustic Technology (Huizhou) Co., Ltd. Supervisor, Dongguan Tymphony Acoustic Technology Co., Ltd. Supervisor, Dongguan Dongcheng Tymphony Acoustic Technology Co., Ltd. Supervisor, Tymphony Acoustic Technology Co., Ltd. Supervisor, Primax AE (Cayman) Holdings Ltd. Director.

Note 6: Primax Destiny Co., Ltd. Supervisor.

Note 7: Beijing Destiny Electronic Technology Co., Ltd. Director.

Note 8: The date of appointment is based on the base date of merger of former PRIMAX.

Note 9: Chairman of Dongguan Primax Electronic & Telecommunication Products Ltd., Chairman of Primax Electronics. (KunShan) Co., Ltd., Chairman of Primax Electronics (ChongQing) Co., Ltd., Beijing Destiny Electronic Technology Co., Ltd. Supervisor.

Note 10: Primax Destiny Co., Ltd. Director.

Note 11: Description of the reasons, reasonableness, necessity, and response measures where the Chairman and the General Manager are same person:

- Reason and necessity: In response to the rapid changes in the industry, more long-term technology development strategies and investments are needed, and the global layout is necessary to maintain this model for the time being.
- Reasonableness: Mr. Liang, Li-Sheng is the original founder of the Company and also has been general manager of the Company for a long time, with more than 40 years of experience in this industry, and his grasp of the industry and the company is extremely deep and complete.
- Countermeasures:
  - More than half of the Directors of the Board of Directors do not serve as employees or managerial officers concurrently, and the number of Independent Directors have been increased to strengthen the structure of the Board of Directors.
  - Considering the needs for long-term corporate governance, the Board of Directors has passed a succession plan and is actively training candidates for the succession of the General Manager, and will appoint a candidate as the General Manager at an appropriate time according to actual needs.

### 3. Remuneration paid to directors, supervisors, general managers and vice general managers in the most recent year:

#### (1) Remuneration paid to the directors in the most recent year (2022)

Unit: NT\$1,000/thousand shares

Title	Name	Remuneration to Directors								Sum and Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 1)		Relevant Remuneration Received by Directors Who Are Also Employees								Sum and Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%) (Note 1)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiaries or Parent Company				
		Remuneration (A) (Note 4)		Pension (B)		Remuneration to Directors (C) (Note 5)		Business Expense (D) (Note 6)				Salary, Bonus, and Allowances (E)		Pension (F)		Employee Bonus (G) (Note 3)										
		The Company	All Companies Listed in the Consolidated Financial Statements	The Company	All Companies Listed in the Consolidated Financial Statements	The Company	All Companies Listed in the Consolidated Financial Statements	The Company	All Companies Listed in the Consolidated Financial Statements	The Company	All Companies Listed in the Consolidated Financial Statements	The Company	All Companies Listed in the Consolidated Financial Statements	The Company		All Companies Listed in the Consolidated Financial Statements		The Company	All Companies Listed in the Consolidated Financial Statements							
Chairman and General Manager	Liang, Li-Sheng	25,707	25,707	0	0	9,715	9,715	0	0	35,422	35,422	1.29%	1.29%	7,716	7,716	0	0	0	0	0	0	43,138	43,138	1.57%	1.57%	0
Vice Chairman	Pan, Yung-Chung																									
Director and General Manager of Business Department	Pan, Yung-Tai	0	0	0	0	16,200	16,200	0	0	16,200	16,200	0.59%	0.59%	19,404	19,404	0	0	0	0	0	0	35,604	35,604	1.30%	1.30%	0
Director	Green Land Investment Limited Representative: Lee, Ji-Ren																									
Independent Director	Cheng, Chih-Kai																									
Independent Director	Wu, Chun-Pang																									
Independent Director	Wang, Jia-Qi	0	0	0	0	24,000	24,000	1,270	1,270	25,270	25,270	0.92%	0.92%	0	0	0	0	0	0	0	0	25,270	25,270	0.92%	0.92%	0
Independent Director	Shen, Ying-Chuan																									
Independent Director	Duh, Jia-Bin (Note 7)																									

1. Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks, and time spent:

The remuneration policy, procedures, standards, and structure of Independent Directors shall be governed by the "Remuneration Plan for Independent Directors" approved by the Board of Directors. A fixed amount of remuneration shall be paid to independent directors on a monthly basis. According to the Articles of Association, remuneration paid to directors every year shall be no more than 2% of annual profits. The rationality of remuneration for independent directors shall be reviewed by the Remuneration Committee and the Board of Directors. The remuneration system shall also be reviewed in a timely manner according to the operations and relevant laws and regulations to balance the Company's sustainable development and risk management.

2. In addition to the remuneration disclosed in the table above, remuneration received by the Directors for services in the most recent year (e.g., serving as external consultants of the parent company/all companies listed in the financial statements/reinvestment companies): None.

Note 1: In 2022, the Company's net income after tax attributable to the parent company was NT\$ 2,742,609 thousand.

Note 2: Refers to the earnings distribution proposal in the most recent year (2022) resolved by the Board (2023.02.24); the remuneration distributed to directors amounted to NT\$49,915 thousand; the amount to be distributed in the current year is estimated based on the proportion of the amount actually distributed last year.

Note 3: Refers to the earnings distribution proposal in the most recent year (2022) resolved by the Board (2023.02.24); the remuneration distributed to employees amounted to NT\$99,830 thousand; the amount to be distributed in the current year is estimated based on the proportion of the amount actually distributed last year.

Note 4: The remuneration to the Chairman is proposed by the Human Resource Department based on the considerations for the competitive environment and operational risks and in line with the corporate management policy and bonus plan and then is sent to the Board of Directors for resolution after the Remuneration Committee evaluates the performance results and approves the proposal.

Note 5: The net income before the remuneration to employees and directors is deducted in 2022 is NT\$3,315,580 thousand, and the proportion of remuneration to directors is 1.51%. After being approved by the Remuneration Committee, the remuneration proposal is submitted to the Board of Directors; then, the remuneration is distributed after the resolution is adopted at the shareholders' meeting.

Note 6: Reimbursement of meals, accommodation, and transportation is based on actual expenses.

Note 7: Resigned on Nov. 18, 2022

Range of Remuneration Paid to Directors	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All Companies Listed in the Consolidated Financial Statements	The Company	All Companies Listed in the Consolidated Financial Statements
Less than NT\$1,000,000				
NT\$1,000,000 (inclusive) to 2,000,000 (not inclusive)				
NT\$2,000,000 (inclusive) to 3,500,000 (not inclusive)	Green Land Investment Limited ; Shen, Ying-Chuan	Green Land Investment Limited ; Shen, Ying-Chuan	Green Land Investment Limited ; Shen, Ying-Chuan	Green Land Investment Limited ; Shen, Ying-Chuan
NT\$3,500,000 (inclusive) to 5,000,000 (not inclusive)	Wu, Chun-Pang ; Wang, Jia-Qi	Wu, Chun-Pang ; Wang, Jia-Qi	Wu, Chun-Pang ; Wang, Jia-Qi	Wu, Chun-Pang ; Wang, Jia-Qi
NT\$5,000,000 (inclusive) to 10,000,000 (not inclusive)	Pan, Yung-Chung ; Pan, Yung-Tai ; Cheng, Chih-Kai ; Duh, Jia-Bin	Pan, Yung-Chung ; Pan, Yung-Tai ; Cheng, Chih-Kai ; Duh, Jia-Bin	Pan, Yung-Chung ; Cheng, Chih-Kai ; Duh, Jia-Bin	Pan, Yung-Chung ; Cheng, Chih-Kai ; Duh, Jia-Bin
NT\$10,000,000 (inclusive) to 15,000,000 (not inclusive)				
NT\$15,000,000 (inclusive) to 30,000,000 (not inclusive)			Pan, Yung-Tai	Pan, Yung-Tai
NT\$30,000,000 (inclusive) to 50,000,000 (not inclusive)	Liang, Li-Sheng	Liang, Li-Sheng	Liang, Li-Sheng	Liang, Li-Sheng
NT\$50,000,000 (inclusive) to 100,000,000 (not inclusive)				
More than NT\$100,000,000				
Total	NT\$76,892 thousand	NT\$76,892 thousand	NT\$104,012 thousand	NT\$104,012 thousand

(2) Remuneration paid to General Manager and Vice General Manager in the most recent year (2022)

Unit: NT\$1,000/thousand shares

Title	Name	Salary (A)		Pension (B)		Bonuses and Allowances (C)		Amount of employee remuneration (D) (Note 1)				Sum and Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 2)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiaries or Parent Company
		The Company	All Companies Listed in the Consolidated Financial Statements	The Company	All Companies Listed in the Consolidated Financial Statements	The Company	All Companies Listed in the Consolidated Financial Statements	The Company		All Companies Listed in the Consolidated Financial Statements		The Company	All Companies Listed in the Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
Chairman and General Manager	Liang, Li-Sheng													
General Manager of Operations	Kuo, You-Min													
Chief Strategy Officer (Note 3)	Duh, Jia-Bin													
Director and General Manager of Business Department	Pan, Yung-Tai													
General Manager of Business Department (Note 4)	Chou, Yen-Chou													
General Manager of Finance and Information Department (Note 5)	Hsiao, Yin-Yi													
Vice General Manager	Wei, Hao-San													
Vice General Manager (Note 6)	Hu, Ching-Yuan	46,199	46,748	0	0	100,397	100,397	0	0	0	0	146,597	147,145	None
Vice General Manager (Note 7)	Chang, Yao-Han													
Vice General Manager	Chiang, Yan-Ying													
Vice General Manager	Chang, Ching-Kai													
Vice General Manager (Note 8)	Chen, Ying-Shou													
Vice General Manager (Note 9)	Hsu, Chia Chih													
Vice General Manager	Zhuo, Yi-Li													
Vice General Manager	Chang, Chen-Te													
Vice General Manager	Wang, Ching-Der													
Vice General Manager (Note 10)	Hsueh, Ya-Lin													

Note 1: Refers to the most recent year's (2022) earnings distribution proposal approved by the Board of Directors (2023.02.24) to distribute remuneration to employees totaling NT\$99,830 thousand. As of the publication date of this report, the remuneration paid to the General Manager and Vice General Managers has not been discussed by the Remuneration Committee; thus, the amount to be distributed in the current year is based on the proportion of the actual amount distributed last year.

Note 2: In 2022, the Company's net income after tax attributable to the parent company was NT\$2,742,609 thousand.

Note 3: Newly appointed as Chief Strategy Officer On Dec. 1, 2022.

Note 4: Promoted to General Manager of Business Department on Jan. 1, 2022.

Note 5: Promoted to General Manager of Finance and Information Department on Oct. 1, 2022.

Note 6: Promoted to Vice General Manager on Oct. 1, 2022.

Note 7: Resigned on May 31, 2022.

Note 8: Resigned on Jun. 3, 2022.

Note 9: Transferred back from the subsidiary on October 1, 2022

Note 10: Promoted to Vice General Manager on April 1, 2022.

Range of Remuneration Paid to the General Manager and Vice General Managers	Name of General Manager and Vice General Managers	
	The Company	All Companies Listed in the Consolidated Financial Statements
Less than NT\$1,000,000	Duh, Jia-Bin	Duh, Jia-Bin
NT\$1,000,000 (inclusive) to 2,000,000 (not inclusive)	Chang, Yao-Han ; Chen Ying-Shou	Chang, Yao-Han ; Chen Ying-Shou
NT\$2,000,000 (inclusive) to 3,500,000 (not inclusive)		
NT\$3,500,000 (inclusive) to 5,000,000 (not inclusive)	Chiang, Yan-Ying ; Hsu, Chia Chih ; Hu, Ching-Yuan ; Wang, Ching-Der	Chiang, Yan-Ying ; Hsu, Chia Chih ; Hu, Ching-Yuan ; Wang, Ching-Der
NT\$5,000,000 (inclusive) to 10,000,000 (not inclusive)	Chang, Chen-Te ; Chang, Ching-Kai ; Zhuo, Yi-Li ; Chou, Yen-Chou ; Hsueh, Ya-Lin	Chang, Chen-Te ; Chang, Ching-Kai ; Zhuo, Yi-Li ; Chou, Yen-Chou ; Hsueh, Ya-Lin
NT\$10,000,000 (inclusive) to 15,000,000 (not inclusive)	Pan, Yung-Tai ; Wei, Hao-San	Pan, Yung-Tai ; Wei, Hao-San
NT\$15,000,000 (inclusive) to 30,000,000 (not inclusive)	Liang, Li-Sheng ; Kuo, You-Min ; Hsiao, Yin-Yi	Liang, Li-Sheng ; Kuo, You-Min ; Hsiao, Yin-Yi
NT\$30,000,000 (inclusive) to 50,000,000 (not inclusive)		
NT\$50,000,000 (inclusive) to 100,000,000 (not inclusive)		
More than NT\$100,000,000		
Total	NT\$146,597 thousand	NT\$147,145 thousand



### (3) Names of managerial officers who receive employee remuneration and the distribution in the most recent year (2022)

Unit: NT\$1,000/thousand shares

Title	Name	Value of Shares (Note 1)	Amount of Cash (Note 1)	Total	Total Remuneration as a Percentage of Net income after Tax (%) (Note 2)
Chairman and General Manager	Liang, Li-Sheng				
General Manager of Operations	Kuo, You-Min				
Chief Strategy Officer (Note 3)	Duh, Jia-Bin				
Director and General Manager of Business Department	Pan, Yung-Tai				
General Manager of Business Department (Note 4)	Chou, Yen-Chou				
General Manager of Finance and Information Department (Note 5)	Hsiao, Yin-Yi				
Vice General Manager	Wei, Hao-San				
Vice General Manager (Note 6)	Hu, Ching-Yuan				
Vice General Manager (Note 7)	Chang, Yao-Han	0	1,000	1,000	0.04%
Vice General Manager	Chiang, Yan-Ying				
Vice General Manager	Chang, Ching-Kai				
Vice General Manager (Note 8)	Chen, Ying-Shou				
Vice General Manager (Note 9)	Hsu, Chia Chih				
Vice General Manager	Zhuo, Yi-Li				
Vice General Manager	Chang, Chen-Te				
Vice General Manager	Wang, Ching-Der				
Vice General Manager (Note 10)	Hsueh, Ya-Lin				
Head of Corporate Governance	Su, Yu-Chen				
Accounting Supervisor	Chang, Shu-Chuen				

Note 1: Refers to the most recent year's (2022) earnings distribution proposal approved by the Board of Directors (2023.02.24) to distribute remuneration to employees totaling NT\$99,830 thousand. As of the publication date of this report, the remuneration paid to the General Manager and Vice General Managers has not been discussed by the Remuneration Committee; thus, the amount to be distributed in the current year is based on the proportion of the actual amount distributed last year.

Note 2: In 2022, the Company's net income after tax attributable to the parent company was NT\$2,742,609 thousand.

Note 3: Newly appointed as Chief Strategy Officer on Dec. 1, 2022.

Note 4: Promoted to General Manager of Business Department on Jan. 1, 2022.

Note 5: Promoted to General Manager of Finance and Information Department on Oct. 1, 2022.

Note 6: Promoted to Vice General Manager on Oct. 1, 2022.

Note 7: Resigned on May 31, 2022.

Note 8: Resigned on Jun. 3, 2022.

Note 9: Transferred back from the subsidiary on October 1, 2022.

Note 10: Promoted to Vice General Manager on April 1, 2022.

### (4) Separate comparisons and descriptions of total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the Company and all other companies included in the consolidated financial statements during the past two fiscal years to Directors, Supervisors, the General Manager, and Vice General Managers, with analysis and description of remuneration policies, standards, and packages, procedure for determining remuneration, and its linkage to operating performance and future risks

i Analysis of total remuneration of Directors, General Manager and Vice General Managers as a percentage of net income during the past two fiscal years:

Personal Status	Ratio of Total Remuneration to Net Income (Loss) after Tax			
	2021		2022	
	The Company	Consolidated	The Company	Consolidated
Director	3.70%	3.70%	2.80%	2.80%
General Manager/Vice General Manager	5.99%	6.03%	5.35%	5.37%

ii The remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance:

(i) The Company's remuneration to Directors includes Directors' compensation and bonuses. The remuneration to Directors is stipulated in the Company's Articles of Association. No more than 2% of profit, if applicable, shall be allocated as remuneration to Directors. After the Remuneration Committee approves the remuneration proposal, it shall be submitted to the Board of Directors for resolution and reported to the shareholders' meeting; Reasonable remuneration shall be given based on the Company's operating results and sustainable development as well as Directors' contribution to the Company's performance and the results of the Board's performance evaluation. The remuneration to the Chairman shall be proposed by the Human Resources Department in view of the competitive environment and operational risks and in line with the corporate management policy and bonus plan, and then is sent to the Board of Directors for resolution after the Remuneration Committee evaluates the performance results and approves the proposal. Such performance evaluation and the reasonableness of remuneration are reviewed by the Remuneration Committee and the Board of Directors. The remuneration system is also reviewed constantly based on actual business operations and applicable laws.

(ii) The remuneration policy for the General Manager and Vice General Managers of the Company is proposed by the Human Resources Department based on the position held, the operating scale, the competitive environment, the salary standard in the industry, the Company's overall operating performance, and individual performance achievement rate and in line with the corporate management policy and bonus plan; after evaluated and approved by the Remuneration Committee, the proposal is sent to the Board of Directors for resolution. The remuneration consists of fixed salary and variable rewards. The fixed salary is the basic salary of employees, and the variable rewards are mainly linked to the Company's (or various business units') operational performance and strategic goal achieving status, and there are short-term and long-term incentives, deferred compensation, and peer company comparison mechanisms, to avoid risks caused by managerial officers' excessive pursuit of short-term benefits, to effectively guide long-term business performance, and to increase the Company's value. The main operating performance and strategic objectives covered include but are not limited to:

a. Revenue, gross profit, net income, free cash flow, return on invested capital, productivity, earnings per share (EPS), and return on shareholders' equity (ROE).

b. Achieving specific strategic goals for specific important technologies, products, clients, and markets within a specified period.

c. Other major strategic objectives related to the sustainable development of the Company.

The aforementioned performance evaluation and reasonableness of the remuneration to the General Manager, Vice General Managers, and managerial officers are all reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system is reviewed at any time according to the actual operating conditions and relevant laws and regulations.

## 4. Status of Corporate Governance

### (1) Operations of the Board of Directors

In 2022 (10 times) and 2023 (twice) as of the publication date of this Annual Report, the Company's Board of Directors held a total of 12 meetings; the attendance of the Directors and the Supervisors is as follows:

Title	Name	Number of Attendance Required in Person (A)	Actual attendance in Person (B)	By Proxy	Actual Attendance Rate (%) [B/A]	Remarks
Chairman	Liang, Li-Sheng	12	12	0	100	
Vice Chairman	Pan, Yung-Chung	12	12	0	100	
Director	Pan, Yung-Tai	12	12	0	100	
Director	Green Land Investment Limited Representative: Lee, Ji-Ren	12	12	0	100	
Independent Director	Cheng, Chih-Kai	12	12	0	100	
Independent Director	Wu, Chun-Pang	12	12	0	100	
Independent Director	Wang, Jia-Qi	12	12	0	100	
Independent Director	Shen, Ying-Chuan	12	12	0	100	
Independent Director	Duh, Jia-Bin	9	9	0	100	Resigned on Nov. 18, 2022 Attendance nine times is required.

Other matters:

- With regard to the operation of the Board of Directors, if any of the following circumstances occur, the date, term of the meetings, content of motions, all independent directors' opinions and the Company's handling of such opinions shall be specified:
  - Matters listed in Article 14-3 of the Securities and Exchange Act: As of the date of publication of the Annual Report, the resolutions of the Company's Board of Directors were approved by all the directors present.
  - In addition to the aforementioned matter, other resolutions at the Board meetings about which independent directors expressed objection or reservations, which are recorded on the record or in a written statement: None
- For avoidance of any resolution involving a director's conflicts of interest, the director's name, the content of the resolution, the reason for the avoidance of conflicts of interest, and participation in voting shall be specified: The Company's Directors attendance at meetings encountered no problem and participated in voting based on their powers and responsibilities; the following is the implementation of avoidance of proposals involving personal conflicts of interest:
  - On January 21, 2022, for the ninth proposal discussed by the Board of Directors on the amendment to the Company's "Health and Welfare Measures for Senior Executives," Director Pan, Yung-Tai and Director Pan, Yung-Chung avoided this proposal and did not participate in the voting, the remaining attending directors agreed to pass the case.; for the 10th proposal of the Company's second distribution of new restricted employee shares in 2021, Director Pan, Yung-Tai and Director Pan, Yung-Chung avoided this proposal and did not participate in the voting, the remaining attending directors agreed to pass the case.; for the 11th proposal to adjust the remuneration of the Company's senior managerial officers, Director Pan, Yung-Tai was a party involved in this proposal, and Director Pan, Yung-Chung avoided this proposal and did not participate in the discussion and voting, the remaining attending directors agreed to pass the case.; for the 12th proposal to distribute bonuses to the Company's senior managerial officers for 2021, Director Pan, Yung-Tai was a party involved in this proposal, and Director Pan, Yung-Chung avoided this proposal and did not participate in the discussion and voting, the remaining attending directors agreed to pass the case.; for the 13th proposal to distribute bonuses to the Company's Chairman for 2021, the Chairman was the main party discussed and thus recused himself from the discussion and voting to avoid the conflicts of interest, the remaining attending directors agreed to pass the case.
  - On February 25, 2022, for the 10th proposal discussed by the Board of Directors on 2022 bonus plan for senior executives and important leaders, Director Pan, Yung-Tai was a party involved in this proposal, and director Pan, Yung-Chung avoided this proposal and did not participate in the discussion and voting, the remaining attending directors agreed to pass the case.; for the 11th proposal for 2022 Chairman's performance standards and bonus plan, as the Chairman was the main party discussed, he did not participate in the discussion and voting to avoid conflicts of interest, the remaining attending directors agreed to pass the case.
  - On March 15, 2022, the board of directors discussed the third case, 2021 annual senior manager salary survey report and 2022 annual salary adjustment plan. Except for director Pan, Yung-Tai avoiding to vote for the case, the remaining attending directors agreed to pass the case. As for the fourth case, 2022 annual chairman's remuneration plan, the chairman of the board of directors is the party avoiding to vote for the case, the remaining attending directors agreed to pass the case.
  - On August 5, 2022, as for the ninth proposal discussed by the Board of Directors on the Company's first distribution of new restricted employee shares in 2022, Director Pan, Yung-Tai and Director Pan, Yung-Chung were the parties involved in this proposal and thus did not participate in the voting. The rest of directors present agreed to the proposal.
  - On January 17, 2023, the Board of Directors discussed the first case: the Company sponsored Cheng Zhi Education Foundation for the KIST school experiment project for the 2023-2028 school year in Taoyuan Elementary School in Taichung County. The director Lee, Ji-Ren was the related party in the case to avoid the case, and the remaining directors present agreed to pass the case. The fifth case was about the second allocation of new shares of the Company's restricted employee rights in 2022. Except that the director Pan, Yung-Tai being as a party to the case, Pan, Yung-Chung recused himself from the case, the rest attending directors agreed to pass the case. The sixth case was proposal to distribute bonuses to the Company's senior managerial officers for 2022, Director Pan, Yung-Tai was a party involved in this proposal, and Director Pan, Yung-Chung avoided this proposal and did not participate in the discussion and voting, the remaining attending directors agreed to pass the case. The seventh case was about the chairman of the Company being allocated bonus case in 2022, the chairman is the party avoiding to vote for the case, the other attending directors agreed to pass the case.
  - On February 24, 2023, for the 23rd proposal discussed by the Board of Directors on 2023 bonus plan for senior executives and important leaders, Director Pan, Yung-Tai was a party involved in this proposal, and director Pan, Yung-Chung avoided this proposal and did not participate in the discussion and voting, the remaining attending directors agreed to pass the case.; for the 24th proposal for 2023 Chairman's performance standards and bonus plan, as the Chairman was the main party discussed, he did not participate in the discussion and voting to avoid conflicts of interest, the remaining attending directors agreed to pass the case.
- Goals for strengthening the functions of the Board of Directors (such as establishing an Audit Committee and enhancing information transparency) in the current and the most recent fiscal year and assessing implementation thereof.
  - Goals for strengthening the functions of the Board of Directors
    - The Company has established a Remuneration Committee under the Board of Directors on January 12, 2011 upon approval of the Board of Directors and appointed members of the Remuneration Committee in accordance with Article 5 of the Company's Remuneration Committee Charter. On March 10, 2020, the amendments to the Remuneration Committee Charter were approved so as to strengthen the functions of the Board of Directors.
    - The Company has set up an Audit Committee on July 7, 2015 upon approval of the Board of Directors and appointed members of the Audit Committee in accordance with Article 4 of the Company's Audit Committee Charter. On March 10, 2020, the amendments to the Audit Committee Charter were approved so as to strengthen the functions of the Board of Directors.
    - The Company has established a Nomination Committee under the Board of Directors on March 7, 2017 upon approval of the Board of Directors and appointed members of the Nomination Committee in accordance with Article 4 of the Company's Nomination Committee Charter. On March 28, 2019 and November 6, 2020, the amendments to the Nomination Committee Charter were approved by the Board of Directors so as to strengthen the functions of the Board of Directors.
    - On March 28, 2019, a resolution of the Board of Directors was adopted to formulate the Company's Standard Operating Procedures for Handling Directors' Requests, to assist Directors in performing their duties and enhance the effectiveness of the Board of Directors.
    - Implementing corporate governance system and enhancing information transparency: The Board of Directors operate in accordance with the Rules of Procedure for Board of Directors Meetings. In order to improve the supervision function and strengthen the management function, the amendments to the Rules of Procedure for Board of Directors Meetings were approved by the Board of Directors on March 10, 2020 and Nov. 4, 2022, based on which the Company's Board of Directors is convened adequately.
    - The Company's Board of Directors resolved to pass the formulation of the Regulations on the Scope of Duties of Independent Directors on July 2, 2007. On November 14, 2017 and November 6, 2020, the amendments to the Regulations on the Scope of Duties of Independent Directors were approved, to enable the Company's independent directors to perform their functions for the Board of Directors and the Company's operations so as to strengthen the functions of the Board of Directors.
    - Directors' further training: The Company arranges further training sessions for Directors to obtain relevant information in order to maintain their core values and professional advantages and capabilities.
    - The Company's Board of Directors resolved to pass the formulation of the Corporate Governance Best Practice Principles on January 25, 2016 to protect the interests of shareholders and respect stakeholders. On May 7, 2020 and January 7, 2023, the amendments to the Corporate Governance Best Practice Principles were approved to strengthen the functions of the Board of Directors and enhance information transparency.
    - The Company established the Risk Management Committee and the "Risk Management Committee Charter" on November 4, 2021 upon approval of the Board of Directors, hoping to build an effective risk management mechanism, the Company revised "the Company's risk management policy and procedures" on November 4, 2022 for achieving business sustainability and strengthening the functions of the Board of Directors.
    - On March 24, 2016, the Board of Directors resolved to adopt the Company's "Code of Practice on Corporate Social Responsibility". On March 10, 2020 and November 4, 2021, the Board of Directors resolved to revise the "Code of Practice on Corporate Social Responsibility". On January 21, 2022, the Board of Directors resolved to change the above into the "Code of Practice on Sustainable Development" to actively practice sustainable development, in line with international development trends, and to enhance national economic contributions, improve the quality of life of employees, communities and society through corporate citizenship, and promote competitive advantages based on sustainable development.
    - On November 4, 2022, the Board of Directors of the Company resolved to determine that the Company's "Procedures for Preparation and Validation of Sustainability Reports" complied with the issued General Guidelines, Industrial Guidelines and Major Topic Guidelines for the preparation of the previous year's Sustainability Reports, disclosing the major economic, environmental and social topics and impacts identified by the Company, and disclosing the items and their reporting requirements. It is to strengthen the preparation and verification of sustainability reports.
    - On November 4, 2022, the Board of Directors of the Company resolved to establish an effective internal important information processing and disclosure mechanism by establishing the "Procedures for Internal Significant Information Processing and Prevention of Insider Trading Operations" to avoid improper leakage of information, ensure the consistency and correctness of the information exposed, and strengthen the prevention of insider trading to ensure its compliance.
  - Assessment of the implementation: The Company upholds the principle of operational transparency and posts important resolutions on the Market Observation Post System (MOPS) right after a Board meeting to protect shareholders' rights.

(2) Performance of Audit Committee:

The Audit Committee primarily assists the Board in carrying out its supervision responsibilities and the responsibilities under the Companies Act, the Securities and Exchange Act and other relevant laws. The audit committee of the Company is composed of all of the independent directors. The committee operates in accordance with the organizational rules applicable to the audit committee of the Company, and has an effective and close communication and contact with internal auditors and CPA of the Company.

- The key points that the Audit Committee reviews yearly.
  - Proper presentation of the Company's financial statements.
  - Appointment, resignation, independence, competence and performance of CPA.
  - Effective implementation of internal controls within the Company.
  - The laws and regulations the company shall comply with
  - Control of the Company's existing or potential risks.
  - Performance of the Company's internal audit department.
- The Company's Audit Committee consists of four members. This current term of office is from July 13, 2021 to July 12, 2024.
- There were six meetings of the Audit Committee in 2022 and one meetings held as of the issue date of this Annual Report in 2023; the Audit Committee of the Company held a total of 7 meetings. The attendance of independent directors is as follows:

Title	Name	Number of Attendance Required in Person (A)	Actual attendance in Person ( B )	By Proxy	Actual Attendance Rate (%) ( B / A )	Remarks
Independent Director	Cheng, Chih-Kai	7	7	0	100	
Independent Director	Wu, Chun-Pang	7	7	0	100	
Independent Director	Wang, Jia-Qi	7	7	0	100	
Independent Director	Shen, Ying-Chuan	7	7	0	100	
Independent Director	Duh, Jia-Bin	6	6	0	100	Resigned on Nov. 18, 2022 Attendance six times is required.

Other matters:

- If the Audit Committee has any of the following circumstances, the date, session, and proposal content of the meeting held by the Audit Committee, Independent Directors' objections or reservations or recommendations, resolutions of the Audit Committee, and the Company's response toward the Audit Committee's opinions shall be specified.
  - Matters listed according to in Article 14-5 of the Securities and Exchange Act: As of the publication date of this Annual Report, the resolutions of the Audit Committee of the Company were approved by all Audit Committee members present.

The following are the Committee's operation and implementation results:

Audit Committee Conference Date (By period)	Proposal	Audit Committee Resolutions	The Company's Response to the Audit Committee's Opinions
2022/1/21 (the 4rd meeting by the 3th committee)	1. Passed the proposal for the Company's investment in Storm Ventures Fund VII, LP. 2. Passed the proposal for a planned cash capital increase for the subsidiary Primax Electronics (Thailand) Co., Ltd. through the subsidiary Primax Electronics (Singapore) Pte. Ltd.	The Audit Committee members present unanimously agreed.	Approved by all Directors present
2022/2/25 (the 5th meeting by the 3rd committee)	1. Passed the proposal for the Company's Statement on Internal Control System for 2021. 2. Passed the proposal for the Company's 2021 Business Report and Financial Statements. 3. Passed the proposal to change the Company's CPAs to Wu, Mei-Pin and Horng, Shyh-Gang due to internal organizational adjustment. 4. Passed the proposal for the Company's 2021 earnings distribution. 5. Passed the amendment of the Company's Regulations Governing Acquisition or Disposal of Assets.	The Audit Committee members present unanimously agreed.	Approved by all Directors present
2022/4/12 (the 6th meeting by the 3th committee)	Passed the company's proposal about expenditure budget for the construction of the Taiwan Innovation Center.	The Audit Committee members present	Approved by all Directors present
2022/5/6 (the 7th meeting by the 3th committee)	Passed the proposal for the Company's consolidated financial report of the first quarter of 2022.	The Audit Committee members present unanimously agreed.	Approved by all Directors present
2022/8/4 (the 8th meeting by the 3th committee)	1. Passed the proposal for the Company's consolidated financial report of the second quarter of 2022. 2. Passed the proposal for extension of the Company's endorsement and guarantee for Primax Electronics (Singapore) Pte. Ltd.	The Audit Committee members present unanimously agreed.	Approved by all Directors present
2022/11/3 (the 9th meeting by the 3th committee)	1. Passed the proposal for Company's 2023 audit plan. 2. Passed the proposal for the Company's consolidated financial report for the third quarter of 2022. 3. Passed the proposal for Company's regular assessment of the independence of CPAs.	The Audit Committee members present unanimously agreed.	Approved by all Directors present

Audit Committee Conference Date (By period)	Proposal	Audit Committee Resolutions	The Company's Response to the Audit Committee's Opinions
2023/2/23 (The 10th meeting by the 3th committee)	<ol style="list-style-type: none"> <li>Passed the proposal for the revision of the Company's Internal Control System.</li> <li>Passed the proposal for the Company's Statement on Internal Control System for 2022.</li> <li>Passed the proposal for the Company's 2022 Business Report and Financial Statements.</li> <li>Passed the proposal to change the Company's CPAs to Horng, Shyh-Gang and Fu, Hung-Wen due to internal organizational adjustment.</li> <li>Passed the proposal for Company's regular assessment of the independence and competency of CPAs.</li> <li>Passed the proposal for the plan to establish general principles of the Company's pre-approval of the Uncertain Service Policy.</li> <li>Passed the proposal for the Company's 2022 earnings distribution.</li> <li>Passed the proposal for endorsement and guarantee of the 7 subsidiaries including Dongguan Primax Electronic &amp; Telecommunication Products Ltd.</li> <li>Approved the proposal for the subsidiary Primax Electronics (Thailand) Co., Ltd. acquires the land in Thailand.</li> </ol>		

(2) Except for the aforementioned matters, other resolutions which were not approved by the Audit Committee but approved by two-thirds of all Board of Directors members: None.

2. With regard to the recusal of Independent Directors from voting due to conflicts of interest, the name of the Independent Directors, the proposal content, reasons for recusal due to conflicts of interest, and voting outcomes shall be specified: None

3. The communication between Independent Directors and internal audit officer, and CPAs

(1) The Company's internal audit officer regularly reports at the meeting of the Audit Committee to the Independent Directors the auditing results and its follow-up. It is required that the auditing report for the meeting contain the risk level for identification and that a presentation on internal audit be given at the Audit Committee meeting based on the risk attributes of the operational cycle. The suggestions made by the Independent Directors have been implemented immediately, and the execution of the audit business and results have been fully communicated.

(2) The CPAs of the Company regularly reported to the Independent Directors the results of financial statement audits or reviews and other matters required by relevant laws and regulations. In 2022, the CPAs explained to the Independent Directors the significant accounting estimates and the key audit matters of the financial statements. The Company's Independent Directors and CPAs maintained good communication.

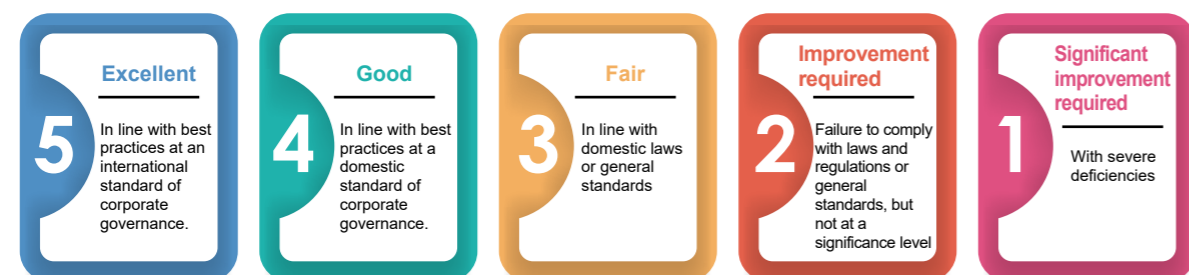
iv Evaluation of the performance of the Board of Directors

The Company has formulated the Board Performance Evaluation Regulations to conduct board performance evaluation in December each year, and external evaluation of board performance shall be performed at least every three years.

According to the aforementioned regulations, the measurement items of the performance evaluation shall cover at least the following aspects:

Scope	Board of Directors	Board Members	Functional Committees
Aspects the measurement items shall at least cover	Five major aspects: <ol style="list-style-type: none"> <li>Participation in the Company's operations;</li> <li>Improvement of the quality of the Board's decision-making;</li> <li>Composition and structure of the Board;</li> <li>Election and continuing education of the Directors;</li> <li>Internal control.</li> </ol>	Six major aspects: <ol style="list-style-type: none"> <li>Management of the goals and missions of the Company;</li> <li>Awareness of Directors' duties;</li> <li>Participation in the Company's operations;</li> <li>Management of internal relationship and communication;</li> <li>The Director's professionalism and continuing education;</li> <li>Internal control.</li> </ol>	Five major aspects: <ol style="list-style-type: none"> <li>Participation in the Company's operations;</li> <li>Awareness of functional committees' duties;</li> <li>Improvement of the decision-making quality of functional committees;</li> <li>The composition of the functional committees and the election of their members;</li> <li>Internal control.</li> </ol>

The evaluation results are divided into five levels, and the executive unit will also report the evaluation results to the Board of Directors for review and improvement.



In accordance with the aforementioned regulations, the Company's board evaluation scope covers the board as a whole, individual directors, and functional committees (the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee).

The performance evaluation methods include self-evaluation of the Board of Directors, self-evaluation of the Directors, appointment of external professional institutions or experts, or other appropriate methods.

Results of the comprehensive evaluation of the Board performance in 2022:

The internal evaluation of the Board performance in 2022 was carried out in accordance with the aforementioned regulations and completed by the end of 2022. Assessed by: Finance and Information Management Division. The evaluation was conducted through questionnaire. The results of the performance evaluation of the Board, Directors, the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Risk Management Committee were all between excellent and extremely excellent. The Directors obtained an average score of 4.98 points being between 4 points, excellent level (agree)–5 points extremely excellent level (strongly agree) for various indicators in the questionnaire, showing that the directors recognized the complete functions and smooth operations of the current system of the Company's Board of Directors in charge of various functional committees. The results of the internal performance evaluation for 2022 were reported to the Board of Directors on January 17, 2023.

Results of the comprehensive evaluation of the Board performance in 2021:

The internal evaluation of the Board performance in 2021 was carried out in accordance with the aforementioned regulations and completed by the end of 2021. The Finance and Administration Division is responsible for conducting the internal evaluation. The evaluation was conducted through questionnaire. The results of the performance evaluation of the Board, Directors, the Audit Committee, the Remuneration Committee, and the Nomination Committee were all between excellent and extremely excellent. The Directors obtained an average score of 4.97 points being between 4 points, excellent level (agree)–5 points extremely excellent level (strongly agree) for various indicators in the questionnaire, showing that the directors recognized the complete functions and smooth operations of the current system of the Company's Board of Directors in charge of various functional committees. The results of the internal performance evaluation for 2021 were reported to the Board of Directors on January 21, 2022.

Results of the comprehensive evaluation of the Board performance for 2020:

The internal evaluation of the Board performance for 2020 was carried out in accordance with the aforementioned regulations and completed by the end of 2020. The Finance and Administration Division is responsible for conducting the internal evaluation. The evaluation was conducted through questionnaire. The results of the performance evaluation of the board, Directors, the Audit Committee and the Remuneration Committee, were all between excellent and extremely excellent. The Directors obtained an average score of 4.96 points being between 4 points, excellent level (agree)–5 points extremely excellent level (strongly agree) for various indicators in the questionnaire, showing that the directors recognized the complete functions and smooth operations of the current system of the Company's Board of Directors in charge of various functional committees. The results of the internal performance evaluation for 2020 were reported to the Board of Directors on January 22, 2021.

The Company's most recent external evaluation was conducted by KPMG Advisory Services Co., Ltd. (KPMG) as the external unit of evaluating the Company's board performance for 2020. Because it is an external professional organization in line with Article 7 of the Sample Template of "Self-Evaluation or Peer Evaluation of the Board of Directors of XX Co., Ltd.", the services provided by KPMG included organizing relevant education and training courses for the board, improving corporate governance, risk management, internal control, and internal auditing, etc. Its evaluation team is of Independence and professionalism.

KPMG completed the evaluation in December 2020 in accordance with the best practice development tools for performance evaluation at home and abroad. The evaluation method combined data analysis, questionnaire, and interview.

The measurement items include the following aspects:

Scope	Board of Directors	Board Members	Audit Committee	Remuneration Committee
Measurement item	89 measurement items in nine dimensions	27 measurement items in six dimensions	85 measurement items in six dimensions	52 measurement items in five dimensions
Dimensions	<ol style="list-style-type: none"> <li>1. Establishment of a competent Board</li> <li>2. Effective operation of the Board of Directors</li> <li>3. Professional development and continuing education</li> <li>4. Foresight in corporate management.</li> <li>5. Execution of assigned duties.</li> <li>6. Administration of the management</li> <li>7. Creation of corporate culture</li> <li>8. Communication with stakeholders</li> <li>9. Performance Assessment</li> </ol>	<ol style="list-style-type: none"> <li>1. Alignment of the Company's goals and tasks</li> <li>2. Awareness of Director's duties.</li> <li>3. Professional development and continuing education</li> <li>4. Execution of assigned duties</li> <li>5. Participation in the Company's operations</li> <li>6. Management of internal relationships and communication</li> </ol>	<ol style="list-style-type: none"> <li>1. Establishment of a competent Audit Committee</li> <li>2. Effective operation of the Audit Committee</li> <li>3. Execution of assigned duties</li> <li>4. Establishment of complaint channels.</li> <li>5. Relationship with the Board of Directors</li> <li>6. Performance evaluation</li> </ol>	<ol style="list-style-type: none"> <li>1. Establishment of a competent Remuneration Committee</li> <li>2. Effective operation of the Remuneration Committee</li> <li>3. Execution of assigned duties</li> <li>4. Relationship with the Board of Directors</li> <li>5. Performance evaluation</li> </ol>

Results of the external comprehensive evaluation of the board performance in 2020:

Relevant policies and procedures have been formulated in accordance with relevant laws and regulations and domestic corporate governance indicators for the Board of Directors and individual Directors. The Board of Directors are composed of Directors with relevant expertise and capabilities, and appropriate duties were assigned based on their experience to effectively operate the Board and functional committees (the Audit Committee and the Remuneration Committee), and the overall evaluation results ranged from good to excellent.

The Company's 2020 Board of Directors' external performance evaluation suggestions for items to be optimized and improved in the future:

Scope	Board of Directors and Individual Directors	Audit Committee	Remuneration Committee
Suggestions	<ol style="list-style-type: none"> <li>1. The Company may refer to the best practices abroad and arrange the annual work focus in the agenda of the board meeting every year to keep abreast of and perform duties more effectively.</li> <li>2. The Company may refer to the corporate risk management works of the international standard US COSO Committee and the corporate governance 3.0 sustainable development blueprint—promotion of public companies to conduct optimization, for the corporate risk management mechanism.</li> </ol>	The Company may arrange the annual work focus every year to keep abreast of and perform duties more effectively, to enable the Company to ensure the performance of the duties of the Audit Committee more prudently.	The Company may set the annual work focus of the Remuneration Committee, review items and frequency regularly, and arrange the annual work highlights every year to keep abreast of and perform duties more effectively.
Improvement plan	<ol style="list-style-type: none"> <li>1. The Company has planned and arranged the annual work plan in the annual agenda to improve execution efficiency.</li> <li>2. The Company presented a corporate risk assessment report at a meeting of the Board of Directors in July 2020. In the future, the Company will integrate and manage all potential risks that may affect operations and profitability, such as various strategies, operations, finances, and harmful climate change in an active and cost-effective manner. The purpose is to conduct proper risk management for all stakeholders.</li> </ol>	The Company has planned and arranged the annual work plan in the annual agenda to improve execution efficiency.	The Company has planned and arranged the annual work plan in the annual agenda to improve execution efficiency.

The Company's Board Performance Evaluation Regulations have been disclosed on the MOPS and the Company's website.

(3) Implementation status of corporate governance and deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Evaluation Item	Implementation Status		Description	Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
1. Does the Company establish and disclose its Corporate Governance Best Practice Principles based on the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established the Corporate Governance Best Practice Principles and disclosed them on the official website and MOPS.	No significant difference.
2. Shareholding structure & shareholders' rights (1) Has the Company established internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigations, and does the Company implement these procedures accordingly? (2) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders? (3) Has the Company established, and does it execute, a risk management and firewall system between the Company and its affiliated companies? (4) Has the Company established internal rules against insiders using undisclosed information to trade securities with?	✓		<ol style="list-style-type: none"> <li>(1) The Company has engaged spokespersons and deputy spokespersons. There are share affairs and legal departments set up handling shareholders' suggestions or disputes.</li> <li>(2) The Company has entrusted a professional share affair agency to keep abreast of the shareholding status of directors, managers, and major shareholders.</li> <li>(3) The Company has established relevant guidelines in the internal control system, so as to set up an appropriate risk control mechanism and the firewall.</li> <li>(4) The Company has established management regulations for prevention of insider trading using undisclosed information to buy and sell securities.</li> </ol>	No significant difference.
3. Composition and responsibilities of the Board of Directors (1) Has the Board developed, and does it implement, a diversity policy and specific management goals? (2) In addition to the legally-required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees? (3) Has the Company formulated Board performance evaluation regulations and an evaluation method, and does it conduct performance evaluation annually and regularly, report the results of the performance evaluation to the Board of Directors, and use them as a reference for individual Directors' remuneration as well as nomination and renewal terms? (4) Does the board of directors of the company regularly (at least once a year) evaluate the independence and competency of the CPAs with reference to the Audit Quality Indicators (AQIs), and disclose the evaluation process in detail in the annual report?	✓		<ol style="list-style-type: none"> <li>(1) The Company has formulated the Corporate Governance Best Practice Principles and disclosed the complete information on the Company's website and MOPS. Of them, Article 20 stipulates that the policy of board member diversity shall include but not limited to the following two aspects:                             <ol style="list-style-type: none"> <li>i Basic conditions and values: gender, age, nationality and culture, etc</li> <li>ii Professional knowledge and expertise: Professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and experience in the industry.</li> </ol>                             In addition, to achieve the ideal goal of corporate governance, the entire Board of Directors shall possess the following abilities:                             <ol style="list-style-type: none"> <li>i Operational judgment capability</li> <li>ii Accounting and financial analysis capability.</li> <li>iii Business management capability.</li> <li>iv Crisis management capability.</li> <li>v Industry knowledge.</li> <li>vi An international market perspective.</li> <li>vii Leadership.</li> <li>viii Decision-making capability.</li> </ol>                             The Company attaches importance to the diversity of composition of directors and sets the specific stage targets for the diversity of the board: the ratio of female or foreign directors will reach more than 10% (achieved) before 2020, reaching more than 20% in the period of 2024-2027, and reaching more than 30% in 2030-2033.                             At the end of 2022, the Board of Directors of the Company had a total of 8 members, including four independent directors (accounting for 50%). One of the independent directors is given a term of less than three years, two a term of three to six years, and the rest one a term of six to nine years. There are seven male directors (accounting for 87.5%) and one female director (accounting for 12.5%). There are two directors aged 71 to 80 (accounting for 25%), five aged 61 to 70 (accounting for 62.5%), and one aged 51 to 60 (accounting for 12.5%), showing the gradual succession from one generation to another.                             In terms of the professional backgrounds of directors, eight of them have management backgrounds (accounting for 100%), and six have industry backgrounds (accounting for 75%), two have research and development backgrounds (accounting for 25%), four have marketing backgrounds (accounting for 50%), and three have financial backgrounds (accounting for 37.5%). As for their expertise and professional knowledge, eight have leadership and management skills (accounting for 100%), seven risk management (accounting for 87.5%), three information technology (accounting for 37.5%), five financial accounting (accounting for 62.5%), and one legal knowledge (accounting for 12.5%).                         </li> </ol>	No significant difference.



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Note: For the Company's Board diversity policy, please refer to Article 20 of the Company's Corporate Governance Best Practice Principles.

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The main functions of the Risk Management Committee are:</p> <p>(i) Review risk management policies.</p> <p>(ii) Review the appropriateness of the risk management framework.</p> <p>(iii) Review the early warning and response measures for key risk management issues and supervise the improvement.</p> <p>(iv) Periodically report the implementation of risk management to the Board.</p> <p>ii. The Risk Management Committee Charter and meeting attendance of the Company's Risk Management Committee, please refer to Primax Electronics Ltd. Risk Management Committee Charter and the MOPS. 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Independent Director	Cheng, Chih-Kai	4	0	4	100																																																																																																																					
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Director	Lee, Ji-Ren	4	0	4	100																																																																																																																					
Independent Director	Duh, Jia-Bin	3	0	3	100	Resigned on November 18, 2022																																																																																																																				
Independent Director	Wu, Chun-Pang	0	0	0	0	Newly elected on November 30, 2022																																																																																																																				
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			<table border="1"> <thead> <tr> <th>Scope</th> <th>Aspects the measurement items shall at least cover</th> </tr> </thead> <tbody> <tr> <td>Board of Directors</td> <td>1. Participation in the Company's operations; 2. Improvement of the quality of the Board's decision-making; 3. Composition and structure of the Board; 4. Election and continuing education of the Directors; 5. Internal control.</td> </tr> <tr> <td>Board Members</td> <td>1. Management of the goals and missions of the Company; 2. Awareness of Directors' duties; 3. Participation in the Company's operations; 4. Management of internal relationship and communication; 5. The Director's professionalism and continuing education; 6. Internal control.</td> </tr> <tr> <td>Functional Committees</td> <td>1. Participation in the Company's operations; 2. Awareness of functional committees' duties; 3. Improvement of the decision-making quality of functional committees; 4. The composition of the functional committees and the election of their members; 5. Internal control.</td> </tr> </tbody> </table>	Scope	Aspects the measurement items shall at least cover	Board of Directors	1. Participation in the Company's operations; 2. Improvement of the quality of the Board's decision-making; 3. Composition and structure of the Board; 4. Election and continuing education of the Directors; 5. Internal control.	Board Members	1. Management of the goals and missions of the Company; 2. Awareness of Directors' duties; 3. Participation in the Company's operations; 4. Management of internal relationship and communication; 5. The Director's professionalism and continuing education; 6. Internal control.	Functional Committees	1. Participation in the Company's operations; 2. Awareness of functional committees' duties; 3. Improvement of the decision-making quality of functional committees; 4. The composition of the functional committees and the election of their members; 5. Internal control.			
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			The evaluation results are divided into five levels, and the executive unit will also report the evaluation results to the Board of Directors for review and improvement.											
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			The scope of the evaluation includes the performance evaluation of the overall Board of Directors, individual Director, and the functional committee (Audit Committee, Remuneration Committee, Nomination Committee, and Risk Management Committee); The evaluation methods include internal evaluation by the Board of Directors, self-evaluation by individual directors, and performance evaluation conducted by external professional institutions, experts, or other appropriate methods.											
			Results of the comprehensive evaluation of the Board performance in 2022: The internal evaluation of the Board performance in 2022 was carried out in accordance with the aforementioned regulations and completed by the end of 2022. The Finance and Information Management Division is responsible for conducting the internal evaluation. The evaluation was conducted through questionnaire. The results of the performance evaluation of the Board, Directors, the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Risk Management Committee were all between excellent and extremely excellent. The Directors obtained an average score of 4.98 points being between 4 points, excellent (agree)–5 points extremely excellent level (strongly agree) for various indicators in the questionnaire, showing that the directors recognized the complete functions and smooth operations of the current system of the Company's Board of Directors in charge of various functional committees. The results of the internal performance evaluation for 2022 were reported to the Board of Directors on January 17, 2023.											

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			Results of the comprehensive evaluation of the Board performance for 2020: The internal evaluation of the Board performance for 2020 was carried out in accordance with the aforementioned regulations and completed by the end of 2020. The Finance and Administration Division is responsible for conducting the internal evaluation. The evaluation was conducted through questionnaire. The results of the performance evaluation of the board, Directors, the Audit Committee and the Remuneration Committee, were all between excellent and extremely excellent. The Directors obtained an average score of 4.96 points being between 4 points, excellent level (agree)–5 points extremely excellent level (strongly agree) for various indicators in the questionnaire, showing that the directors recognized the complete functions and smooth operations of the current system of the Company's Board of Directors in charge of various functional committees. The results of the internal performance evaluation for 2020 were reported to the Board of Directors on January 22, 2021.	
			The Company's most recent external evaluation was conducted by KPMG Advisory Services Co., Ltd. (KPMG) as the external unit of evaluating the Company's board performance for 2020. Because it is an external professional organization in line with Article 7 of the Sample Template of "Self-Evaluation or Peer Evaluation of the Board of Directors of XX Co., Ltd.", the services provided by KPMG included organizing relevant education and training courses for the board, improving corporate governance, risk management, internal control, and internal auditing, etc. Its evaluation team is of Independence and professionalism. KPMG completed the evaluation in December 2020 in accordance with the best practice development tools for performance evaluation at home and abroad. The evaluation method combined data analysis, questionnaire, and interview. The measurement items include the following aspects: The measurement items of the performance evaluation of the Company's Board of Directors include a total of 89 measurement topics in the following nine dimensions. The content of each dimension is as follows:	
			<ol style="list-style-type: none"> <li>i. Establishment of a competent Board.</li> <li>ii. Effective operation of the Board of Directors.</li> <li>iii. Professional development and continuing education.</li> <li>iv. Foresight in corporate management.</li> <li>v. Execution of assigned duties.</li> <li>vi. Administration of the management.</li> <li>vii. Creation of corporate culture.</li> <li>viii. Communication with stakeholders.</li> <li>ix. Performance evaluation</li> </ol>	

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Composition and responsibilities of the Board of Directors</p> <p>(1) Has the Board developed, and does it implement, a diversity policy and specific management goals?</p> <p>(2) In addition to the legally-required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?</p> <p>(3) Has the Company formulated Board performance evaluation regulations and an evaluation method, and does it conduct performance evaluation annually and regularly, report the results of the performance evaluation to the Board of Directors, and use them as a reference for individual Directors' remuneration as well as nomination and renewal terms?</p> <p>(4) Does the board of directors of the company regularly (at least once a year) evaluate the independence and competency of the CPAs with reference to the Audit Quality Indicators (AQIs), and disclose the evaluation process in detail in the annual report?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>The measurement items of the performance evaluation of individual Directors include a total of 27 measurement topics in the following six dimensions. The content of each dimension is as follows:</p> <ol style="list-style-type: none"> <li>Management of the goals and missions of the Company.</li> <li>Awareness of Director's duties.</li> <li>Professional development and continuing education.</li> <li>Execution of assigned duties.</li> <li>Participation in the Company's operations.</li> <li>Management of internal relationship and communication;</li> </ol> <p>The measurement items of the performance evaluation of the Audit Committee include a total of 85 measurement topics in the following six dimensions. The content of each dimension is as follows:</p> <ol style="list-style-type: none"> <li>Establishment of a competent Audit Committee.</li> <li>Effective operation of the Audit Committee.</li> <li>Execution of assigned duties.</li> <li>Establishment of complaint channels.</li> <li>Relationship with the Board of Directors.</li> <li>Performance evaluation.</li> </ol> <p>The measurement items of the performance evaluation of the Remuneration Committee include a total of 52 measurement topics in the five major dimensions. The content of each dimension is as follows:</p> <ol style="list-style-type: none"> <li>Establishment of a competent Remuneration Committee.</li> <li>Effective operation of the Remuneration Committee.</li> <li>Execution of assigned duties.</li> <li>Relationship with the Board of Directors.</li> <li>Performance evaluation</li> </ol> <p>Results of the external comprehensive evaluation of the board performance in 2020: Relevant policies and procedures have been formulated in accordance with relevant laws and regulations and domestic corporate governance indicators for the Board of Directors and individual Directors. The Board of Directors are composed of Directors with relevant expertise and capabilities, and appropriate duties were assigned based on their experience to effectively operate the Board and functional committees (the Audit Committee and the Remuneration Committee), and the overall evaluation results ranged from good to excellent.</p> <p>The Company's 2020 Board of Directors' external performance evaluation suggestions for items to be optimized and improved in the future:</p> <ol style="list-style-type: none"> <li>The suggestions for items that can be optimized for the Board of Directors and individual Directors are made as follows:                     <ol style="list-style-type: none"> <li>The Company may refer to the best practices abroad and arrange the annual work focus in the agenda of the board meeting every year to keep abreast of and perform duties more effectively.</li> <li>The Company may refer to the corporate risk management works of the international standard US COSO Committee and the corporate governance 3.0 sustainable development blueprint—promotion of public companies to conduct optimization, for the corporate risk management mechanism.</li> </ol>                     In response to the above-mentioned suggestions, the Company's subsequent improvement and implementation are as follows:                     <ol style="list-style-type: none"> <li>The Company has planned and arranged the annual work plan in the annual agenda to improve execution efficiency.</li> <li>The Company presented a corporate risk assessment report at a meeting of the Board of Directors in July 2020. In the future, the Company will integrate and manage all potential risks that may affect operations and profitability, such as various strategies, operations, finances, and harmful climate change in an active and cost-effective manner. The purpose is to conduct proper risk management for all stakeholders.</li> </ol> </li> <li>The suggestions for items that can be optimized for the Audit Committee are made as follows: The Company may arrange the annual work focus every year to keep abreast of and perform duties more effectively, to enable the Company to ensure the performance of the duties of the Audit Committee more prudently. In response to the above-mentioned suggestions, the Company's subsequent improvement and implementation are as follows: The Company has planned and arranged the annual work plan in the annual agenda to improve execution efficiency.</li> </ol>	No significant difference.

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<p>3. Composition and responsibilities of the Board of Directors</p> <p>(1) Has the Board developed, and does it implement, a diversity policy and specific management goals?</p> <p>(2) In addition to the legally-required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?</p> <p>(3) Has the Company formulated Board performance evaluation regulations and an evaluation method, and does it conduct performance evaluation annually and regularly, report the results of the performance evaluation to the Board of Directors, and use them as a reference for individual Directors' remuneration as well as nomination and renewal terms?</p> <p>(4) Does the board of directors of the company regularly (at least once a year) evaluate the independence and competency of the CPAs with reference to the Audit Quality Indicators (AQIs), and disclose the evaluation process in detail in the annual report?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>3. The suggestions for items that can be optimized for the Remuneration Committee are made as follows: The Company may set the annual work focus of the Remuneration Committee, review items and frequency regularly, and arrange the annual work highlights every year to keep abreast of and perform duties more effectively. In response to the above-mentioned suggestions, the Company's subsequent improvement and implementation are as follows: The Company has planned and arranged the annual work plan in the annual agenda to improve execution efficiency.</p> <p>The Company plans to have the next evaluation performed by an external agency in 2023.</p> <p>4. The company's audit committee conducts regular assesses the independence and competency of CPAs, and reports the evaluation results to the board of directors. The most recent evaluation was approved by the audit committee on February 23, 2023, and subsequently presented to and approved by the board of directors on February 24, 2023. The evaluation is as follows:</p> <ol style="list-style-type: none"> <li>Confirming that CPAs are not a related party with the company or its directors.</li> <li>Complying with the Corporate Governance Operation, we rotate CPAs in accordance with the regulations.</li> <li>In accordance with the Sarbanes-Oxley Act in the United States, accounting firms must obtain prior approval from the audit committee before being appointed for annual audits and other engagements.</li> <li>In accordance with legal regulations, the CPAs regularly reports to the audit committee on the compliance of their performance of review/audit procedures and independence.</li> <li>A declaration of independence issued by the CPAs obtained regularly.</li> <li>Obtaining information on the 13 Audit Quality Indicators (AQIs) provided by the accounting firm, and assessing the audit quality of the firm and audit team in accordance with the "Audit Quality Indicator (AQI) Interpretation Guidelines for Audit Committees" published by the regulatory authority. The evaluation results are as follows:                     <ol style="list-style-type: none"> <li>The independence of the CPAs with the company complies with relevant regulations such as the Accountant Act of the Republic of China, the Code of Ethics for Accountants, and the PCAOB.</li> <li>The company has not appointed the same accountant for consecutive five years for audit purposes.</li> <li>The professionalism and quality control are superior to the industry average (e.g. audit experience, training hours, professional support, audit engagement, etc.).</li> <li>Regarding the AQIs and other indicators with significant differences from the industry, the accounting firm has already provided explanations and improvement measures to the audit committee on February 23, 2023. The committee will continue to monitor the progress of improvement. The appointed accounting firm has no significant differences in AQIs compared to the industry.</li> </ol> </li> </ol>	No significant difference.



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4. Has the Company (list on a stock or OTC market) engaged an appropriate number of qualified corporate governance personnel, and designated the corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing directors and supervisors with necessary information to perform business, assisting directors and supervisors in complying with laws and regulations, handling matters related to the meetings of the Board of Directors and the shareholders' meeting according to laws, and taking the minutes of board and shareholders' meetings)?	✓		<p>The Company's ESG Office is the unit dedicated to corporate governance, and dedicated personnel are responsible for implementing and promoting corporate governance-related matters. On August 6th, 2020, the board of directors passed a resolution to appoint Senior Assistant Vice General Manager Su, Yu-Chen as the head of corporate governance, and reporting directly to the chairman. Su, Yu-Chen been a supervisor in charge of finance in public companies for more than three years, and he is qualified as required by laws. The powers and duties of the corporate governance officer are as follows:</p> <ol style="list-style-type: none"> <li>Report on the progress of corporate governance and the improvement plans to the Board of Directors regularly (at least once a year)</li> <li>Proceed with the affairs related to meetings of Board of Directors and shareholders' meetings in compliance with the laws</li> <li>Produce meeting minutes for the meetings of the Board of Directors and shareholders' meetings</li> <li>Assist in directors' and supervisors' compliance of laws</li> <li>Assist directors in taking office and continuing education</li> <li>Provide directors with information required for performing duties</li> <li>Report to the Board of Directors on his/her findings as to whether the Independent Directors' qualifications at the time of nomination, election and during the term of office are in accordance with the relevant laws and regulations.</li> <li>Handle the matters arising from changes in directors.</li> <li>Other matters stipulated in the Company's Articles of Association or contracts, such as the evaluation of corporate governance of the TWSE, the trend of better corporate governance practices, and the amendments to the domestic corporate governance laws and regulations.</li> </ol> <p>The matters that were carried out in 2022 are as follows:</p> <ol style="list-style-type: none"> <li>The annual board of directors and functional committees are scheduled to ensure compliance with relevant laws and regulations.</li> <li>Schedule regular meetings between independent directors, CPAs, and internal audit directors.</li> <li>Assisted in arranging suitable continuing education classes for directors, to ensure that all directors have completed the number of annual training hours.</li> <li>Registered the date of the shareholders' meeting for 2022 in accordance with the laws and prepared the relevant materials for the meeting and the annual report in both Chinese and English.</li> <li>Reported to the Board of Directors on the results of corporate governance implementation in the previous year, the current year's status, and the 2023 governance plan on May 6, 2022.</li> <li>Arranged and planed the external evaluation of the performance evaluation of the Board of Directors, individual Directors, and functional committees for 2022, and reported on said matters to the Board of Directors on January 17, 2023.</li> </ol> <p>Continuing Education for the officers: In accordance with related regulations, the Company's officers are required to complete 18 hours of continuing education within one year of appointment by the Board of Directors, with a minimum of 12 hours of continuing education per year. As of Dec. 31, 2022, Su, Yu-Chen, officer of the Company, has completed a total of 18 hours of continuing education courses. The content of courses is as follows:</p> <table border="1"> <thead> <tr> <th>Training date</th> <th>Organizer</th> <th>Class Title</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>2022/8/24</td> <td>Securities and Futures Institute</td> <td>Latest International Carbon Tariff Trends and Countermeasures</td> <td>3</td> </tr> <tr> <td>2022/8/31</td> <td>Accounting Research and Development Foundation</td> <td>Read the TCFD Report: Getting key information</td> <td>3</td> </tr> <tr> <td>2022/10/26</td> <td>Securities and Futures Institute</td> <td>2022 Seminar on Insider Trading Compliance</td> <td>3</td> </tr> <tr> <td>2022/11/13 2022/11/14</td> <td>Securities and Futures Institute</td> <td>2022 Cathay Pacific Sustainable Finance and Climate Change Summit</td> <td>9</td> </tr> <tr> <td colspan="3">Total</td> <td>18</td> </tr> </tbody> </table>	Training date	Organizer	Class Title	Hours	2022/8/24	Securities and Futures Institute	Latest International Carbon Tariff Trends and Countermeasures	3	2022/8/31	Accounting Research and Development Foundation	Read the TCFD Report: Getting key information	3	2022/10/26	Securities and Futures Institute	2022 Seminar on Insider Trading Compliance	3	2022/11/13 2022/11/14	Securities and Futures Institute	2022 Cathay Pacific Sustainable Finance and Climate Change Summit	9	Total			18	No significant difference.
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5. Has the Company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' area been established on the Company's website? Are major corporate social responsibility (CSR) topics about which the stakeholders are concerned addressed appropriately by the company?	✓		<p>The Company uses various tools and channels to reach out to all stakeholders and identifies seven key stakeholders in accordance with the AA1000 SES 2011 principles, including: Employees/Workers, Investors/Shareholders/Financial Institutions/External Appraisal institutions, Customers, Suppliers/Contractors/ Outsourcers, Local community, NPO/NGO/ Global Enabling Sustainability Initiative and Government/Competent authority in order to procure valuable feedback on critical sustainability issues and potential business opportunities. Every year, the Corporate Sustainability Office issues questionnaires on various topics of interest to stakeholders as a reference for the identification of significant topics, and in the year in which the questionnaires are released, the Board of Directors is informed of the status of stakeholder communication when being reported on the effectiveness of sustainability implementation.</p> <table border="1"> <thead> <tr> <th>Main issues of concern</th> <th>Communication methods and channels</th> <th>Frequency of communication</th> <th>Related records</th> </tr> </thead> <tbody> <tr> <td colspan="4">Stakeholders: Investors / Shareholders / Financial institutions</td> </tr> <tr> <td></td> <td colspan="3">Contact: Tseng, Ya-Lan, Acting Spokesperson (TEL: 02-2798-9008#1988)</td> </tr> <tr> <td></td> <td>Annual Shareholders' Meeting</td> <td>Annual</td> <td>Minutes of Shareholders' Meeting</td> </tr> <tr> <td></td> <td>Quarterly operating results presentation and teleconference</td> <td>Quarterly</td> <td>Financial information disclosure Observatory of corporate information</td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>Corporate Governance</li> <li>Privacy and Information Security</li> <li>Economic Performance</li> <li>Occupational safety and health</li> <li>Operate with integrity</li> <li>Climate Change Response</li> <li>Risk Management</li> </ul> </td> <td>Monthly revenue Announcement</td> <td>Monthly</td> <td>Public information observation exhibition and the Company's website release monthly revenue and press release.</td> </tr> <tr> <td></td> <td>Domestic interviews meeting</td> <td>Monthly</td> <td>E-mail, investor visit to the Company, and telephone interview with investor</td> </tr> <tr> <td></td> <td>Forum for Overseas Investors</td> <td>Annual</td> <td>Financial Information disclosure observatory of corporate information</td> </tr> <tr> <td colspan="4">Stakeholders: Employee / Workers</td> </tr> <tr> <td></td> <td colspan="3">Contact: Hsueh, Ya-Lin, Vice General Manager (TEL: 02-2798-9008#1011)</td> </tr> <tr> <td></td> <td>Labor Conferences</td> <td>Quarterly</td> <td>Minutes of the Labour Conferences</td> </tr> <tr> <td></td> <td>Employee Performance Interviews</td> <td>Annual</td> <td>Employee Performance Assessment Form</td> </tr> <tr> <td></td> <td>Business Division Communication Meeting</td> <td>Irregular</td> <td>Minutes of the Communication Meeting</td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>Economic Performance</li> <li>Occupational safety and health</li> <li>Labor Management</li> <li>Innovation, R&amp;D</li> <li>Privacy and Information Security</li> </ul> </td> <td>Trade Union/ Welfare Committee Meeting</td> <td>Quarterly</td> <td>Minutes of Welfare Committee Meeting</td> </tr> <tr> <td></td> <td>Opinion Survey</td> <td>Irregular</td> <td>No Employee Opinion Survey was held in 2022</td> </tr> <tr> <td></td> <td>Internal Publicity Channel</td> <td>Instantly</td> <td>Mail, electronic signage, elevator, Line official account, corporate WeChat</td> </tr> <tr> <td></td> <td>Appeal Consultation Channel</td> <td>Instantly</td> <td>CSR mailbox, employee care &amp; assistance hotline, whistleblowing mailbox, opinion mailbox</td> </tr> <tr> <td colspan="4">Stakeholders: External Appraisal institutions</td> </tr> <tr> <td></td> <td colspan="3">Contact: Chiang, Yan-Ying, Vice General Manager (TEL: 02-2798-9008#1924)</td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>Corporate Governance</li> <li>Occupational safety and health</li> <li>Climate Change Response</li> <li>Risk Management</li> <li>Labor Management</li> <li>Product quality and safety</li> </ul> </td> <td>ESG Performance Assessment</td> <td>Annual</td> <td>Assessment Reports</td> </tr> <tr> <td></td> <td>ESG related questionnaire responses</td> <td>Annual</td> <td>Review Report</td> </tr> <tr> <td></td> <td>Communication with assessment results and appeals</td> <td>Irregular</td> <td>Mail</td> </tr> </tbody> </table>	Main issues of concern	Communication methods and channels	Frequency of communication	Related records	Stakeholders: Investors / Shareholders / Financial institutions					Contact: Tseng, Ya-Lan, Acting Spokesperson (TEL: 02-2798-9008#1988)				Annual Shareholders' Meeting	Annual	Minutes of Shareholders' Meeting		Quarterly operating results presentation and teleconference	Quarterly	Financial information disclosure Observatory of corporate information	<ul style="list-style-type: none"> <li>Corporate Governance</li> <li>Privacy and Information Security</li> <li>Economic Performance</li> <li>Occupational safety and health</li> <li>Operate with integrity</li> <li>Climate Change Response</li> <li>Risk Management</li> </ul>	Monthly revenue Announcement	Monthly	Public information observation exhibition and the Company's website release monthly revenue and press release.		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6. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	✓		The Company commissioned the SinoPac Securities Stock Affairs Agency to handle relevant matters.	No significant difference.																																																																																								

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7. Information disclosure (1) Has the Company established a website to disclose information on financial operations and corporate governance? (2) Does the Company have other information disclosure channels (e.g., setting up an English website, appointing designated people to collect and disclose information, creating a spokesperson system, and webcasting investor conferences)? (3) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month in advance of the specified deadline?	✓		<p>(1) The Company has set up a website with a section dedicated to "investment," which contains complete information on financial business activities and corporate governance.</p> <p>(2) The Company has set up an official website in both Chinese and English languages and has appointed dedicated personnel to disclose material information on MOPS in both Chinese and in English simultaneously, including information on the financial business activities and corporate governance. The Company has also engaged spokespersons and acting spokespersons, who are responsible for communication with the outside on corporate information and holding investor conferences.</p> <p>(3) The Company announced the self-closing profit and loss information in advance within 45 days after the end of fiscal year 2022 and before the end of the following month after the end of each quarter, and published each quarterly financial report one to two days before the prescribed period. The annual financial report was announced in advance on February 24, 2023. And publish and report the financial reports for the first, second and third quarters as well as its operating status for each month in advance of the specified deadline.</p>	No significant difference.
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of client policies, and participation in liability insurance by directors and supervisors)?	✓		<p>1. The Company protects employees' basic rights and interests in accordance with the Labor Standards Act and has established the Employee Welfare Committee in accordance with the Enforcement Rules of the Employee Welfare Fund Act. The current benefit system covers regular health checkups, bonuses (coupons) for birthday and three major holidays, marriage and funeral subsidies, scholarships, domestic and overseas travel subsidies, emergency relief loans, year-end party and luck draw, and club activities.</p> <p>2. The Company attaches great importance to the harmony of labor-management relations. In order to protect employees' rights and benefits, employees can engage in two-way communication through departmental meetings, employee seminars, labor-management meetings, an employee suggestion box, and other channels to communicate the Company's various systems and work environment issues and to inspect and maintain the safety and health in the work environment regularly so as to ensure employees' safety and health while at work.</p> <p>3. The Company has established smooth and effective communication channels and designated specific points of contact for employees, non-profit organizations, shareholders, clients, business partners, and the government, to protect their rights and interests.</p> <p>4. The Company has established client service management procedures, client satisfaction surveys, and client complaints procedures, including identifying client complaints and determining the applicable responsibility for the complaints, while evaluating client satisfaction periodically, to ensure that the best service is provided to clients.</p> <p>5. The Company has established various internal regulations and internal control systems in accordance with the laws, and conducts various risk management and evaluations, while the internal audit unit engages in both periodical and occasional review of the implementation of internal control systems.</p> <p>6. For Directors' status of continuing education, please refer to "Directors' Continuing Education in 2022" in this Annual Report (page40).</p> <p>7. The Company has purchased liability insurance for Directors and Supervisors. The current policy is valid until December 31, 2022, and the amount insured is US\$20 million.</p> <p>8. The Company's Chairman and management succession plan has been approved by the Board of Directors in November 2018. The Human Resources Department is the dedicated unit responsible for the planning and execution of the plan, and shall report to the Board of Directors at least once a year. The most recent report on the implementation status to the Board of Directors was on November 4, 2022. In the Company's Chairman and management succession plan, the successors must have excellent work and strategic thinking abilities, whose values must be consistent with the those of the Company, including decency, honesty, humbleness, pragmatism, respect, promise keeping, and sharing. In 2019, the positions for successors in the first stage had been selected according to the needs in the organizational development, and candidates will be selected in three to five years. The succession training model will be based on "work rotation" and "project assignment" within the Group, to strengthen their strategic thinking and strategy formulation capabilities.</p>	No significant difference.
9. Describe improvements made according to the corporate governance assessment made in the latest fiscal year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and provide priority improvements and measures to be taken for improvements that have yet to be carried out. The Company's corporate governance evaluation results from 2016 to 2021, except for 2018, which is 6-20%, the remaining five sessions (2016, 2017, 2019, 2020, 2021) are all ranked 5% of the overall listed companies. The Company's corporate governance evaluation results in 2022 were not published as of the publication date (April 17, 2023) of Annual Report.			<p>The Company strove to improve the deficiencies identified in the corporate governance evaluation, and the main implementation results are as follows:</p> <p>(1) Diversified the composition and strengthened the structure and independence of the Board of Directors. At the 2019 general shareholders' meeting, a female Independent Director was elected in a by-election, and the number of independent directors has reached more than 50%.</p> <p>(2) Strengthened the disclosure of the operation of each functional committee (Audit Committee, Remuneration Committee, Nomination Committee, and Risk Management Committee).</p> <p>(3) The Board of Directors designated a full-time corporate governance officer in charge of matters related to corporate governance, and its operation and execution were fully disclosed.</p> <p>(4) Implemented and disclosed in detail the performance evaluation of the Board of Directors as planned, and the evaluation results were reasonably linked to the remuneration paid to Directors.</p> <p>(5) The sustainable report prepared in accordance with GRI Standards and will apply for SGS verification in accordance with AA1000 ASV3 Type II Medium Assurance level, and prepared the sustainable report in both Chinese and English versions.</p>	

Directors' Continuing Education in 2022:

Title	Name	Training date	Organizer	Class Title	Hours	Total Hours
Director	Liang, Li-Sheng	2022/5/12	TWSE, Alliance Advisors	International Dual-Summit Online Forum	2	7
		2022/7/13	TWSE, TPEx	Sustainability Development Roadmap Industry Theme Promotion Session	2	
		2022/10/19	Securities and Futures Institute	2022 Seminar on Insider Trading Compliance	3	
Director	Pan, Yung-Chung	2022/10/12	Securities and Futures Institute	2022 Seminar on Insider Trading Compliance	3	6
		2022/11/15	Taiwan Corporate Governance Association	Management Rights Competition and Prevention Strategy Analysis	3	
Director	Pan, Yung-Tai	2022/11/14	TWSE, Cathay Financial Holdings	2022 Cathay Pacific Sustainable Finance and Climate Change Summit	6	6
Director	Lee, Ji-Ren	2022/2/24	Taiwan Corporate Governance Association	The Latest Status and Trend of International and Domestic Taxes	3	12
		2022/5/5	Taiwan Corporate Governance Association	How can business leaders direct low-carbon ESG transformation initiatives?	1.5	
		2022/6/1	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3	
		2022/7/28	Taiwan Corporate Governance Association	Net-zero emissions, carbon neutrality and corporate compliance	3	
		2022/8/4	Taiwan Corporate Governance Association	Latest status of New Taxation and Securities Laws	1.5	
Independent Director	Cheng, Chih-Kai	2022/4/22	Taiwan Corporate Governance Association	Net-zero emissions, carbon neutrality and corporate compliance	3	6
		2022/11/10	Greater China Financial and Economic Development Association	An in-depth look at global tax reform (BEPS 2.0)	3	
Independent Director	Wu, Chun-Pang	2022/3/23	Taiwan Independent Director Association	Information security protection, strategy and crisis management from the perspective of the Metaverse boom	3	6
		2022/3/24	Taiwan Academy of Banking and Finance	Trends in Fintech and Information Security Risks	3	
Independent Director	Wang, Jia-Qi	2022/4/22	Taiwan Corporate Governance Association	Net-zero emissions, carbon neutrality and corporate compliance	3	6
		2022/4/26	Taiwan Corporate Governance Association	Labor Dispute Prevention and Corporate Governance	3	
Independent Director	Shen, Ying-Chuan	2022/7/19	Taiwan Corporate Governance Association	Net-Zero Carbon Management Trend and Its Countermeasures	3	6
		2022/9/6	Taiwan Corporate Governance Association	The Real Value of Circular and Low-Carbon Innovation – Understanding Circular Economy and Governance	3	

**(4) The composition, duties, and implementation status of the Company's Remuneration Committee and Nomination Committee, if applicable:**

In order to improve corporate governance and strengthen the functions of the Board of Directors, PRIMAX established the Remuneration Committee in 2011, with the aim of assisting the Board of Directors in assessing and approving the remuneration policies and systems for the Chairman and managerial officers. According to the Company's "Remuneration Committee Charter", the members of the Remuneration Committee shall be appointed by the resolution of the Board of Directors, and the number of members shall not be less than three, one of whom shall be the convener and at least one of whom shall be Independent Director. The Remuneration Committee is composed of three members, who are appointed by the Board of Directors. The Remuneration Committee shall meet at least twice a year, and there have been four meetings in 2022 and three in 2023 as of the publication date of the annual report held; thus, the Remuneration Committee held a total of seven meetings.

**i Information on the members of the Remuneration Committee**

April 17, 2023

Identity	Name	Qualification	Qualifications and Experience	Independence Status	Number of Other Public Companies Where the Individual Concurrently Serves as a Remuneration Committee Member
Independent Director (Convener)	Cheng, Chih-Kai		Industry, finance, and management	✓	None
Independent Director	Wu, Chun-Pang		Marketing, finance, and management	✓	None
Independent Director	Duh, Jia-Bin (Note 1)		Industry, R&D, marketing, and management	✓	None
Independent Director	Shen, Ying-Chuan		Industry, R&D, and management	✓	None

Note 1: Duh, Jia-Bin resigned on November 18, 2022

**ii Information on operations of the Remuneration Committee**

- (i) The 5th Remuneration Committee of the Company shall have four members at the beginning of its term, one of whom resigned on November 18, 2022, and the 5th committee shall have three members as of the publication of the annual report.
- (ii) Term of office of the fifth committee: From July 22, 2021 to July 12, 2024, it held 4 meetings in 2022, and 3 meetings in 2023 as of the date of publication of the annual report, the Remuneration Committee held a total of 7 meetings, the membership and attendance are as follows:

Title	Name	Number of Attendance Required in Person (A)	Actual Attendance in Person(B)	By Proxy	Actual Attendance Rate (%) ( B / A )	Remarks
Convener	Cheng, Chih-Kai	7	7	0	100%	Re-elected
Member	Wu, Chun-Pang	7	7	0	100%	Re-elected
Member	Duh, Jia-Bin	4	4	0	100%	Resigned on Nov. 18, 2022
Member	Shen, Ying-Chuan	7	7	0	100%	Re-elected

**Other matters:**

- If the Board of Directors does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and session of the Board meeting, proposals, resolutions from the Board of Directors, and handling of the Remuneration Committee's opinions (e.g., if the salary and remuneration approved by the Board of Directors are better than those proposed by the Remuneration Committee, please specify the differences and the reason): None.
- For the resolutions of the Remuneration Committee, if any member expresses objections or reservations, which are recorded on the record or in a written statement, the date, meeting session, content of the proposal, the opinions of all members, and the handling of the members' opinions shall be stated:
  - On January 21, 2022, the second meeting of the fifth committee was held to propose the "Senior Manager Remuneration Adjustment Plan", "Senior Manager Bonus Distribution Plan for 2021", "Chairman Bonus Plan for 2021", "Restricted Employee Rights New Shares Second Allotment Plan for 2021", amendment to the Company's "Senior Officer Health & Welfare Offering Act", "2021 Remuneration Committee Year-end Report", a total of five proposals and one report. The five proposals were passed unanimously by the Remuneration Committee resolution.
  - The third meeting of the fifth Remuneration Committee was held on February 25, 2022, and a total of five proposals, namely the "2022 bonus plan for senior officers and important supervisors," "Chairman's 2022 performance standards and bonus plan," "planned issuance of restricted employee shares," "2022 measures for issuance of restricted employee shares," and "2021 remuneration distribution to employees and directors," were all approved by the resolution of the Remuneration Committee members.
  - On March 15, 2022, the fourth meeting of the fifth committee was held to propose the "2021 annual senior managers' remuneration survey report and 2022 annual remuneration adjustment plan" and "2022 annual chairman's compensation plan". Both were passed by resolution of the remuneration committee.
  - On August 4, 2022, the fifth meeting of the fifth committee was convened and held to propose the "First Allotment Proposal of the Company's 2022 Annual Restricted Employee Rights New Shares", which was passed by resolution of the remuneration committee.
  - On January 16, 2023, the sixth meeting of the fifth committee was held to propose the "2022 Bonus Distribution for Senior Managers", "2022 Bonus for the Chairman", "2022 Second Allotment of New Employees Shares of Restricted rights", "2022 Remuneration Committee Year-end Report", a total of three proposals and one report. The three proposals were passed unanimously by the remuneration committee.
  - The seventh meeting of the fifth Remuneration Committee was held on February 23, 2023, and a total of five proposals, namely the "2023 bonus plan for senior officers and important supervisors," "Chairman's 2023 performance standards and bonus plan," "planned issuance of restricted employee shares," "2023 measures for issuance of restricted employee shares," and "2022 remuneration distribution to employees and directors," were unanimously approved by the resolution of the Remuneration Committee.
  - On March 21, 2023, the eighth meeting of the fifth committee was held to propose the "2022 annual senior managers' remuneration survey report and 2023 annual remuneration adjustment plan" and "2023 annual chairman's compensation plan". Both were passed by resolution of the remuneration committee.

**iii Information on the Members and Operations of the Nomination Committee**

In order to comply with the direction of corporate governance development and strengthen the function of the board of directors, the company formulated the "Organizational Regulations for Nomination Committee" in March 2017 and established a Nomination Committee to review the qualifications of company directors and senior managers, propose a list of suitable candidates to the board of directors, and periodically review the relevant qualifications and suitability of each director and senior manager and make recommendations to the board of directors. Qualifications: A total of five members, the four of whom are elected by the Chairman and the Board of Directors, including at least two Independent Directors.

(i) Information on Members and Operations of the Nomination Committee

- a. There are five members of the Nominating Committee of the Company, among whom Mr. Duh, Jia-Bin, an independent director, resigned on November 18, 2022, and newly elected by Mr. Wu, Chun-Pang on November 30, 2022.
- b. The 3rd term of office is from July 22, 2021 to July 12, 2024. Four meetings were held in 2022. The qualifications and experience of the members, their attendance and the matters discussed are as follows:

Title	Name	Qualifications and Experience	Number of Attendance Required in Person (A)	Actual Attendance in Person (B)	By Proxy	Actual Attendance Rate (%) (B/A)	Remarks
Chairman (Convener)	Liang, Li-Sheng	Industry, marketing, and management	4	4	0	100%	
Independent Director	Cheng, Chih-Kai	Industry, finance, and management	4	4	0	100%	
Vice Chairman	Pan, Yung-Chung	Industry, marketing, and management	4	4	0	100%	
Director	Lee, Ji-Ren	Industry, marketing, and management	4	4	0	100%	
Independent Director	Duh, Jia-Bin	Industry, R&D, marketing, and management	3	3	0	100%	Resigned on Nov. 18, 2022
Independent Director	Wu, Chun-Pang	Marketing, finance, and management	0	0	0	0	Newly elected on November 30, 2022

Other matters:

The date, session, and proposal content of the meeting held by the Nomination Committee, members' objections or reservations, resolutions of the Nomination Committee, and the Company's response toward the Nomination Committee's opinions shall be specified.

- (1) The 2nd meeting of the 3rd Nomination Committee was held on May 5, 2022, and the proposal for the "nomination of candidates for Chief Financial Officer of Tymphony Acoustic Technology (Huizhou) Co., Ltd." was resolved to be approved by all Nomination Committee members.
- (2) The 3rd meeting of the 3rd Nomination Committee was held on June 7, 2022, and the proposal for the "nomination of candidates for General Manager of Tymphony Acoustic Technology (Huizhou) Co., Ltd. and its Subsidiary" was resolved to be approved by all Nomination Committee members.
- (3) The 4th meeting of the 3rd Nomination Committee was held on July 13, 2022, and the proposal for the "reassignment of legal representative of the overseas subsidiary of Tymphony Worldwide Enterprises Ltd." was resolved to be approved by all Nomination Committee members.
- (4) The 5th meeting of the 3rd Nomination Committee was held on November 30, 2022, and the proposal for the "plan to set up the Chief Strategy Officer" and "proposed nominations for directors of major subsidiary TWEL" were resolved to be approved by all Nomination Committee members.

**(5) Implementation status of sustainable development and deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof**

Evaluation Item	Implementation		Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
1. Does the Company establish a sustainable development management framework and a dedicated (or part-time) unit for promoting sustainable development? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level and supervised by the Board of Directors?	✓		With the authorization of the Board of Directors, the Company established the ESG Office under the Chairman of Board. Under the ESG Office are corporate governance, green operations, and social care task forces that strive to address economic, environmental and social issues. Responsible for communicating with stakeholders, sorting material concerns of stakeholders, and, based on these concerns, presenting the corporate blueprint, including the set corporate sustainability policies, systems, strategies, and action plans to the Board of Directors for approval. ESG Office will report to the Board of directors every six months, and explain the communication with stakeholder, major events and disclosure topics, greenhouse gas inventory conclusions, annual implementation plans, and so on, before the publication of the Sustainability Report, to the Board of Directors for approval. At the end of the year, the plan implementation results, risk assessment results, and countermeasures will be reported, which shows the strong determination to implement sustainable development of the Company. In 2022, the Board of directors held 10 meetings in total. On June 7, 2022, the sustainable strategy blueprint of PRIMAX Group and the work plan and implementation progress of the year 2022 were reported to the Board of directors, and on November 4, 2022, the annual implementation results and performance were reported.	No significant difference.
2. Has the Company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established relevant risk management policies or strategies?	✓		With the authorization of the Board of Directors, the ESG Office is responsible for calling and assigning each function to set up a risk assessment team. The risk assessment team should hold a meeting at least once a year to identify operational risks of sustainability and climate risks and opportunities. The scope of risk identification and disclosure in the year 2022 covers major operating bases such as Primax Taipei Headquarters/Taipei R&D Design Center, Dongguan Primax Electronic & Telecommunication Products Ltd., Primax Electronics (ChongQing) Co., Ltd., and Primax Electronics. (KunShan) Co., Ltd. in mainland China, excluding subsidiaries Tymphony. The risk assessment team should assess risk sources, risk items, and risk indices, identify risks and opportunities that are material to business operations, and propose relevant countermeasures. The risk assessment team should submit an enterprise risk management report to the Risk Management Committee, whose convener shall then report to the Board of Directors at least once a year.	No significant difference.



Evaluation Item	Implementation		Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof		
	Yes	No				
2. Has the Company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established relevant risk management policies or strategies?	✓		Based on the risks after the annual appraisal of 2022, the relevant risk response measures are as follows:	No significant difference.		
			<b>Issues</b>		<b>Risk Themes</b>	<b>Response Measures of Risk</b>
			Environment		Demand for green products increased	Establish a complete green design system, strengthen the requirements related to product green design, establish internal capacity, cooperate with the commitment of SBTi Scope 3 reduction targets, and set up management schemes (including LCA analysis and various ECO design techniques) to reduce the impact of products on environment and climate change.
						In line with the commitment of SBTi Scope 3 reduction targets and deepen the capability of low-carbon product design to better meet the needs of clients and the world's green design.
						Cooperate with clients to plan innovative products, enhance the image and value of customers' products, so that they are willing to accept the necessary costs, reflected in the price.
			Introduction of low-carbon production technology		Continue to implement the energy management system, plan to more actively introduce the management of energy-saving measures, to reduce waste.	
					Actively replace inefficient energy facilities, manage and implement necessary replacement of air conditioning, air compressor, lighting and other major energy consuming equipments, to reduce greenhouse gas emissions.	
					In addition to energy saving measures on the operation side, various design techniques and planning measures are adopted to improve production efficiency, reduce production space and process complexity, and fundamentally improve resource efficiency.	
			Society		Mandatory Climate Information Disclosure and Reporting	Evaluate the feasibility of investment in solar energy, green energy and other equipments, and actively use more low-carbon energy to reduce carbon emission risk and corresponding cost, so as to reduce carbon emission risk and sensitivity to carbon emission price changes.
						Introduce various management systems, strengthen the management performance of ESG and reduce risks. Since 2021, the TCFD has been introduced to identify and expose the risk information related to climate change, and participate in CDP, DJSI, RE100, etc., to increase the presentation and communication of sustainable performance, further strive for favorable loan rates, increase revenue and goodwill.
Meet the ESG requirements of clients						
Sustainability assessment universalization						
Economy	The operational challenges of industrial transformation and upgrading in China	Implement Industry 4.0, reduce the initial level of manpower dependence, and improve manufacturing technology.				
		Implement the global manufacturing layout, accelerate the scale production of Thai factories, improve cost competitiveness, disperse regional risks and maintain production sustainability.				
		Actively implement green energy and carbon neutrality, in line with the environmental protection policies of mainland China.				
	Inflation	Continue to increase the proportion of new products, enhance added value, and increase the ability of active pricing.				
		Continue to improve the per capita productivity, strictly implement the quarterly manpower plan review, in response to the increase in human costs.				
		Strengthen asset turnover management and improve investment unit contribution to avoid idle and control investment.				
Global Layout	Share cost increases with upstream and downstream suppliers through price and cost negotiation.					
	Continue to increase the output value of manufacturing bases outside China to realize the strategy of regional production risk diversification; Strengthen local procurement and supply of raw materials to promote regional integration of supply chain; With the thinking of Industry 4.0, introduce the group's advanced manufacturing process to each production base, to achieve the quality and cost targets.					
Funds Management	Conduct advance deployment and management of capital turnover in supply chain, maintain stable working capital generation capacity, and prudently evaluate and track capital expenditure investment.					

Evaluation Item	Implementation		Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
3. Environmental Issues	✓		(1) Based on industrial characteristics and in response to the SDGs and climate actions, the Company has introduced the environmental management system (ISO14001), energy management system (ISO50001), water footprint management system (ISO14046), hazardous substance process management system (IECQ QC080000), and other management systems certified by third-party accreditation bodies to take proper control of the process and materials, so as to ensure that the products produced in line with the environmental protection requirements; meanwhile, there are dedicated units in place to maintain the environmental quality of the production plants in mainland China and to strengthen the implementation of energy-saving and carbon reduction measures.	No significant difference.
			(2) When providing products and services, the Company actively implements the concept of environmental protection in green design and green management. To minimize the environmental impacts during production, the raw materials used in the products meet international environmental standards and clients' requirements. The Company has also introduced the energy management system that tracks the water footprint and greenhouse gas regularly and carried out relevant improvement plans to use energy and resources more effectively. It is expected to build solar power generation facilities in the production base in 2022, and actively purchase green electricity. In 2022, an ecodesign management system will be built to implement the ecological design of products, to achieve the goals of energy saving, waste reduction, non-toxic and recycling.	
			(3) PRIMAX attaches great importance to climate change. The Company regards climate change as one of the major risks of business operations. In 2021, the Company started using the TCFD to identify operational risks and confirm the risk sources of climate change while evaluating and implementing corresponding risk mitigation or adaptation measures against these risks. In January 2022, our TCFD report was assured by SGS-Taiwan and obtained the assurance statement of "TCFD Performance Evaluation - Pioneer". For more information on the Company's TCFD, refer to the "2022 TCFD Report".	
			(4) The Company has formulated the "Declaration for Greenhouse Gas Inventory and Voluntary Reduction". We conduct greenhouse gas (GHG) inventory (ISO14064-1) and obtain third-party assurance on a regular basis in order to keep track of GHG emissions accurately. Based on the results of the inventory, the Company further carries out plans for voluntary greenhouse gas reduction using the science-based targets initiative (SBTi 1.5°C), expecting to reduce GHG emissions by 30% in 2025 compared with 2019. Meanwhile, the Company also conducts an inventory of water consumption and total weight of waste and obtains third-party certification on a regular basis. For detailed statistics, please refer to the "2022 Sustainability Report".	
Environmental Management Policy:				
A. Introduce various environmental management systems, establish the environmental safety management committee, and promote the implementation by the committee.				
B. With the standard beyond national regulations and the industry, further propose a climate change strategy declaration:				
Prevention:				
A. Continue to promote PRIMAX Group greenhouse gas emission inventory verification.				
B. Actively participate in government and external technical cooperation projects to further improve environmental management techniques.				
C. Study international and social trends in environmental legislation and a preliminary management plan has adopted.				
D. Reduction: Continue to promote energy conservation, carbon reduction, water saving and waste reduction measures of PRIMAX Group.				
E. Operation: Continue to promote green operation, green production and green supply.				
Objective:				
A. Energy and greenhouse gases: Continue to improve energy efficiency and reduce greenhouse gas (GHG) emissions.				
• The Group's carbon reduction target for the next stage with the SBTi 1.5°C approach: a 30% reduction in GHG emissions (CO <sub>2</sub> e) in scopes 1 and 2 of year 2025 compared to the base year, which is 2019.				
• Increase the proportion of renewable energy used: In 2030, renewable energy will account for 60% of total electricity consumption.				
• Achieve carbon neutrality: Use renewable energy by 100% and reach carbon neutrality targets of scopes 1 and 2 in 2040.				
• Achieve the goal of net zero emission in 2050.				



Evaluation Item	Implementation		Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																																	
	Yes	No																																			
<p>3. Environmental Issues</p> <p>(1) Has the Company established a suitable Environment Management System (EMS) in line with the nature of its industry?</p> <p>(2) Is the Company committed to improving energy efficiency and utilizing renewable resources with reduced environmental impact?</p> <p>(3) Has the Company assessed the potential risks and opportunities arising from climate change at present and in the future and taken relevant countermeasures?</p> <p>(4) Has the Company calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>B. Other environmental goals : long-term stable discharge and transfer that both meet the standards.</p> <ul style="list-style-type: none"> <li>Reduce waste production by 2% per year and general waste production by 2%.</li> <li>Reduce energy density use (including electricity) by 3% per year.</li> <li>Reduce water consumption by 2% per year.</li> <li>In 2030, reduce water intensity by 40% compared to the base year, which is 2020.</li> </ul> <p>The Company has been carrying out greenhouse gas inventory since 2013, covering a total of seven factories of the subsidiary. In 2022, it was incorporated into two factory areas and two strongholds and verified with a third-party verification statement. The scope of the inspection includes scopes one to three.</p> <p>Recent greenhouse gas Emissions in the last two years (Market Base) Unit: tons of CO<sub>2</sub>e</p> <table border="1"> <thead> <tr> <th></th> <th>Scope 1</th> <th>Scope 2</th> <th>Scope 3</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>4,900.119</td> <td>65,289.211</td> <td>480,858.935</td> </tr> <tr> <td>2022</td> <td>4,646.228</td> <td>37,789.468</td> <td>1,695,434.469</td> </tr> </tbody> </table> <p>The total of scope 1 and 2 in 2022 was 42,435.696 tons of CO<sub>2</sub>e, a decrease of 39.54% compared with 70,189.331 tons of CO<sub>2</sub>e in 2021 and a decrease of 53.79% compared with the base year of 2019. Scope 3 mainly focuses on the inventory of upstream transportation, downstream transportation, raw materials procurement, waste disposal and transportation, electricity fuel use upstream, investment, and product use, for major products.</p> <p>The renewable energy certificates bought in 2020 was 3,500,000kwh, while the renewable energy certificates bought in 2021 was 14,200,000kwh. The renewable energy certificates bought in 2022 was 32,610,000kwh. Renewable energy certificates use increased from 14.79% to 32.04%. In addition to purchasing renewable energy certificates, we also built our own solar power generation facilities and directly used renewable energy through the green power purchase agreement (PPA). In 2022, we used a total of 568,003.23kwh of solar power generation.</p> <p>The Company has been carrying out water footprint inventory since 2018. In 2022, covering a total of nine factories of the subsidiary and verified with a third-party verification statement.</p> <p>Water consumption in the last two years</p> <table border="1"> <thead> <tr> <th></th> <th>Total water consumption (m<sup>3</sup>)</th> <th>Water density (m<sup>3</sup>/million NT)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>916,321</td> <td>12.79</td> </tr> <tr> <td>2022</td> <td>871,672</td> <td>11.00</td> </tr> </tbody> </table> <p>The Company introduced the water recovery system in 2019, and promoted water conservation and replace water-saving equipment in factories. Compared with 2021, the water consumption in 2022 decreased by 4.87%, water density decreased by 13.99%.</p> <p>The Company actively incorporates waste management into the ISO 14001 environmental management system to meet regulatory requirements and achieve reduction targets.</p> <p>Waste generated in the last two years</p> <table border="1"> <thead> <tr> <th></th> <th>Industrial waste (tons)</th> <th>General waste (tons)</th> <th>Total waste (tons)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>167.419</td> <td>1,816.531</td> <td>1,983.950</td> </tr> <tr> <td>2022</td> <td>373.519</td> <td>2,293.203</td> <td>2,666.722</td> </tr> </tbody> </table> <p>The total waste in 2022 increased by 34.41% (about 682.772 metric tons) compared with 2021, mainly due to have been added to the statistical data: Tymphony Acoustic Technology Limited, Primax Electronics (Thailand) Co., Ltd., and Tymphony Acoustic Technology (Thailand) Co., Ltd.</p>		Scope 1	Scope 2	Scope 3	2021	4,900.119	65,289.211	480,858.935	2022	4,646.228	37,789.468	1,695,434.469		Total water consumption (m <sup>3</sup> )	Water density (m <sup>3</sup> /million NT)	2021	916,321	12.79	2022	871,672	11.00		Industrial waste (tons)	General waste (tons)	Total waste (tons)	2021	167.419	1,816.531	1,983.950	2022	373.519	2,293.203	2,666.722	<p>No significant difference.</p>
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<p>4. Social issues</p> <p>(1) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Has the Company established and offered proper employee benefits (including remuneration, leave, and other benefits) and reflected the business performance or results in employee remuneration appropriately?</p> <p>(3) Has the Company provided employees with a safe and healthy work environment as well as conducted regular classes on health and safety?</p> <p>(4) Has the Company established effective career and competence development and training plans?</p> <p>(5) Has the Company complied with relevant laws, regulations and international guidelines for client health and safety, client privacy, and marketing and labeling of its products and services and established relevant consumer or client protection policies and grievance procedures?</p> <p>(6) Has the Company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health, or labor rights and supervised the compliance?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The PRIMAX Group is people-oriented and formulates a human rights policy of non-discrimination, prohibition of child labor, elimination of forced labor, and respect for employees' freedom of association, referring to international norm such as Responsible Business Alliance (RBA) Code of Conduct, the Universal Declaration of Human Rights, and ILO Conventions. In order to create a fair, safe, and comfortable working environment, all the bases carry out regular human rights risk assessment, track and identify appropriate measures for risk projects, and completely eliminate the problem of underage workers and overtime work. In 2022, no incidents of discrimination, child labor and underage labor, forced or compulsory labor have occurred in the PRIMAX Group, and no related complaints or major incidents have been found. The Company's human rights management policy and concrete proposals are summarized below:</p> <table border="1"> <tbody> <tr> <td rowspan="2">Nondiscrimination</td> <td>A commitment to prohibit any form of discrimination. HR recruiters receive relevant training.</td> </tr> <tr> <td>In accordance with the relevant regulations of the Government, plan a workplace environment friendly to women, people with disabilities, and foreigners. Provide a guaranteed basic salary according to local government decrees.</td> </tr> <tr> <td rowspan="2">Prohibition of child labor</td> <td>Strictly abide by national laws and regulations, industry standards, client requirements and other relevant norms prohibiting the use of child labor. Incorporate relevant policies into new employee induction training and annual renewal training materials.</td> </tr> <tr> <td>All suppliers are required to develop and adopt a variety of measures to achieve the goal of prohibiting the use of child labor. No child labor was found in the online and offline evaluation of suppliers in 2022.</td> </tr> <tr> <td rowspan="2">No forced labor</td> <td>Slavery or trafficking in labor for the purpose of exploitation shall be prohibited. Employees can report cases of suspected forced labor practices or harassment anonymously without fear of reprisal.</td> </tr> <tr> <td>The annual training should promote the suppliers to implement the policy of no forced labor. No forced labor was found in the online and offline evaluation of suppliers in 2022.</td> </tr> <tr> <td rowspan="2">Respect employees' freedom of association</td> <td>Develop the Freedom of Association and collective bargaining management/labor council approach. There will be no attempt by any means to control the activities of trade unions, labor councils or other associations. Unblock communication and complaint channels for employees, and collect employees' opinions regularly and respond properly.</td> </tr> </tbody> </table> <p>(2) In addition to complying with local laws and regulations, the Company regularly reviews market standards, collects, and consults local remuneration survey reports, to plan and adjust its remuneration policies accordingly. In addition to general salary, performance bonuses are issued based on the Company's operating performance and individual performance, and no differences occur due to on gender, religion, race, and nationality. In addition, employee benefits are in line with or better than local laws and regulations. The projects are as follows. For details, refer to the "2022 Sustainability Report - Recruitment and Retention section":</p> <ol style="list-style-type: none"> <li>Retirement plan</li> <li>Group insurance covering employees' family members</li> <li>Happy and flexible holidays superior to local laws and regulations and PRIMAX Holidays</li> <li>Employees' relaxing places such as coffee shops, employee cafeteria, employee dormitory, medical center, and recreational building</li> <li>Various subsidies and gifts</li> <li>Employee physical and psychological care measures, including EAP and periodical health promotion activities</li> <li>Large gathering events, group travel, and recreational activities</li> <li>Various club activities</li> </ol>	Nondiscrimination	A commitment to prohibit any form of discrimination. HR recruiters receive relevant training.	In accordance with the relevant regulations of the Government, plan a workplace environment friendly to women, people with disabilities, and foreigners. Provide a guaranteed basic salary according to local government decrees.	Prohibition of child labor	Strictly abide by national laws and regulations, industry standards, client requirements and other relevant norms prohibiting the use of child labor. Incorporate relevant policies into new employee induction training and annual renewal training materials.	All suppliers are required to develop and adopt a variety of measures to achieve the goal of prohibiting the use of child labor. No child labor was found in the online and offline evaluation of suppliers in 2022.	No forced labor	Slavery or trafficking in labor for the purpose of exploitation shall be prohibited. Employees can report cases of suspected forced labor practices or harassment anonymously without fear of reprisal.	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In 2022, there are 25,847 people accept the training related to occupational safety in PRIMAX Group, with training expenses totaling NT\$924,963; A total of 23,639 people participated in the emergency operation exercise. In order to provide employees with a safe and healthy work environment, PRIMAX's relevant management measures are as follows:</p> <p>A. Regular educational training: the projects include first aid, mechanical safety, environmental safety risk identification, occupational health, emergency response, etc. At the same time, conduct health education lectures for health promotion section.</p> <p>B. Risk control: fire alarm, chemical leakage, and other operational drills.</p> <p>C. Health examination: In addition to regular general health examination, the mainland factories provide specific examination items for high-risk positions, such as serum ALT, hearing test, electrocardiogram, etc., especially for employees related to X-ray operation, and also increase the whole-body precision examinations such as skin, liver, kidney, and lymph.</p> <p>D. Medical aid: Medical clinics/centers are set up in the factories and office areas, and medical care personnel are stationed regularly. All departments are also equipped with medical kits to provide employees with emergency medical assistance, disease prevention and treatment, medical consultation and other services.</p> <p>E. The Company has obtained ISO45001 occupational safety and health management system certification, and regularly convenes the occupational safety committee, with the goal of zero occupational disease, zero major occupational disaster, and work-related injury event reduction, so that employees could work in a safe and healthy workplace.</p> <p>(4) The learning and development in the Company is around the core framework of job functions and is closely integrated with the Company's future development strategies and goals. The training system is divided into three major categories: professional function training, leadership training, and general function training. For more information, refer to the "2022 Sustainability Report - Talent Development and Training".</p> <p>(5) When the Company provides products and services, it incorporates the concept of environmental protection in green design and green management in order to comply with laws and clients' requirements while fulfill the responsibilities as a global citizen. In addition to complying with laws and regulations related to green products (such as RoHS, REACH, and ErP.) and clients' requirements, the Company has cultivated employees' ability to cope within the organization and with suppliers and offered relevant training while an information management system (PLM) is integrated to put into practice a green product policy. Customer satisfaction surveys are conducted every year, and customer feedback is implemented in the management process to reduce the occurrence of complaints. Internal procedures for protecting customer property and complaints are also formulated. Our protection of client privacy and confidential information is the key to maintaining a long-term relationship with our customers. The Group is committed to protecting the security of customer information to maintain the customers' rights and interests. At PRIMAX, information security is a top priority. We have introduced ISO 27001 Information Security Management System and obtained third-party assurance to ensure the confidentiality, integrity, and availability of the Company's information assets.</p> <p>(6) Before the Company officially includes a supplier, it will assess the supplier's environment, safety, and health management, including whether environmental monitoring is implemented and whether local labor regulations and RBA regulations are complied with, through rigorous assessment procedures (including review, contract review, two-way communication, and complaint filing mechanisms and channels). Meanwhile, each supplier shall receive an on-site assessment. The assessment includes the supplier's organizational structure of green product management, personnel education and training, production control, product design, incoming material inspection, and prevention of pollution arising from hazardous substances. In addition, we conduct the audit of labor rights and occupational safety and health for key suppliers in accordance with the RBA and require improvement to be made within a time limit, in hopes of achieving corporate sustainability in cooperation with our suppliers.</p> <p>The supplier management performance of the PRIMAX Group in 2022 is as follows:</p> <ol style="list-style-type: none"> <li>100% of new suppliers sign the Supplier Declaration.</li> <li>On-site audits for 44 major suppliers.</li> <li>A total of 204 suppliers participated in the annual supplier social responsibility training.</li> </ol>	<p>No significant difference.</p>

Evaluation Item	Implementation		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof	
	Yes	No		Description
<p>5. Does the Company refer to internationally accepted reporting standards or guidelines for the preparation of sustainable reports and other reports that disclose non-financial information about the Company? Has the Company received assurance or certification of the aforesaid reports from a third party accreditation institution?</p>	<p>✓</p>		<p>The Company's 2022 sustainable report prepared in accordance with GRI Standards and will apply for SGS verification in accordance with AA1000 ASV3 Type II Medium Assurance level.</p>	<p>No significant difference.</p>
<p>6. If the Company has established the sustainable development best practice principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe any discrepancy between the Principles and their implementation:</p> <p>The Company has formulated the "Sustainable Development Best Practice Principles of PRIMAX," which has been implemented in aspects of corporate governance, environmental protection, social wellbeing, and corporate sustainability in compliance with the Principles without material discrepancy. For corporate governance, please refer to the "Status of Corporate Governance" of this Annual Report. For details regarding environmental protection and social wellbeing, please refer to the "2022 Sustainability Report".</p>				



Evaluation Item	Implementation		Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		

7. Other important information that facilitates understanding of the status of sustainable development:  
 The honors and performances of the corporate governance, green operations, and social care task forces under the ESG Office in 2022 are as follows:

(1) Corporate governance:

- Prepared the Sustainability Report in both Chinese and English and obtained third-party verification.
- Had corporate governance evaluation results ranked among the top 5% for five years in a row
- Received the Corporate Citizenship Award from Commonwealth Magazine for three consecutive years
- Won the Top 50 Corporate Sustainability Awards and the Corporate Sustainability Report Awards - IT & IC Manufacturing (Platinum) for three consecutive years

(2) Green operations:

- Greenhouse gas emissions and emission intensity: Total greenhouse gas emissions of the PRIMAX Group in 2022 were 42,435.696 tons of CO<sub>2</sub>e/year, a decrease of 39.54% from 70,189.331 tons of CO<sub>2</sub>e/year in 2021. The emission intensity of greenhouse gases in 2022 was 0.5355 tons of CO<sub>2</sub>e/NT\$ million, which was 45.33% lower than the 0.9796 tons of CO<sub>2</sub>e/NT\$ million in 2021, mainly because of the significant effect of the Group's promotion of energy-saving activities. The greenhouse gas emissions above have been verified by SGS, a third-party verification agency.
- The total energy consumption of the PRIMAX Group in 2022 was 376,894,102,484 KJ, a 3.98% decrease from 362,471,261,017 KJ in 2021; the intensity of energy consumption in 2022 was 4.756 GJ/NT\$ million in revenue, a 5.98% decrease from 5.059 GJ /NT\$ million in revenue in 2021, mainly because of decreased revenue caused by the COVID-19 pandemic.
- The Company has begun to inspect greenhouse gas emissions from employees' flight trips since 2017. In 2022, an inventory was conducted of raw material transportation, distribution transportation, business travel (ISO 14064-1:2018 scope 3 for the above), raw material production, waste transportation and treatment (scope 4), product use stage, as well as lease/investment (scope 5) for specific products in accordance with ISO 14064-1:2018.
- The greenhouse gas emissions generated above the Scope 3~6 in 2022 were 1,695,434.469 tons of CO<sub>2</sub>e, which has been verified with a third-party verification statement.
- In 2022, Taipei Operation Headquarters/Taipei R&D Design Center, Dongguan Primax Electronic & Telecommunication Products Ltd., Primax Electronics (ChongQing) Co., Ltd., Primax Electronics (KunShan) Co., Ltd., Tymphany Acoustic Technology (Huizhou) Co., Ltd., Dongguan Tymphany Acoustic Technology Co., Ltd., Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd., Primax Electronics (Thailand) Co., Ltd. and Tymphany Acoustic Technology (Thailand) Co., Ltd. have certified by ISO 14046:2014.
- In 2022, Taipei Operation Headquarters/Taipei R&D Design Center, Tymphany Acoustic Technology Limited, Dongguan Primax Electronic & Telecommunication Products Ltd., Primax Electronics (ChongQing) Co., Ltd., Primax Electronics (KunShan) Co., Ltd., Tymphany Acoustic Technology (Huizhou) Co., Ltd., Dongguan Tymphany Acoustic Technology Co., Ltd., Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd. Primax Electronics (Thailand) Co., Ltd. and Tymphany Acoustic Technology (Thailand) Co., Ltd. have certified by ISO 14064-1:2018.
- In 2022, Taipei Operation Headquarters/Taipei R&D Design Center, Dongguan Primax Electronic & Telecommunication Products Ltd., Primax Electronics (ChongQing) Co., Ltd., Primax Electronics (KunShan) Co., Ltd., Tymphany Acoustic Technology (Huizhou) Co., Ltd., Dongguan Tymphany Acoustic Technology Co., Ltd., and Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd. have certified by ISO 50001:2018 Energy Management System.
- In 2022, Taipei Operation Headquarters/Taipei R&D Design Center, Dongguan Primax Electronic & Telecommunication Products Ltd., Primax Electronics (ChongQing) Co., Ltd., Primax Electronics (KunShan) Co., Ltd., Tymphany Acoustic Technology (Huizhou) Co., Ltd., Dongguan Tymphany Acoustic Technology Co., Ltd., Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd., Primax Electronics (Thailand) Co., Ltd. and Tymphany Acoustic Technology (Thailand) Co., Ltd. have certified by ISO 14001:2015 Environmental management system.
- In November 2018, the Company was awarded the Environmental Protection Agency's Low Carbon Product Award of Excellence, becoming the first electronics manufacturer (electronic products) to receive this award.
- Joined RE100 in 2022, promised to account for 60% of renewable energy in 2030 and use renewable energy by 100% in 2030.
- In 2022, Dongguan Primax Electronic & Telecommunication Products Ltd., Primax Electronics (ChongQing) Co., Ltd. made a 1.5°C reduction commitment in SBTi, and will propose a reduction plan within 2 years and pass the examination.
- In 2022, Dongguan Primax Electronic & Telecommunication Products Ltd., Primax Electronics (ChongQing) Co., Ltd. invested in the construction of solar power generation facilities with an annual power generation capacity of about 1.12 million kilowatt-hours.
- Green Procurement: In 2022, among information and communication products (such as computers, mobile phones, tablets, monitors, printers...), air conditioners, refrigeration and other equipment, give priority to purchasing products with environmental protection labels. The procurement ratio of products with environmental protection labels reached 87.24%.
- There are six categories of environmental expenses in 2022, including environmental equipment and engineering, management system, human resources, testing equipment, energy conservation investment, and information management system expenses. During the reporting period, the Group spent NT\$94,113,490 on environmental expenses, an increase of NT\$25,610,630 compared with NT\$68,502,860 in 2021.
- In the supplier social responsibility management, the Company conducted risk inventory of 249 key suppliers through online questionnaire in 2022, identified 54 suppliers with potential risks, and conducted on-site assessment through third-party notarial agencies to help improve their shortcomings. In addition, we conduct annual social responsibility training for key suppliers, of which 204 participated and completed the assessment, with a training participation rate of 81.93%.

(3) Social care:

- Won the "HR Asia Best Companies To Work For In Asia" for two consecutive years
- Awarded the Work-Life Balance Award by the Ministry of Labor
- Awarded the Taipei excellent enterprise for the mentally and physically disabled
- Awarded Sports Enterprise Certification by the Sports Department
- In 2022, a donation of NT\$2 million was made to the House of Dreams, Junyi Academy Foundation, the Cheng Zhi Education Foundation and Kids' Bookhouse. A total of NT\$8 million was donated to flip education through digital literacy, character, and leadership development.
- The internal fundraising platform for employees donated a small portion of their salaries to charities in an easy-to-use and efficient manner. NT\$359,000 was raised in total.
- In cooperation with Taitung Seed Family, we launched a fundraising project for Taoyuan Community Emergency Relief action. Within three hours, more than 85 employees responded, and a total of NT\$149,500 was raised and 299 care packages were donated.

(4) On June 7, 2022, the sustainable strategy blueprint of PRIMAX Group and the work plan and implementation progress of the year 2022 were reported to the Board of directors by ESG Office, and on November 4, 2022, the annual implementation results and performance were reported.

(6) Implementation status of ethical corporate management and deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof:

Evaluation Item	Implementation Status		Description	Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof
	Yes	No		
1. Establishment of ethical corporate management policies and programs				
(1) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?	✓		(1) The Company has formulated the ethical corporate management policy approved by the Board of Directors, and published its ethical corporate management policy and approaches in internal regulations and on the Company's website to the public. In addition, the Board of Directors and the senior management have actively implemented the commitments set out in the operating policies and signed a statement on ethical corporate management.	In compliance with the ethical corporate management principles without material differences.
(2) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activity within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		(2) The Company has incorporated ethical management operations in its internal control procedures, and the operation auditing unit will conduct regular risk assessments and report the audit results to the Board of Directors.	
(3) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	✓		(3) In order to prevent unethical conduct, the Company clearly stipulates the operating procedures, behavior guidelines, disciplinary actions for violations, and complaint reporting methods in the internal Code of Conduct, and the Human Resources Department reviews the internal regulations regularly.	
2. Fulfillment of ethical corporate management				
(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	✓		(1) In the Company's "Procedures for Ethical Management and Guidelines for Conduct," it has clearly defined the ethical corporate management evaluation procedure before a business relationship is established, regulated the avoidance of transactions with unethical business entities, and required inclusion of ethical corporate management in the contract terms at the time of signing contracts with others.	In compliance with the ethical corporate management principles without material differences.
(2) Has the Company set up a dedicated unit under the Board of Directors to implement ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct as well as the supervision of the execution process?	✓		(2) The Company designated the Human Resources Department as the dedicated unit to implement the Company's integrity management and to report the annual implementation status to the Board of Directors at least once a year. If any unethical conduct occurs, the dedicated unit will report the handling method and subsequent review and improvement measures to the Board of Directors.	
(3) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	✓		(3) A. The Company's "Rules of Procedure for Board of Directors Meetings" and "Procedures for Ethical Management and Guidelines for Conduct" have provisions for avoiding directors' conflicts of interest included, that is if the proposals by the Board of Directors are of interest to the directors themselves or the corporates they are representing, and are jeopardizing the Company's interests, those directors can make statements and provide answers but cannot participate in discussion and voting. They shall also avoid discussion and voting and cannot represent other directors to exercise their voting rights. B. When employees in the Company are performing business, if they encounter conflicts of interest, they shall report to their direct supervisors and the dedicated unit.	
(4) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	✓		(4) The Company has established an accounting system and internal control system in accordance with relevant laws and regulations. The Audit Office also inspects the compliance with the accounting system and internal control system and reports to the Board of Directors on a regular basis.	
(5) Does the Company regularly hold internal and external educational trainings on ethical corporate management?	✓		(5) The Company's implementation of ethical corporate management in 2022 is as follows: A. Held communication meetings to raise employees' and suppliers' awareness of the Company's honest and ethical conduct and whistle-blowing system. B. Used electronic billboards to play promotion videos on integrity, along with fun games, to convey the value of integrity in an easy-to-understand but deep manner. C. Established an independent whistle-blowing mailbox on the Company's website and intranet to enhance the effectiveness of the whistle-blowing system. D. Arranged a one-hour session of introduction and explanation of integrity and ethics in the orientation for new employees.	

Evaluation Item	Implementation Status			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof																																																					
	Yes	No	Description																																																						
<p>2. Fulfillment of ethical corporate management</p> <p>(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?</p> <p>(2) Has the Company set up a dedicated unit under the Board of Directors to implement ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct as well as the supervision of the execution process?</p> <p>(3) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?</p> <p>(4) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?</p> <p>(5) Does the Company regularly hold internal and external educational trainings on ethical corporate management?</p>	✓		<p>(5) The training results in 2022 are as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Class Title</th> <th>CN</th> <th>TP</th> <th>TH</th> <th colspan="2"></th> </tr> <tr> <th>Number of Trainees</th> <th>Number of Sessions</th> <th>Number of Trainees</th> <th>Number of Sessions</th> <th>Number of Sessions</th> </tr> </thead> <tbody> <tr> <td>1. Orientation training (ethical corporate management) / indirect personnel</td> <td>92</td> <td>13</td> <td>133</td> <td>7</td> <td>29</td> </tr> <tr> <td>Orientation training (ethical corporate management) / direct personnel</td> <td>12,097</td> <td>385</td> <td>-</td> <td>591</td> <td>57</td> </tr> <tr> <td>2. PRIMAX Group information security training</td> <td>1,985</td> <td>5</td> <td>509</td> <td>3</td> <td>0</td> </tr> <tr> <td>3. Trade secret training</td> <td>232</td> <td>1</td> <td>-</td> <td>25</td> <td>1</td> </tr> <tr> <td>4. Customs laws and regulations (Customs trade compliance)</td> <td>489</td> <td>2</td> <td>-</td> <td>0</td> <td>0</td> </tr> <tr> <td>5. Critical function training (C-TPAT)</td> <td>1,920</td> <td>65</td> <td>-</td> <td>83</td> <td>5</td> </tr> <tr> <td>Total</td> <td>16,815</td> <td>471</td> <td>642</td> <td>10</td> <td>92</td> </tr> </tbody> </table> <p>(6) The implementation of ethical corporate management in 2022 was reported to the Board of Directors on January 17, 2023.</p>	Class Title	CN	TP	TH			Number of Trainees	Number of Sessions	Number of Trainees	Number of Sessions	Number of Sessions	1. Orientation training (ethical corporate management) / indirect personnel	92	13	133	7	29	Orientation training (ethical corporate management) / direct personnel	12,097	385	-	591	57	2. PRIMAX Group information security training	1,985	5	509	3	0	3. Trade secret training	232	1	-	25	1	4. Customs laws and regulations (Customs trade compliance)	489	2	-	0	0	5. Critical function training (C-TPAT)	1,920	65	-	83	5	Total	16,815	471	642	10	92	In compliance with the ethical corporate management principles without material differences.
Class Title	CN	TP	TH																																																						
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1. Orientation training (ethical corporate management) / indirect personnel	92	13	133	7	29																																																				
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Total	16,815	471	642	10	92																																																				
<p>3. Status of enforcing whistle-blowing systems in the Company</p> <p>(1) Has the Company established both reward and whistle-blowing systems and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?</p> <p>(2) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and relevant confidentiality mechanisms?</p> <p>(3) Does the Company provide protection to whistleblowers against receiving improper treatment?</p>	✓		<p>(1) The Company has specified the norms of rewards and punishments, grievance system, and disciplinary actions in the "Procedures for Ethical Management and Guidelines for Conduct," and has incorporated the ethical corporate management into in the Code of Conduct and human resources policies.</p> <p>(2) The Company has set up an anonymous whistle-blowing system and established a dedicated unit in charge of handling business secrets as well as formulating and implementing procedures for the management, retention, and confidentiality of the secrets; meanwhile, it shall review the implementation results regularly to ensure the continued effectiveness of the operating procedures.</p> <p>(3) The Company has updated the relevant regulations in the "Procedures for Ethical Management and Guidelines for Conduct" to ensure that whistle-blowers will not be treated improperly because of whistle-blowing.</p>	In compliance with the ethical corporate management principles without material differences.																																																					
<p>4. Enhanced disclosure of corporate social responsibility information</p> <p>(1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?</p>	✓		<p>(1) Please visit the MOPS (<a href="https://mops.twse.com.tw/">https://mops.twse.com.tw/</a>) or the Company's website (<a href="https://www.primax.com.tw/">https://www.primax.com.tw/</a>) for the content of the Company's ethical corporate management best practice principles. For relevant information regarding implementation, please refer to the "2022 Sustainability Report".</p>	In compliance with the ethical corporate management principles without material differences.																																																					
<p>5. If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", please describe any discrepancies between the prescribed best practices and the actual activities taken by the Company: No significant difference.</p> <p>The Human Resources Department is the dedicated unit responsible for the implementation in this regard. It formulates relevant regulations, including the Ethical Corporate Management Best Practice Principles and the Code of Conduct, to clearly prohibit acceptance of any improper benefits. It also advocates the importance of integrity and the value of ethics through internal training and promotion activities while establishing a whistleblowing system, to ensure the effectiveness of implementation.</p>																																																									
<p>6. Other important information that facilitates the understanding of the implementation of ethical corporate management (such as review of and amendment to the company's Ethical Corporate Management Best Practice Principles):</p> <p>(1) The Company's suppliers and subcontractors are required to sign the "Supplier Declaration."</p> <p>(2) In the Company's "Procedures for Ethical Management and Guidelines for Conduct," it clearly stipulates that employees shall explain the Company's ethical management policies and relevant regulations to the trading partners during business transactions. They must also explicitly refuse any direct or indirect offers, promises, or requests of improper benefits in any form or on anyone's behalf. These include rebates, commissions or facilitation payments, or any other improper benefits provided or received through other means.</p> <p>(3) During the training of new recruits, the importance of promoting integrity and ethics is stressed and promoted.</p>																																																									

(8) Other important information that can promote the understanding of the company's corporate governance status shall be disclosed: None.

(9) The implementation of the internal control system shall disclose the following items.

i Statement on Internal Control

Primax Electronics Ltd.  
Statement on Internal Control System

Date: February 24, 2023

The Company hereby states the results of the self-evaluation of the internal control system for 2022 as follows:

- The Company acknowledges that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and managerial officers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance, and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- The internal control system has innate limitations. No matter how robust and effective the internal control system is, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the Company's internal control system has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- The Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. The internal control system used in the "treatment criteria" to judge the project is divided into five components according to the process of management control: 1. Control Environment, 2. Risk Assessment, 3. Control Operations, 4. Information and Communication, and 5. Supervise the operation. Each constituent element includes a certain number of items. For more information on such items, please refer to the Regulations.
- The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
- Based on the findings of such evaluation, the Company believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of its subsidiaries), to provide reasonable assurance over the operational effectiveness and efficiency, reliability, timeliness, and transparency of reporting, as well as compliance with applicable laws and regulations.
- This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the contents above will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- This statement had been approved by the Board of Directors on February 24, 2023. All eight attending Directors agree with the contents of this Statement in unanimity, and hereby this statement is made.

Primax Electronics Ltd.

Chairman:

General Manager:



Signature

Signature

ii If a CPA has been hired to carry out a special audit of the internal control system, please furnish the CPA audit report: None.

(7) Please disclose access to the Company's corporate governance principles and relevant rules and regulations:

Please visit the MOPS (<https://mops.twse.com.tw/>) or the Company's website (<https://www.primax.com.tw/>) for the Company's corporate governance best practice principles and relevant rules and regulations.

(10) Any legal penalty enacted upon the Company, any penalty imposed to its personnel by the Company for violation of internal control rules, during the most recent fiscal year or during the current fiscal year up to the publication date of this Annual Report, where the result of such penalty could have a material effect on shareholder equity or securities prices, and major deficiencies and status of improvements: None.

(11) For the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, major resolutions of the shareholders' meeting and Board meetings.

**i Major resolutions at the shareholders' meeting and the implementation**

Date	Important Proposal
2022.5.26	<ol style="list-style-type: none"> <li>Passed the proposal for the Company's 2021 Business Report and Financial Statements. Performance results: approved.</li> <li>Passed the proposal for the Company's 2021 earnings distribution. Performance results: The base date of distribution was set on June 29, 2022, and the date of distribution was on July 21, 2022, with the cash dividend per share of NT\$3.1, and all payments had been distributed.</li> <li>Passed the proposal for amendments to the Company's "Regulations Governing Acquisition or Disposal of Assets." Performance results: The amendments were announced on the Company's website and implemented accordingly.</li> <li>Passed the proposal for issuance of new restricted employee shares. Performance results: It was approved by the Financial Supervisory Commission on July 26, 2022 and the said shares were issued within one year after entered into force.</li> <li>Passed the proposal for lifting of non-compete clause for former Directors. Performance results: The non-compete clause for new Directors was lifted, which was announced in material information on May 26, 2022.</li> </ol>

**ii Major Resolutions of the Board Meetings**

Date	Important Proposal
2022.1.21	<ol style="list-style-type: none"> <li>Passed the proposal for a planned cash capital increase for the subsidiary Primax Electronics (Thailand) Co., Ltd. through the subsidiary Primax Electronics (Singapore) Pte. Ltd.</li> <li>Passed the proposal for the Company's investment in Storm Ventures Fund VII, L.P.</li> <li>Passed the proposal for the Company's 2022 business plan and budget plan.</li> <li>Passed the proposal for the Company's building renovation project.</li> <li>Passed the proposal for the second distribution of new restricted employee shares in 2021.</li> <li>Passed the proposal for the adjustment of senior managerial officers' salaries.</li> <li>Passed the proposal for the 2021 bonus distribution to the Company's senior managerial officers.</li> <li>Passed the proposal for 2021 bonus to the Chairman.</li> </ol>
2022.2.25	<ol style="list-style-type: none"> <li>Passed the proposal for the Company's 2021 Business Report and Financial Statements.</li> <li>Passed the proposal for the engagement of CPAs Wu, Mei-Pin and Horng, Shyh-Gang due to internal organizational adjustment.</li> <li>Passed the proposal for the Company's 2021 earnings distribution.</li> <li>Passed the proposal for amendments to the Company's "Regulations Governing Acquisition or Disposal of Assets."</li> <li>Passed the proposal for lifting of non-compete clause for former Directors.</li> <li>Passed the proposal for 2021 compensation distribution to employees and Directors.</li> <li>Passed the proposal for issuance of new restricted employee shares.</li> <li>Passed the proposal for 2022 measures for issuance of new restricted employee shares.</li> <li>Passed the proposal for the date, time, place, and main proposals of the Company's 2022 general shareholders' meeting.</li> <li>Passed the proposal for 2022 bonus plan for the senior managerial officers and important leaders.</li> <li>Passed the proposal for 2022 Chairman's performance standards and bonus plan.</li> </ol>
2022.3.15	<ol style="list-style-type: none"> <li>Passed the proposal for 2021 annual senior managerial officers' salary survey report and 2022 annual salary adjustment.</li> <li>Passed the proposal for the Chairman's 2022 remuneration plan.</li> </ol>
2022.4.12	<ol style="list-style-type: none"> <li>Passed the company's proposal about expenditure budget for the construction of the Taiwan Innovation Center.</li> </ol>
2022.5.6	<ol style="list-style-type: none"> <li>Passed the proposal for the Company's consolidated financial report of the first quarter of 2022.</li> </ol>
2022.6.7	<ol style="list-style-type: none"> <li>Passed the proposal for the determination of the ex-dividend base date and date of distribution of 2021 earnings and cash dividends.</li> </ol>
2022.7.13	<ol style="list-style-type: none"> <li>Passed the proposal for the nomination for change of directors of oversea subsidiary, Tymphany Worldwide Enterprises Ltd.</li> </ol>

Date	Important Proposal
2022.8.5	<ol style="list-style-type: none"> <li>Passed the proposal for the Company's consolidated financial statements for the second quarter of 2022.</li> <li>Passed the proposal for the Company's endorsement and guarantee for Primax Electronics (Singapore) Pte. Ltd.</li> <li>Passed the proposal for the first distribution of new restricted employee shares in 2022.</li> </ol>
2022.11.4	<ol style="list-style-type: none"> <li>Passed the proposal for the Company's consolidated financial statements for the third quarter of 2022.</li> <li>Passed the proposal for Company's 2022 audit plan.</li> <li>Passed the proposal for Company's regular assessment of the independence of CPAs.</li> <li>Passed the proposal for the amendments to the Company's "Rules of Procedure for Board of Directors Meetings".</li> <li>Passed the proposal for the establishment of the Company's "Procedures for Internal Significant Information Processing and Prevention of Insider Trading Operations".</li> <li>Passed the proposal for the establishment of the Company's "Procedures for Preparation and Validation of Sustainability Reports".</li> <li>Passed the proposal for the amendment of the "Enterprise Risk Management Policy and Procedures."</li> </ol>
2022.11.30	<ol style="list-style-type: none"> <li>Passed the proposal for "plan to set up the strategy of the Company" .</li> <li>Passed the selection of the third Nominating Committee.</li> </ol>
2023.1.17	<ol style="list-style-type: none"> <li>Passed the proposal for the Company sponsored Cheng Zhi Education Foundation for the KIST school experiment project for the 2023-2028 school year in Taoyuan Elementary School in Taitung County.</li> <li>Passed the proposal for the Company's 2023 business plan and budget plan.</li> <li>Passed the formulation of the Company's "Corporate Governance Best Practice Principles".</li> <li>Passed the proposal for 2022 second distribution of new restricted employee shares issued.</li> <li>Passed the proposal for the 2022 bonus distribution to the Company's senior managerial officers.</li> <li>Passed the proposal for 2022 bonus to the Chairman.</li> </ol>
2023.2.24	<ol style="list-style-type: none"> <li>Passed the proposal for the Company's 2022 Business Report and Financial Statements.</li> <li>Approved the proposal for the subsidiary Primax Electronics (Thailand) Co., Ltd. acquires the land in Thailand.</li> <li>Passed the proposal for the engagement of CPAs Horng, Shyh-Gang and Fu, Hung-Wen due to internal organizational adjustment.</li> <li>Passed the proposal for Company's regular assessment of the independence and competency of CPAs.</li> <li>Passed the proposal for the Company's 2022 earnings distribution.</li> <li>Passed the proposal for amendments to the Company's Articles of Association.</li> <li>Passed the company's by-election of directors .</li> <li>Passed the lifting of the restrictions on non-competition for the original and new directors.</li> <li>Passed the proposal for endorsement and guarantee of the 7 subsidiaries including Dongguan Primax Electronic &amp; Telecommunication Products Ltd.</li> <li>Passed the proposal for the Company's 2022 earnings distribution.</li> <li>Passed the proposal for issuance of new restricted employee shares.</li> <li>Passed the proposal for 2023 measures for issuance of new restricted employee shares.</li> <li>Passed the proposal for the date, time, place, and main proposals of the Company's 2023 general shareholders' meeting.</li> <li>Passed the proposed supplementary nomination of directors and independent directors of the company.</li> <li>Passed the proposal for 2023 bonus plan for the senior managerial officers and important leaders.</li> <li>Passed the proposal for 2023 Chairman's performance standards and bonus plan.</li> </ol>

(12) Major issues of record or written statements made by any director dissenting to important resolutions passed by the Board of Directors in the most recent year and as of the publication date of this Annual Report: None.

(13) A summary of resignations and dismissals of the Company's Chairman, General Manager, accounting officer, financial officer, chief internal auditor, corporate governance officer, and research and development officer during the most recent year and up to the publication date of this Annual Report: None.

## 5. Information on CPA Professional Fees

Unit: NT\$ 1,000

CPA Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee	Total	Remarks
KPMG Taiwan	Wu, Mei-Pin	2022	9,480		9,480	
	Horng, Shyh-Gang	2022				
KPMG Taiwan	Wu, Mei-Pin	2022		1,170	1,170	1. Assurance service for 2022 profit-seeking enterprise income tax returns filing: NT\$1,070 thousand 2. Business registration service: NT\$100 thousand

The Company must disclose the following situations should they have taken place:

- Where the CPA firm was replaced, and the audit fees in the fiscal year when the replacement was made were less than those in the previous fiscal year before the replacement, the amount of the audit fees paid before/after the replacement and reasons thereof shall be disclosed: None.
- Where the audit fees paid for the current year was more than 10% less than those paid in the previous year, the amount, proportion, and reasons thereof shall be disclosed: None.

## 6. Information on Replacement of CPA:

### (1) About the former CPA:

Replacement Date	Reason for replacement and explanation	Description of whether the CPA or the Company terminated or rejected the engagement	Opinion and reasons for issuing audit reports other than unqualified opinions within the last two years	Any disagreement with the issuer	Other disclosures (What shall be disclosed in Article 10, Paragraph 6, item 1-4 to item 1-7 of the Regulations)
2022.02.25	Internal organizational adjustment of KPMG Taiwan	None.	None.	None.	None.
2023.02.24	Internal organizational adjustment of KPMG Taiwan	None.	None.	None.	None.

### (2) About the Succeeding CPA

Firm Name	Name of CPA	Date of engagement	Accounting treatment or accounting principle for specific transactions as well as consultation items and results on audit assessment on the financial report prior to formal engagement	Written opinion of the succeeding CPA's disagreement with the former CPA
KPMG Taiwan	Wu, Mei-Pin ; Horng, Shyh-Gang	2022.02.25	None.	None.
KPMG Taiwan	Horng, Shyh-Gang ; Fu, Hung-Wen	2023.02.24	None.	None.

- Reply from the former CPA to Head 1 and Item 3 of Head 2 of Article 10, Paragraph 6 of the Regulations: None.

## 7. Where the Company's Chairman, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters Has, during the Past Year, Held a Position at the Accounting Firm of Its CPA or at an Affiliated Company of Such Accounting Firm, the Name and Position of the Person, and the Period during Which the Position Was Held, Shall Be Disclosed: None.

## 8. Conditions of Share Transfer and Changes in Equity Pledge from the Directors, Supervisors, Managers, and Shareholders Who Hold More than 10% of Shares, from the Past Year Up to the Date of Publication of This Annual Report

### (1) Conditions of share transfer and changes in equity pledge

Title	Name	2022		As of March 31, 2023	
		Shareholding Increase (Decrease)	Pledged Share Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Share Increase (Decrease)
Chairman and General Manager	Liang, Li-Sheng	120,000	0	0	0
Vice Chairman	Pan, Yung-Chung	120,000	0	0	0
Director and General Manager of Business Department	Pan, Yung-Tai	(134,000)	0	0	0
Director	Green Land Investment Limited	870,000	0	0	0
	Representative: Lee, Ji-Ren	0	0	0	0
Independent Director	Wang, Jia-Qi	0	0	0	0
Independent Director	Cheng, Chih-Kai	0	0	0	0
Independent Director	Wu, Chun-Pang	0	0	0	0
Independent Director	Shen, Ying-Chuan	0	0	0	0
Independent Director	Duh, Jia-Bin (Note 1)	0	0	0	0
Chief Strategy Officer	Duh, Jia-Bin (Note 1)	0	0	0	0
General Manager of Operations	Kuo, You-Min	(45,000)	0	0	0
General Manager of Finance and Information Department	Hsiao, Yin-Yi	183,000	0	24,000	0
General Manager of Business Department	Chou, Yen-Chou	124,000	0	0	0
Vice General Manager	Chiang, Yan-Ying	(29,000)	0	0	0
Vice General Manager	Chang, Ching-Kai	18,000	0	15,000	0
Vice General Manager	Chang, Yao-Han (Note 2)	0	0	-	-
Vice General Manager	Wei, Hao-San	41,000	0	15,000	0
Vice General Manager	Chang, Chen-Te	52,000	0	0	0
Vice General Manager	Hsu, Chia Chih (Note 3)	30,000	0	0	0
Vice General Manager	Chen, Ying-Shou (Note 4)	18,000	0	-	-
Vice General Manager	Zhuo, Yi-Li	89,500	0	12,000	0
Vice General Manager	Wang, Ching-Der	45,000	0	30,000	0
Vice General Manager	Hsueh, Ya-Lin	18,000	0	3,000	0
Vice General Manager	Hu, Ching-Yuan (Note 5)	48,000	0	0	0
Accounting Supervisor	Chang, Shu-Chuen	41,000	0	6,000	0
Head of Corporate Governance	Su, Yu-Chen	75,500	0	17,000	0

Note 1: Resigned as an Independent Director on November 18, 2022 and became Chief Strategy Officer on December 1, 2022.

Note 2: Resigned on May 31, 2022.

Note 3: Transferred back from the subsidiary on October 1, 2022.

Note 4: Resigned on June 3, 2022.

Note 5: Promoted on October 1, 2022.

(2) Shares are transferred to and from related parties: **None.**

(3) Shares are pledged with related parties: **None.**

### 9. Information on Top Ten Substantial Shareholders Who Are Related Parties, or Having Spousal Relationship, or Familial Relationship within the Second Degree of Kinship with Each Other

March 27, 2023 Unit:Shares

Name	Current Shareholding		Spouse/Minor Shareholding		Shareholding by Nominees		Name and Relationship between the Company's 10 Largest Shareholders, or Spouses or Relatives within the Second Degree of Kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Pool	12,231,000	2.66%	0	0	0	0	None.	None.	
LGT Bank (Singapore) Ltd.	9,936,000	2.16%	0	0	0	0	None	None	
FUBON LIFE INSURANCE CO.,LIMITED.-TWOTC-FFI	9,764,000	2.13%	0	0	0	0	None.	None.	
Pan, Yung-Chung	7,575,046	1.65%	0	0	0	0	None	None	
Yeh, Yu-Fen's trust property account under custody of Cathay United Bank	7,380,227	1.61%	0	0	0	0	None	None	
SAUDI CENTRAL BANK - BlackRock Financial Management Inc. as external fund manager	6,373,000	1.39%	0	0	0	0	None	None	
Norges Bank	5,825,000	1.27%	0	0	0	0	None	None	
HSBC GLOBAL INVESTMENT FUNDS - ASIA EX JAPAN EQUITY SMALLER COMPANIES	5,277,000	1.15%	0	0	0	0	None	None	
FARGLORY LIFE INSURANCE CO., LTD.	5,237,000	1.14%	0	0	0	0	None	None	
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for FranklinTempleton Investment Funds - Templeton Asian Smaller Companies Fund	4,974,000	1.08%	0	0	0	0	None	None	

### 10. Shares Held by the Company, Its Directors, Supervisors, Managers, and Businesses Either Directly or Indirectly Controlled by the Company as a Result of Investment, and the Ratio of Consolidated Shares Held

December 31, 2022 Unit: Thousand shares; %

Invested Company	Investment by PRIMAX		Investment by Directors/ Supervisors/ Managers and by Companies Directly or Indirectly Controlled by the Company		Total Investment	
	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage
Dongguan Primax Electronic & Telecommunication Products Ltd.	- (Note 1)	100.00	-	-	- (Note 1)	100.00
Primax Electronics (KunShan) Co., Ltd.	- (Note 1)	100.00	-	-	- (Note 1)	100.00
Primax Electronics (ChongQing) Co., Ltd.	- (Note 1)	100.00	-	-	- (Note 1)	100.00
Beijing Destiny Electronic Technology Co., Ltd.	- (Note 1)	100.00	-	-	- (Note 1)	100.00
Primax Destiny Co., Ltd	0.5	100.00	-	-	0.5	100.00
Polaris Electronics Inc.	1,600	100.00	-	-	1,600	100.00
Primax Industries (Hong Kong) Ltd.	602,817	100.00	-	-	602,817	100.00
Primax Technology (Cayman Holding) Ltd.	285,067	100.00	-	-	285,067	100.00
Primax Industries (Cayman Holding) Ltd.	8,147,636	100.00	-	-	8,147,636	100.00
Destiny Technology Holding Co., Ltd.	1,050	100.00	-	-	1,050	100.00
Diamond (Cayman) Holdings Ltd.	129,050	100.00	-	-	129,050	100.00
Gratus Technology Corp.	300	100.00	-	-	300	100.00
Tymphony Worldwide Enterprises Ltd.	192,251	100.00	-	-	192,251	100.00
TYP Enterprises, Inc. (Note 2)	0.39	77.01	-	-	0.39	77.01
Tymphony HK Ltd. (Note 2)	111,199	77.01	-	-	111,199	77.01
Tymphony Logistics, Inc. (Note 2)	154	77.01	-	-	154	77.01
Tymphony Acoustic Technology (Huizhou) Co., Ltd. (Note 2)	291,493	77.01	-	-	291,493	77.01
Dongguan Tymphony Acoustic Technology Co., Ltd. (Note 2)	- (Note 1)	77.01	-	-	- (Note 1)	77.01
Dongguan Dongcheng Tymphony Acoustic Technology Co., Ltd. (Note 2)	- (Note 1)	77.01	-	-	- (Note 1)	77.01
Tymphony Acoustic Technology HK Ltd. (Note 2)	321,971	77.01	-	-	321,971	77.01
Tymphony Acoustic Technology (UK) Limited (Note 2)	308	77.01	-	-	308	77.01
Tymphony Acoustic Technology Europe, s.r.o. (Note 2)	144,625	77.01	-	-	144,625	77.01
Tymphony Acoustic Technology Limited (Note 2)	3,851	77.01	-	-	3,851	77.01
Primax AE (Cayman) Holdings Ltd.	48,200	100.00	-	-	48,200	100.00
Tymphony Acoustic Technology (Thailand) Co., Ltd. (Note 2 and 3)	5,998	77.01	-	-	5,998	77.01
Primax Electronics (Singapore) Pte.Ltd.	40,100	100.00	-	-	40,100	100.00
Primax Electronics (Thailand) Co.,Ltd.	1,244	99.99	-	-	1,244	99.99

Note 1: This is a company with limited liability, so no shares are issued.

Note 2: Indirect holding of 77.01% of its shares through Tymphony Worldwide Enterprises Ltd.

Note 3: Investment in 99.99% of its shares through Tymphony Acoustic Technology HK Ltd.



# 4. Capital Overview

## 1. Sources of Capital

April 17, 2023 Unit: Shares

Share Type	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common shares	459,434,324	90,565,676	550,000,000	Listed

April 17, 2023 Unit: NT\$1,000; thousands shares

Year and month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital increase by assets other than cash	Others
2006.03	10	100	1,000	100	1,000	Capital	None	Note 1
2007.06	10	90,000	900,000	85,400	854,000	Capital increase of NT\$853,000 thousand in cash	None	Note 2
2007.09	10	400,000	4,000,000	321,500	3,215,000	Capital increase of NT\$2,361,000 thousand in cash	None	Note 3
2007.11	10	400,000	4,000,000	379,000	3,790,000	Capital increase of NT\$575,000 thousand in cash	None	Note 4
2009.11	10	500,000	5,000,000	379,935	3,799,349	Conversion of employee stock options for NT\$9,349,000	None	Note 5
2010.04	10	500,000	5,000,000	383,079	3,830,791	Conversion of employee stock options for NT\$31,442,000	None	Note 6

Year and month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital increase by assets other than cash	Others
2010.09	10	500,000	5,000,000	385,336	3,853,364	Conversion of employee stock options for NT\$22,573,000	None	Note 7
2011.01	10	500,000	5,000,000	386,397	3,863,965	Conversion of employee stock options for NT\$10,601,000	None	Note 8
2011.03	10	500,000	5,000,000	397,475	3,974,746	Conversion of employee stock options for NT\$110,781,000	None	Note 9
2011.12	10	500,000	5,000,000	398,439	3,984,399	Conversion of employee stock options for NT\$9,653,000	None	Note 10
2012.04	10	500,000	5,000,000	401,080	4,010,798	Conversion of employee stock options for NT\$26,399,000	None	Note 11
2012.05	10	500,000	5,000,000	401,458	4,014,582	Conversion of employee stock options for NT\$3,785,000	None	Note 12
2012.10	10	500,000	5,000,000	403,441	4,034,408	Conversion of employee stock options for NT\$19,826,000	None	Note 13
2012.10	10	500,000	5,000,000	426,970	4,269,698	Capital increase of NT\$235,290,000 in cash	None	Note 13
2013.03	10	500,000	5,000,000	428,966	4,289,658	Conversion of employee stock options for NT\$19,960,000	None	Note 14
2013.05	10	500,000	5,000,000	431,346	4,313,457	Conversion of employee stock options for NT\$23,799,000	None	Note 15
2013.10	10	500,000	5,000,000	432,796	4,327,957	Issuance of new restricted employee shares as stock dividends: NT\$14,500,000	None	Note 16
2013.12	10	500,000	5,000,000	433,573	4,335,733	1. Conversion of employee stock options for NT\$5,916,000 2. Issuance of new restricted employee shares as stock dividends: NT\$1,860,000	None	Note 17
2014.03	10	500,000	5,000,000	433,981	4,339,813	1. Conversion of employee stock options for NT\$2,730,000 2. Issuance of new restricted employee shares as stock dividends: NT\$1,350,000	None	Note 18
2014.06	10	500,000	5,000,000	433,831	4,338,313	1. Conversion of employee stock options for NT\$750,000 2. Cancellation of new restricted employee shares issued of NT\$2,250,000	None	Note 19
2014.08	10	500,000	5,000,000	434,051	4,340,513	Issuance of new restricted employee shares as stock dividends: NT\$2,200,000	None	Note 20
2014.12	10	500,000	5,000,000	434,658	4,346,578	1. Conversion of employee stock options for NT\$7,015,000 2. Cancellation of new restricted employee shares issued of NT\$950,000	None	Note 21
2015.03	10	500,000	5,000,000	438,649	4,386,487	1. Conversion of employee stock options for NT\$27,659,000 2. Issuance of new restricted employee shares as stock dividends: NT\$12,250,000	None	Note 22
2015.06	10	500,000	5,000,000	439,529	4,395,287	Conversion of employee stock options for NT\$8,800,000	None	Note 23
2015.09	10	500,000	5,000,000	441,214	4,412,137	1. Issuance of new restricted employee shares as stock dividends: NT\$17,750,000 2. Cancellation of new restricted employee shares issued of NT\$900,000	None	Note 24
2016.01	10	500,000	5,000,000	441,188	4,411,877	1. Conversion of employee stock options for NT\$1,640,000 2. Cancellation of new restricted employee shares issued of NT\$1,900,000	None	Note 25
2016.03	10	500,000	5,000,000	441,794	4,417,938	1. Conversion of employee stock options for NT\$7,061,000 2. Cancellation of new restricted employee shares issued of NT\$1,000,000	None	Note 26
2016.06	10	500,000	5,000,000	441,903	4,419,028	1. Conversion of employee stock options for NT\$2,390,000 2. Cancellation of new restricted employee shares issued of NT\$1,300,000	None	Note 27

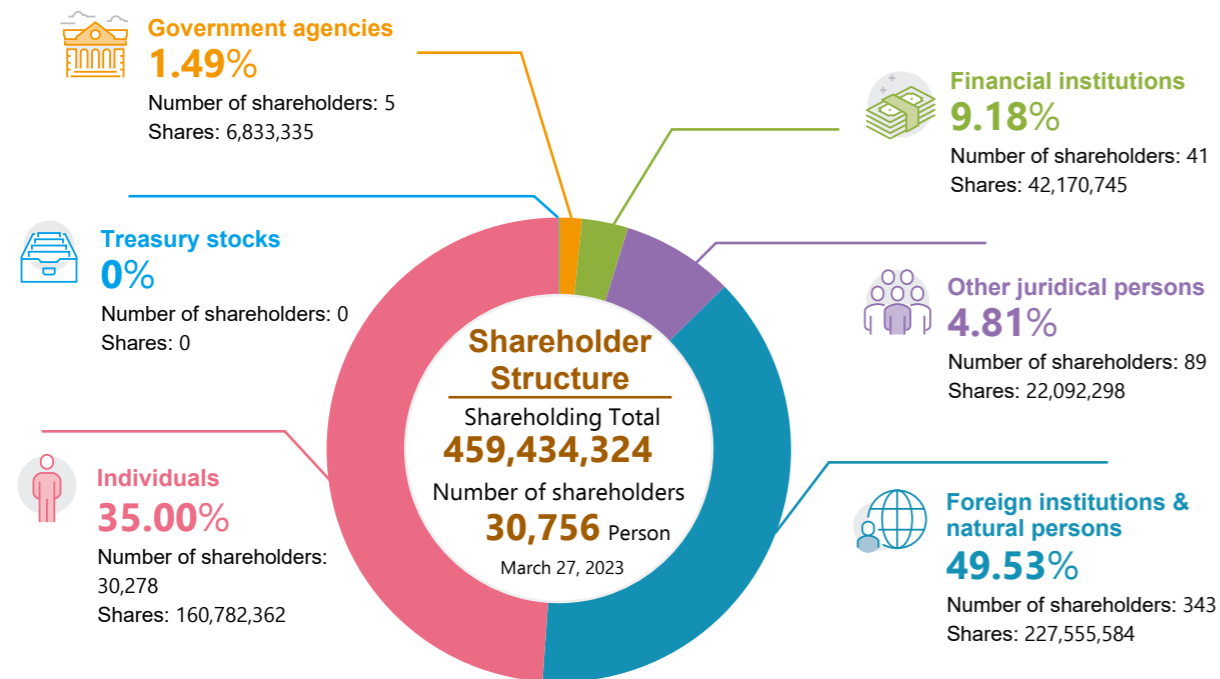


Year and month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital increase by assets other than cash	Others
2016.09	10	500,000	5,000,000	441,748	4,417,478	Cancellation of new restricted employee shares issued of NT\$1,550,000	None	Note 28
2016.12	10	500,000	5,000,000	442,134	4,421,343	Conversion of employee stock options for NT\$3,865,000	None	Note 29
2017.02	10	500,000	5,000,000	444,704	4,447,043	1. Conversion of employee stock options for NT\$1,200,000 2. Issuance of new restricted employee shares as stock dividends: NT\$24,500,000	None	Note 30
2017.03	10	500,000	5,000,000	444,754	4,447,543	Conversion of employee stock options for NT\$500,000	None	Note 31
2017.06	10	500,000	5,000,000	444,779	4,447,793	Conversion of employee stock options for NT\$250,000	None	Note 32
2017.08	10	500,000	5,000,000	444,697	4,446,973	Cancellation of new restricted employee shares issued of NT\$820,000	None	Note 33
2017.10	10	500,000	5,000,000	445,247	4,452,473	Issuance of new restricted employee shares as stock dividends: NT\$5,500,000	None	Note 34
2017.12	10	500,000	5,000,000	445,688	4,456,883	1. Conversion of employee stock options for NT\$4,530,000 2. Cancellation of new restricted employee shares issued of NT\$120,000	None	Note 35
2018.02	10	500,000	5,000,000	446,788	4,467,883	Issuance of new restricted employee shares as stock dividends: NT\$11,000,000	None	Note 36
2018.03	10	500,000	5,000,000	446,916	4,469,163	Conversion of employee stock options for NT\$1,280,000	None	Note 37
2018.05	10	500,000	5,000,000	446,815	4,468,153	Cancellation of new restricted employee shares issued of NT\$1,010,000	None	Note 38
2018.10	10	500,000	5,000,000	447,715	4,477,153	Issuance of new restricted employee shares as stock dividends: NT\$9,000,000	None	Note 39
2018.11	10	500,000	5,000,000	447,452	4,474,523	Cancellation of new restricted employee shares issued of NT\$2,630,000	None	Note 40
2019.02	10	500,000	5,000,000	446,875	4,468,753	Cancellation of new restricted employee shares issued of NT\$5,770,000	None	Note 41
2019.04	10	500,000	5,000,000	446,809	4,468,088	Cancellation of new restricted employee shares issued of NT\$665,000	None	Note 42
2019.09	10	550,000	5,500,000	446,761	4,467,608	Cancellation of new restricted employee shares issued of NT\$480,000	None	Note 43
2019.12	10	550,000	5,500,000	448,581	4,485,808	Issuance of new restricted employee shares as stock dividends: NT\$18,200,000	None	Note 44
2020.03	10	550,000	5,500,000	448,731	4,487,308	1. Issuance of new restricted employee shares as stock dividends: NT\$1,800,000 2. Cancellation of new restricted employee shares issued of NT\$300,000	None	Note 45
2020.06	10	550,000	5,500,000	448,698	4,486,983	Cancellation of new restricted employee shares issued of NT\$325,000	None	Note 46
2020.08	10	550,000	5,500,000	450,898	4,508,983	1. Issuance of new restricted employee shares as stock dividends: NT\$22,600,000 2. Cancellation of new restricted employee shares issued of NT\$600,000	None	Note 47
2021.02	10	550,000	5,500,000	451,624	4,516,243	1. Issuance of new restricted employee shares as stock dividends: NT\$7,400,000 2. Cancellation of new restricted employee shares issued of NT\$140,000	None	Note 48
2021.06	10	550,000	5,500,000	451,583	4,515,183	Cancellation of new restricted employee shares issued of NT\$1,060,000	None	Note 49
2021.10	10	550,000	5,500,000	455,318	4,553,183	Cancellation of new restricted employee shares issued of NT\$38,000,000	None	Note 50
2021.12	10	550,000	5,500,000	455,263	4,552,633	Cancellation of new restricted employee shares issued of NT\$550,000	None	Note 51
2022.03	10	550,000	5,500,000	455,463	4,554,633	Cancellation of new restricted employee shares issued of NT\$2,000,000	None	Note 52

Year and month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital increase by assets other than cash	Others
2022.04	10	550,000	5,500,000	455,235	4,552,353	Cancellation of new restricted employee shares issued of NT\$2,280,000	None	Note 53
2022.08	10	550,000	5,500,000	458,339	4,583,393	1. Cancellation of new restricted employee shares issued of NT\$2,510,000 2. Issuance of new restricted employee shares as stock dividends: NT\$33,550,000	None	Note 54
2022.11	10	550,000	5,500,000	458,289	4,582,893	Cancellation of new restricted employee shares issued of NT\$500,000	None	Note 55
2023.03	10	550,000	5,500,000	459,434	4,594,343	Cancellation of new restricted employee shares issued of NT\$11,450,000	None	Note 56

Notes 1: Letter Fu-Chien-Shang No. 09574650700 dated March 20, 2006.  
Notes 2: Letter Jing-Shou-Shang No. 09601140030 dated June 26, 2007.  
Notes 3: Letter Jing-Shou-Shang No. 09601235870 dated September 27, 2007.  
Notes 4: Letter Jing-Shou-Shang No. 09601273090 dated November 07, 2007.  
Notes 5: Letter Jing-Shou-Shang No. 09801254590 dated November 04, 2009.  
Notes 6: Letter Jing-Shou-Shang No. 09901076470 dated April 16, 2010.  
Notes 7: Letter Jing-Shou-Shang No. 09901206110 dated September 13, 2010.  
Notes 8: Letter Jing-Shou-Shang No. 10001005610 dated January 11, 2011.  
Notes 9: Letter Jing-Shou-Shang No. 10001060980 dated March 31, 2011.  
Notes 10: Letter Jing-Shou-Shang No. 10001275550 dated December 05, 2011.  
Notes 11: Letter Jing-Shou-Shang No. 10101059950 dated April 09, 2012.  
Notes 12: Letter Jing-Shou-Shang No. 10101091810 dated May 22, 2012.  
Notes 13: Letter Jing-Shou-Shang No. 10101211370 dated October 12, 2012.  
Notes 14: Letter Jing-Shou-Shang No. 10201041250 dated March 07, 2013.  
Notes 15: Letter Jing-Shou-Shang No. 10201096770 dated May 28, 2013.  
Notes 16: Letter Jing-Shou-Shang No. 10201214400 dated October 22, 2013.  
Notes 17: Letter Jing-Shou-Shang No. 10201247440 dated December 11, 2013.  
Notes 18: Letter Jing-Shou-Shang No. 10301032580 dated March 11, 2014.  
Notes 19: Letter Jing-Shou-Shang No. 10301102920 dated June 12, 2014.  
Notes 20: Letter Jing-Shou-Shang No. 10301160910 dated August 14, 2014.  
Notes 21: Letter Jing-Shou-Shang No. 10301251420 dated December 12, 2014.  
Notes 22: Letter Jing-Shou-Shang No. 10401045290 dated March 24, 2015.  
Notes 23: Letter Jing-Shou-Shang No. 10401110510 dated June 29, 2015.  
Notes 24: Letter Jing-Shou-Shang No. 10401190870 dated September 17, 2015.  
Notes 25: Letter Jing-Shou-Shang No. 10401282090 dated January 4, 2016.  
Notes 26: Letter Jing-Shou-Shang No. 10501040780 dated March 8, 2016.  
Notes 27: Letter Jing-Shou-Shang No. 10501121270 dated June 4, 2016.  
Notes 28: Letter Jing-Shou-Shang No. 10501222010 dated September 21, 2016.  
Notes 29: Letter Jing-Shou-Shang No. 10501279810 dated December 02, 2016.  
Notes 30: Letter Jing-Shou-Shang No. 10601026170 dated February 24, 2017.  
Notes 31: Letter Jing-Shou-Shang No. 10601038880 dated March 27, 2017.  
Notes 32: Letter Jing-Shou-Shang No. 10601071370 dated June 3, 2017.  
Notes 33: Letter Jing-Shou-Shang No. 10601125590 dated August 30, 2017.  
Notes 34: Letter Jing-Shou-Shang No. 10601143730 dated October 13, 2017.  
Notes 35: Letter Jing-Shou-Shang No. 10601167890 dated December 19, 2017.  
Notes 36: Letter Jing-Shou-Shang No. 10701019540 dated February 23, 2018.  
Notes 37: Letter Jing-Shou-Shang No. 10701024500 dated March 8, 2018.  
Notes 38: Letter Jing-Shou-Shang No. 10701048690 dated May 15, 2018.  
Notes 39: Letter Jing-Shou-Shang No. 10701124480 dated October 15, 2018.  
Notes 40: Letter Jing-Shou-Shang No. 10701140200 dated November 20, 2018.  
Notes 41: Letter Jing-Shou-Shang No. 10801021530 dated February 27, 2019.  
Notes 42: Letter Jing-Shou-Shang No. 10801043240 dated April 22, 2019.  
Notes 43: Letter Jing-Shou-Shang No. 10801126960 dated September 20, 2019.  
Notes 44: Letter Jing-Shou-Shang No. 10801179720 dated December 20, 2019.  
Notes 45: Letter Jing-Shou-Shang No. 10901035740 dated March 16, 2020.  
Notes 46: Letter Jing-Shou-Shang No. 10901085210 dated June 3, 2020.  
Notes 47: Letter Jing-Shou-Shang No. 10901154670 dated August 17, 2020.  
Notes 48: Letter Jing-Shou-Shang No. 11001025760 dated February 17, 2021.  
Notes 49: Letter Jing-Shou-Shang No. 11001098920 dated June 10, 2021.  
Notes 50: Letter Jing-Shou-Shang No. 11001200000 dated October 29, 2021.  
Notes 51: Letter Jing-Shou-Shang No. 11001221030 dated December 16, 2021.  
Notes 52: Letter Jing-Shou-Shang No. 11101027020 dated March 8, 2022.  
Notes 53: Letter Jing-Shou-Shang No. 11101051180 dated April 08, 2022.  
Notes 54: Letter Jing-Shou-Shang No. 11101164020 dated August 30, 2022.  
Notes 55: Letter Jing-Shou-Shang No. 11101219600 dated November 22, 2022.  
Notes 56: Letter Jing-Shou-Shang No. 11230026470 dated March 1, 2023.

## 2. Shareholder Structure



## 3. Dispersion of Equity Ownership

March 27, 2023 Unit: Person/Share

Shareholding range	Number of shareholders	Shares	Percentage (%)
1 to 999	2,856	498,560	0.11%
1,000 to 5,000	23,434	44,648,358	9.72%
5,001 to 10,000	2,380	19,513,831	4.25%
10,001 to 15,000	591	7,731,172	1.68%
15,001 to 20,000	425	8,033,581	1.75%
20,001 to 30,000	303	7,851,478	1.71%
30,001 to 40,000	142	5,158,001	1.12%
40,001 to 50,000	79	3,685,295	0.80%
50,001 to 100,000	195	14,530,875	3.16%
100,001 to 200,000	114	16,069,931	3.50%
200,001 to 400,000	67	19,728,525	4.29%
400,001 to 600,000	41	20,141,560	4.38%
600,001 to 800,000	24	16,954,316	3.69%
800,001 to 1,000,000	18	15,800,540	3.44%
1,000,001 or more	87	259,088,301	56.39%
<b>Total</b>	<b>30,756</b>	<b>459,434,324</b>	<b>100%</b>

## 4. List of Major Shareholders

March 27, 2023 Unit: Shares

Name of major shareholder	Shares	Percentage (%)
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Pool	12,231,000	2.66%
LGT Bank (Singapore) Ltd.	9,936,000	2.16%
FUBON LIFE INSURANCE CO., LIMITED.-TWOTC-FFI	9,764,000	2.13%
Pan, Yung-Chung	7,575,046	1.65%
Yeh, Yu-Fen's trust property account under custody of Cathay United Bank	7,380,227	1.61%
SAUDI CENTRAL BANK - BlackRock Financial Management Inc. as external fund manager	6,373,000	1.39%
Norges Bank	5,825,000	1.27%
HSBC GLOBAL INVESTMENT FUNDS - ASIA EX JAPAN EQUITY SMALLER COMPANIES	5,277,000	1.15%
FARGLORY LIFE INSURANCE CO., LTD.	5,237,000	1.14%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for FranklinTempleton Investment Funds - Templeton Asian Smaller Companies Fund	4,974,000	1.08%

## 5. Market Price, Net Value, Earnings Per Share, Dividends, and Relevant Information for the Most Recent Two Fiscal Years

Item	Year	2021	2022	Current year up to April 17, 2023 (Note 5)
		Market price per share	Highest: 67 Lowest: 47.4 Average (Note 1): 55.25	72.1 50 58.95
Net worth per share	Before distribution: 31.14 After distribution: 28.04	35.67 31.76 (Note 2)	- -	
Earnings per share	Weighted average shares: 447,640 Earnings per share: 5.13	449,522 6.1	- -	
Dividends per share	Cash dividend (Note 4): 3.1 Stock dividend: From retained earnings: 0, From capital surplus: 0 Cumulative unpaid dividends: 0	3.9 (Note 2) 0 0	- - -	
Analysis of return on investment (Note 3)	Price/Earnings ratio: 10.77 Price/Dividend ratio: 17.82 Cash dividend yield (%): 5.61%	9.66 15.12 (Note 2) 6.62% (Note 2)	- - -	

Notes 1: The average market price of each year is calculated based on the transaction value and volume of each year.

Notes 2: The proposed distribution of the Company's 2022 earnings has been approved by the Board of Directors on February 24, 2023 and has not yet been approved by the shareholders' meeting.

Notes 3: Price/Earnings ratio = Average per share closing price for the year/Earnings per share.

Price/Dividend ratio = Average closing price per share for the current fiscal year/Cash dividend per share

Cash dividend yield = Cash dividend per share/Average closing price per share for the current year

Notes 4: The Company's dividend payment rate for the earnings distribution in 2020 and 2021 was 70% and 60.43%, respectively, and the estimated dividend payment rate for the 2022's earnings distribution is 63.93%.

Notes 5: As of the date of publication of the annual report, there is no financial information for the first quarter of 2023 has been audited and certified by CPAs.

## 6. The Company's Dividend Policy and Implementation Status

### (1) The dividend policy stipulated in the Company's Articles of Association:

Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to cover accumulated losses and allocate 10% of the remaining net earnings as the Company's legal reserve unless and until the accumulated legal reserve reaches the Company's paid-in capital. In addition, after the appropriation or reversal of special reserve according to relevant laws and regulations, for the undistributed surplus at the beginning of the same period as the cumulative earnings distributable to shareholders, the Board of Directors shall put forward a surplus distribution proposal and submit it to the shareholders' meeting for resolution.

The Company's dividend policy is formulated by the Board of Directors based on its operating conditions, capital expenditure budget, future capital needs, and long-term financial planning while having the shareholders' interests and the balance of dividends considered. In the current stage of the dividend policy, in the absence of other special circumstances, the principle of not less than 50% of the current year's surplus after tax prevails. If the surplus is distributed as stock dividends or cash dividends, the distribution ratio of cash dividends shall not be less than 10% of the total dividends, but this distribution ratio of cash dividends may be adjusted according to the overall operating conditions of the year.

### (2) The proposed dividend distribution of the year:

The Company's 2022 earnings distribution plan has been passed by the board of directors on February 24, 2023. It is proposed to issue a cash dividend of NT \$1,791,793,864 (the dividend payment rate is about 63.93%) to shareholders. This case will be handled in accordance with the relevant provisions after the resolution of the shareholders' ordinary meeting on May 25, 2023.

### (3) Explanation of expected major changes in dividend policy: None.

## 7. Impact of Stock Dividends Issuance by the Resolution of the Shareholders on the Company's Business Performance and Earnings per Share: No stock dividend distribution is scheduled.

## 8. Remuneration to Employees, Directors, and Supervisors

### (1) The percentages or ranges with respect to remuneration to employees, directors, and supervisors, as set forth in the Company's Articles of Association:

If there is profit at the end of a fiscal year, the Company shall appropriate 2% to 10% of the profit for the remuneration to employees and no more than 2% for the remuneration to directors. However, if the company has accumulated losses, the amount shall be set aside to cover the deficit, and then distributed to employees and directors in accordance with the aforementioned percentage.

The employee remuneration in the preceding paragraph can be distributed in the form of shares or cash, and the recipients of the said remuneration shall include the Company's employees who meet specific criteria.

The term "profit for the current year" mentioned in Paragraph 2 refers to earnings of the pre-tax benefit of the current year deducting the remuneration to employees and directors.

The remuneration distributed to employee and directors shall be adopted by the Board of Directors via a resolution with more than two-thirds of the directors present and a majority of the directors' attendance while being reported to the shareholders' meeting.

### (2) The estimation of the amount of remuneration to employee, directors, and supervisors, respectively, is based on the calculation of the number of shares paid to employees as remuneration and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The remuneration distributed to employees and directors by the Company in accordance with the Company Act and the Company's Articles of Association is based on the initial estimation of amount of remuneration to employees and directors, during the preparation of mid-term and annual financial statements and listed under proper accounting accounts under the operating costs or operating expenses, based on the nature of the remuneration to employees and directors. If there is a discrepancy between the amount for distribution approved at the shareholders' meeting and the amount estimated in financial statements, it is considered as a change of estimate and is listed as profit or loss for the current period.

### (3) Information on remuneration distribution approved by the Board of Directors:

A. Remuneration to employees, directors, and supervisors is distributed by cash or stock. If there is any discrepancy between the amount and the estimated amount for the fiscal year when these expenses are recognized, the discrepancy, reason thereof, and the status of treatment shall be disclosed.

The Company, a resolution of the Board of Directors on February 24, 2023, approved the proposed distribution of employee cash remuneration and director remuneration of NT \$99,830,000 and NT \$49,915,000, respectively. The estimated amounts are NT \$99,830,000 and NT \$49,915,000 respectively, and there are no differences between the proposed amount and the amount in the accounts.

B. The amount of employee remuneration distributed by stock and the proportion to the total net income after-tax and total employee remuneration for the current period: This is not applicable as the Company has not proposed allocation of employee stock remuneration.

### (4) Actual distribution of remuneration paid to employees, directors, and supervisors (including the number, sum, and price of shares distributed), and where there is any discrepancy between the amount actually distributed and the one recognized, the sum, reason thereof, and treatment of the discrepancy shall be described:

The Company's employee remuneration and director remuneration for the year 2021 were NT \$85,798,000 and NT \$42,899,000, respectively, and the difference between the estimated amount of NT \$85,798,970 and NT \$42,899,485 were NT \$ -970 and -485, which were due to the estimated difference in accounting and were listed as profit or loss for the following year.

## 9. The Company's Buying Back of Shares: None.

## 10. The Handling Situation of Corporate Bonds, Preferred Stocks, and GDR: None.

## 11. Issuance of Employee Stock Options: None.

## 12. New Restricted Employee Shares

### (1) The new restricted employee shares that have not fully met the vesting conditions, and the impact on the shareholders' equity.

April 17, 2023

Type of new restricted employee shares	The first issue in 2020	The second issue in 2020	The first issue in 2021	The second issue in 2021	The first issue in 2022	The second issue in 2022
Date of effective registration	2020/7/20 3,000,000 shares	2020/7/20 3,000,000 shares	2021/8/11 4,000,000 shares	2021/8/11 4,000,000 shares	2022/7/26 4,500,000 shares	2022/7/26 4,500,000 shares
Date of issuance	2020/7/30	2021/1/25	2021/10/18	2022/2/9	2022/8/9	2023/2/8
Number of new restricted employee shares issued (shares)	2,260,000	740,000	3,800,000	200,000	3,355,000	1,145,000
Number of restricted employee shares available to issue (shares)	0	0	0	0	0	0
Issue price	0	0	0	0	0	0
Ratio of the number of new restricted employee shares issued to the total shares issued (%)	0.49	0.16	0.83	0.04	0.73	0.25
Vesting conditions for new restricted employee shares	It must meet the Company's operating results and personal performance as stipulated in the issuance rules.		It must meet the Company's operating results and personal performance as stipulated in the issuance rules.		It must meet the Company's operating results and personal performance as stipulated in the issuance rules.	
Restricted rights for new restricted employee shares	1. Employees granted new restricted employee shares, before fulfilling the vesting conditions, shall not sell, pledge, transfer, or donate them to others or perform any other means of disposal. 2. Employees shall attend, propose, speak, and vote at the shareholders' meeting according to the trust or custody contract. 3. In addition to the aforementioned restrictions, before the vesting conditions are met, employees' other rights after granted new restricted employee shares in accordance with the regulations, including but not limited to: dividends, bonuses, the right for being distributed with capital surplus, the subscription rights for cash capital increase, and voting rights, are the same as the ones bestowed by the Company's ordinary shares issued.		1. Employees granted new restricted employee shares, before fulfilling the vesting conditions, shall not sell, pledge, transfer, or donate them to others or perform any other means of disposal. 2. Employees shall attend, propose, speak, and vote at the shareholders' meeting according to the trust or custody contract. 3. In addition to the aforementioned restrictions, before the vesting conditions are met, employees' other rights after granted new restricted employee shares in accordance with the regulations, including but not limited to: dividends, bonuses, the right for being distributed with capital surplus, the subscription rights for cash capital increase, and voting rights, are the same as the ones bestowed by the Company's ordinary shares issued.		1. Employees granted new restricted employee shares, before fulfilling the vesting conditions, shall not sell, pledge, transfer, or donate them to others or perform any other means of disposal. 2. Employees shall attend, propose, speak, and vote at the shareholders' meeting according to the trust or custody contract. 3. In addition to the aforementioned restrictions, before the vesting conditions are met, employees' other rights after granted new restricted employee shares in accordance with the regulations, including but not limited to: dividends, bonuses, the right for being distributed with capital surplus, the subscription rights for cash capital increase, and voting rights, are the same as the ones bestowed by the Company's ordinary shares issued.	
Custody of new restricted employee shares	In the custody of trust.		In the custody of trust.		In the custody of trust.	
Handling of new restricted employee shares granted or subscribed to when the vesting conditions are not fully met	For new restricted employee shares granted to employees, when the vesting conditions are not fully met, the shares will be fully withdrawn by the Company and canceled without any compensation.		For new restricted employee shares granted to employees, when the vesting conditions are not fully met, the shares will be fully withdrawn by the Company and canceled without any compensation.		For new restricted employee shares granted to employees, when the vesting conditions are not fully met, the shares will be fully withdrawn by the Company and canceled without any compensation.	
Number of new restricted employee shares that have been withdrawn or repurchased	280,000	88,000	114,000	0	20,000	0
Number of restricted shares with the restrictions lifted	1,420,000	396,000	1,110,000	60,000	0	0
Number of restricted shares with the restrictions not yet lifted	560,000	256,000	2,576,000	140,000	3,335,000	1,145,000
The ratio of the number of unreleased restricted shares to the total number of issued shares (%)	0.12	0.06	0.56	0.03	0.73	0.25
Impact on shareholders' equity	No significant impact.	No significant impact.	No significant impact.	No significant impact.	No significant impact.	No significant impact.

Note: The total number of shares issued as of April 17, 2023 is 459,434,324.

### (2) Name and acquisition status of managerial officers having acquired new restricted employee shares and of employees ranking among top 10 in the number of new restricted employee shares acquired:

April 17, 2023

Title	Name	New restricted employee shares acquired	Ratio of new restricted employee shares issued to the total shares issued	Released			Unreleased					
				Number of released restricted shares	Issue price	Issuance Amount	Ratio of released restricted shares to the total shares issued	Number of unreleased restricted shares	Issue price	Issuance Amount	Ratio of unreleased restricted shares to the total shares issued	
Managerial officer	General Manager of Business Department	Pan, Yung-Tai										
	Chief Strategy Officer	Duh, Jia-Bin										
	General Manager of Operations	Kuo, You-Min										
	General Manager of Finance and Information Department	Hsiao, Yin-Yi										
	General Manager of Business Department	Chou, Yen-Chou										
	Vice General Manager	Chang, Chen-Te										
	Vice General Manager	Chang, Ching-Kai	4,535,000	0.98%	1,531,500	0	0	0.33%	3,003,500	0	0	0.65%
	Vice General Manager	Chiang, Yan-Ying										
	Vice General Manager	Wei, Hao-San										
	Vice General Manager	Zhuo, Yi-Li										
	Vice General Manager	Wang, Ching-Der										
	Vice General Manager	Hsueh, Ya-Lin										
	Vice General Manager	Hsu, Chia Chih										
Vice General Manager	Hu, Ching-Yuan											
Accounting Supervisor	Chang, Shu-Chuen											
Head of Corporate Governance	Su, Yu-Chen											
Employee	Senior Assistant Vice General Manager	Chang, Shih-Peng										
	Senior Assistant Vice General Manager	Yang, Chang-Lung										
	Senior Assistant Vice General Manager	Chen, Chi-Shiu										
	Senior Assistant Vice General Manager	Li, Yi-Ju	1,845,000	0.40%	522,000	0	0	0.11%	1,323,000	0	0	0.29%
	Senior Assistant Vice General Manager	Chen, Koung-Je										
	Assistant Vice General Manager	Chen, Chung-Yuan										
	Assistant Vice General Manager	Hu, Chih-Wei										
	Assistant Vice General Manager	Fan, Kang-Yang										
	Assistant Vice General Manager	Wang, Sui-Chuan										
	Assistant Vice General Manager	Lin, Tzu-Hsiang										

Notes 1: The total number of shares issued as of April 17, 2023 is 459,434,324.

## 13. The Handling Situation of Mergers and Acquisitions or the Issuance of New Shares by Other Companies

(1) Completion of mergers and acquisitions or issuance of new shares in connection with any acquisition of shares of another company in the most recent year and up to the publication date of this annual report: **None**

(2) Any issuance of new shares in connection with acquisition of shares of another company approved by the Board of Directors in the most recent year up to the date of publishing of this annual report: **None**

## 14. Status of Implementation of Capital Allocation Plan

### (1) Description of the Plans

As of the quarter before the publication date of this annual report, previous issuance or private placement of marketable securities that have not been completed, or that have been completed but are yet to record any benefit within the past three fiscal years: **Not applicable.**

### (2) Execution status :

As of the quarter before the publication date of this annual report, regarding the implementation of each plan mentioned in the preceding paragraph, please conduct an item-by-item analysis that compares the status of implementation and expected benefits: **Not applicable.**



# 5. Operational Overview

## 1. Content of Business

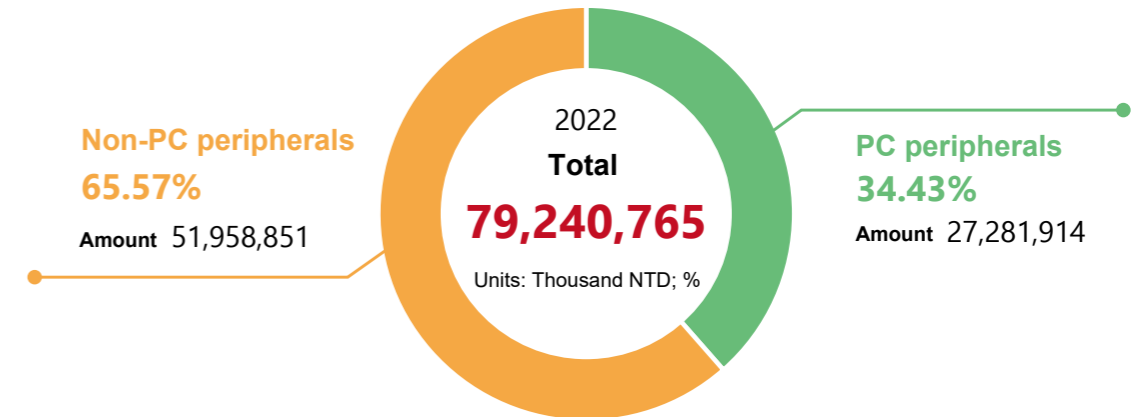
### (1) Business scope

#### i Main content of the Company's business activities:

CB01020 Office Machines Manufacturing	F113050 Wholesale of Computing and Business Machinery Equipment
CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing	F118010 Wholesale of Computer Software
CC01060 Wired Communication Equipment and Apparatus Manufacturing	F213030 Retail Sale of Computing and Business Machinery Equipment
CC01070 Telecommunication Equipment and Apparatus Manufacturing	F218010 Retail Sale of Computer Software
CC01080 Electronic Parts and Components Manufacturing	C805050 Industrial Plastic Products Manufacturing
CC01101 Restrained Telecom Radio Frequency Equipment and Materials Manufacturing	CA02010 Metal Architectural Components Manufacturing
CC01110 Computers and Computing Peripheral Equipment Manufacturing	CA02090 Metal line Products Manufacturing
CE01030 Photographic and Optical Equipment Manufacturing	F401010 F401010 International Trade
F401021 Restrained Telecom Radio Frequency Equipment and Materials Import	F114030 Wholesale of Motor Vehicle Parts and Supplies
I301010 Software Design Services	F214030 Retail of Motor Vehicle Parts and Supplies
	ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval



### ii Percentage



### iii Current products (services)

**PC peripherals**

**Computer input devices**

- Wired optical mice
- Wireless optical mice
- Bluetooth mice
- Wireless bluetooth dual-mode mice
- Laptop keyboard modules
- Backlit laptop keyboard modules
- Mechanical laptop keyboards
- Ultra-thin tablet keyboards
- Wired keyboards
- Wired backlit membrane keyboards
- Wireless keyboards
- Bluetooth keyboards
- Wireless/Bluetooth dual-mode/-multi-device keyboards
- Wired keyboards made for iPad and iPhone (MFi)
- Wireless pointers

**E-sports/Game console peripherals**

- Wired e-sports mice
- Wired/Wireless dual-mode e-sports mice
- Wired/Wireless/Bluetooth dual-mode mice

- Wired mechanical e-sports keyboards
- Wired optical e-sports keyboards
- Wired Mechanical keyboard with magnetic axis
- Wireless mechanical e-sports keyboards
- Wired/Bluetooth game consoles
- MFi(Made for iPhone) mobile game controller
- Smart TV remote controls

**Laptop touchpads**

- Click feedback-based precise multi-point touch panel modules
- Force-sensing-based precise multi-point touch panel modules
- Click feedback-based precise multi-point touch panel modules
- Dynamic full-color light-effect precise multi-point touch panel modules

**Docks**

- Intel Thundebolt 3 docks
- Intel Thundebolt 4 docks
- USB-C docks
- USB-C Travel power docks
- Wireless charger docks
- Integrated expansion base (Stand docks)

**Wireless charging device**

- 5-15W Qi-certified modules for receiving (Rx) and transmitting (Tx) power
- 5-15W Qi-certified finished devices for receiving (Rx) and transmitting (Tx) power
- 30W medium- and high-power modules for receiving (Rx) and transmitting (Tx) power
- 30W medium- and high-power devices for receiving (Rx) and transmitting (Tx) power
- Apple MagSafe (MFM) related wireless charging devices and modules

## Non-PC peripherals

## A. Vision Technology Product

## A-1 Mobile Camera Module

- 24, 48 and 64 megapixel optical stabilization camera modules
- 13 + 13 megapixel dual-camera modules
- 5, 8, and 13 megapixel fixed-focus camera modules (front camera)
- 13, 16, and 20 megapixel closed-loop quick autofocus camera modules
- 13, 16, 20, 24, 48 and 64 megapixel optical image stabilization + autofocus camera modules
- 48 and 50 megapixel micro tripod head optical image stabilization + autofocus camera modules.
- 8 and 48 megapixel 5x optical zoom periscope camera modules
- Phase difference level quick autofocus camera modules
- 13 + 13 megapixel dual-lens camera modules
- 20 + 12 dual megapixel zoom dual-lens modules
- 20 + 12 zoom megapixel zoom dual-camera modules
- 8 to 20 megapixel ultra-small camera modules
- 8 megapixel ultra-small camera modules for smart glasses
- 3D/2.5D face recognition modules
- 3D depth sensing modules
- 3D ToF sensor module + 48 million-pixel video system camera module
- 3D machine vision sensing modules
- AR/VR camera modules
- Ultra wide Angle camera modules
- Under-screen optical fingerprint modules
- Capacitive fingerprint identification modules
- Side button capacitive fingerprint modules
- Ultrasonic fingerprint identification modules

## A-2 Smart Vision Technology

- Smart monitoring
- Smart door lock face recognition modules
- Smart door lock fingerprint modules
- Smart door lock ultra wide angle camera modules
- Surveillance cameras
- Conference cameras
- 4K Webcam
- Creator Camera
- Remote Instruction Tablet
- AR/VR Mixed Reality Mobile Devices
- Body Worn Camera

## A-3 Automotive Camera Module

- Reverse parking assistance/Rear view camera modules - automotive triple-camera modules
- Camera modules for advanced driving assistance
- Controllers for advanced driving assistance

- L4/L5 Camera modules for autonomous driving
- Camera modules for driving monitoring and in-vehicle detection
- Panorama camera modules
- ToF Time-of-Flight Range Sensor Camera Module

## A-4 IoT Camera Module

- Security Control and Other B2B Camera Modules
- Camera Modules for Video Conferencing Systems
- Drone Camera Modules
- AR/MR/VR Camera Modules
- Smart Robot Camera Modules
- Smart speaker/home central device camera modules
- Smart Doorbell/Smart Door Lock Camera Modules
- Intelligent Networked Fitness Device Camera Modules
- Smart Shop Camera Modules

## B. System Integration Products

## B-1 Business Equipment Product

## Scanners

- Color flatbed scanners
- High-speed ADF scanners
- ARDF scanners
- DADF scanners
- Office scanner modules
- Software and firmware development for scanner modules

## Printers

- Development of control panels for monochrome and color laser printers
- Software and firmware development for monochrome and color laser printers
- Dot matrix business printers
- Thermal induction printers
- Portable thermal printers

## Multifunction printer

- Monochrome and color laser multifunction printers
- Development of control panel for multifunction printers
- Software and firmware development for multifunction printers

## Office automation products

- Shredders
- Binders
- Card printers

## B-2 Surveillance Products

- Portable wireless network storage devices
- Wireless fast charging and wireless backup storage devices

- Ultra-high frequency radar sensors
- Digital camera with MMW radar sensors
- Smart radar doorbells
- Home digital camera
- Anti-Riot Hemispherical Digital Camera
- Riot Gun Digital Camera
- Police law enforcement instruments

## B-3 Wireless Charging

- 10W–40W large area non-fixed wireless charging solutions, applicable to iPhone fast charging
- 10W–15W magnetic wireless charging modules, applicable to iPhone fast charging
- 10W–15W Qi-certified wireless charging pads/docks, applicable to iPhone fast charging
- 10W–15W Qi-certified original equipment multi-coil wireless in-car charging modules, applicable to iPhone fast charging
- 10W–15W Qi-certified wireless charging stands, applicable to iPhone fast charging
- <5W low-power wireless charging modules for NFC-like hearing aids and other medical or miniaturized IoT devices
- Apple MagSafe (MFM) related wireless charging devices and modules

## B-4 Smart Access Product

- Smart doorbells
- Smart door locks

## C. TYMPHANY Acoustic Products

## C-1 Speaker Modules and Systems

- Smart voice-controlled speakers
- Bluetooth portable amplifiers
- One-piece surround speakers (2.1 and 5.1 channels)
- One-piece surround speakers supporting Dolby stereo specifications
- Professional acoustic equipment and digital mixers for personal performance
- Professional amplifiers for professional performance venues
- Computer/acoustic speakers
- Full-frequency, low-frequency, high-frequency, and various professional speaker drivers
- Smart home wireless speaker systems
- Portable wireless amplifiers
- Video conferencing system
- Online audio conference system
- Portable speaker for cars
- In-Car Sound System
- Speaker drivers

## Non-PC peripherals

## C-2 Headphones

- Wireless earbud headphones
- Headsets
- True wireless bluetooth headphones
- Headphones for games
- Voice-controlled speakers
- Speaker drivers
- Noise-cancelling true wireless earbud headphones
- True wireless bluetooth hearing aid earphones

## C-3 Microphones

- USB smart microphones

## C-4 Digital Signal Processing

- Smart Digital Signal Processing Platform

## D. Connected Mobility Product

## D-1 Automotive IoT Product

- V2X imaging modules

- V2X cameras
- Camera for advanced driving assistance
- V2X gateway device
- V2X smart sensors

## D-2 Industrial IoT Product

- Industrial IoT Video Product
- Communication Gateway
- Security Monitoring Device

## iv New products (services) under development plans

## PC peripherals

- Computer input device mice and keyboards
- Backlit keyboards
- Keyboard modules
- Bluetooth and wireless controller and pointers
- High-speed e-sports wireless mice
- E-sports professional multifunction mice
- Mice and keyboards for games
- Game console peripherals
- Multi-touch panels

- Smart TV remote controls
- Keyboard and leather cover keyboard for ultra-thin tablets
- Mobile phone gaming controllers
- Thin mechanical keyboards
- Thin film keyboards
- High speed transmitting expansion ports for laptops
- Keyboards with audio function for meetings
- Digital conversion devices
- High-speed transmitting expansion ports
- Smart audio and video control interface

- Intel Thunderbolt 3/4 docks
- USB-C docks
- USB-C travel dock stations
- Conference Communication Expansion Pedestal
- Live Broadcast Controller
- Wireless charging devices (for mobile phones, laptops, tablets, and other consumer products)
- Wireless charging modules (for hearing aids, other medical and miniaturized IoT modules, etc.)
- Apple MagSafe (MFM) related wireless charging devices and modules

## Non-PC peripherals

## A. Vision Technology Product

## A-1 Mobile Camera Module

- Full-HD camera module for thin laptops
- Single/multiple high-pixel camera modules for mobile phones
- 360° panorama/sports cameras
- Surveillance cameras
- Mobile phone fingerprint identification modules
- Credit card fingerprint identification module
- AR Wearable Camera
- VR Camera Modules
- Drone Camera Modules

## A-2 Smart Vision Technology

- Portable wireless network (wide area network) portable camcorders
- Smart doorbells
- Home security surveillance systems
- Smart surveillance systems
- Smart video conference systems
- Smart door lock fingerprint modules

## A-3 Automotive Camera Module

- Reversing auxiliary camera modules
- Camera modules for driverless and advanced driver assistance
- Driving and in-car surveillance camera modules
- ADAS triple-camera module for cars
- In-car monitoring and advanced driver assistance controller (ECU)
- ToF Time-of-Flight Range Sensor Module

## Non-PC peripherals

### B. System Integration Products

#### B-1 Business Equipment Product

- Commercial desktop high-speed automatic sheet-fed DADF scanners
- Commercial network scanners
- High-speed multifunction office scanner modules
- Development of control panels for high-speed color laser printers
- Monochrome/color barcode printers
- Card printers
- Development of control panels for multifunction monochrome/color printers
- Development of interface between portable photo printers and the internet

#### B-2 Surveillance Products

- WiFi 6E Household network storage devices
- WiFi 6E Home wireless fast charging and wireless backup storage devices
- Smart home multimedia servers for audio-visual entertainment
- Application software products for smart home
- Ultra-high-frequency radar sensors
- Smart radar doorbells
- MMWRadar Fall Detection and home Safety Protection Sensing Device
- 5G Riot Gun Digital Camera
- Professional 4G LTE Wireless Recorder

- Ultra-high resolution digital camera
- Quick Ball digital camera
- AI digital camera
- Digital camera for traffic monitoring
- Pet Surveillance Camera
- 3D ToF AI Camera

#### B-3 Wireless Charging

- 10W–80W large area non-fixed wireless charging solutions, applicable to iPhone fast charging
- 10W–80W wireless charging modules, applicable to iPhone fast charging
- 10W–80W wireless charging pads/docks, applicable to iPhone fast charging
- 10W–80W multi-coil wireless in-car charging modules, applicable to iPhone fast charging
- 10W–80W wireless charging stands, applicable to iPhone fast charging
- 10–15W all-in-one computer wireless charging modules, applicable to iPhone wireless charging
- Medical hearing aid wireless chargers
- 16-coil wireless multi-chargers without positioning function
- Apple MagSafe (MFM) related wireless charging devices and modules

#### B-4 Smart Access Product

- Apple Homekit smart doorbells
- Apple Homekit smart door locks

### C. TYMPHANY Acoustic Products

#### C-1 Speaker Modules and Systems

- Voice-controlled speaker modules
- High power amplifier modules
- Mixers
- Audio-visual creation control system

#### C-2 Headphones

- Speaker driver through new processes

#### C-3 Microphones

- Wireless Smart Microphone

#### C-4 Digital Signal Processing

- Smart Digital Signal Processing Platform Expansion

### D. Connected Mobility Product

#### D-1 Automotive IoT Product

- Intelligent vehicle-connected video system
- Intelligent car gateway device
- Intelligent vehicle-connected Asset Management Devices
- Smart Bike Monitoring Recorder

#### D-2 Industrial IoT Product

- Integrated wireless (Wi-Fi, LTE, Zigbee, Z-wave) communication gateway devices
- Field Surveillance IoT Video Devices

cables, and support peripheral devices with different specifications, such as chargers, through a multifunctional dock.

In addition, driven by new trends, such as bring your own device (BYOD) and work from home (WFH), the demand for docks has been further increased. The main markets include personal work environment, medical care, industrial control, automotive electronics, school education, and business and office, as well as e-sports, the compound growth rate is forecasted to be as high as 15%. Based on the core technology of high-speed signal transmission and system integration, the Group has also actively integrated relevant core technologies, including audio/video/interface, and launched an integrated dock that meets the needs of a variety of fields, while entering the new application fields of smart Internet of Things (IoT) interface and audio-visual interface. The Group has begun to further step into the high-end market and develop high-performance, high-speed transmission expansion ports and tactile feedback precision touchpads for thin and light laptops. It has targeted the business market needs of the top three major computer brands.

## (ii) Non-PC peripherals

### A. Vision Technology Product

#### A-1 Mobile Camera Module

According to the latest forecast report released by IDC, the global smartphone shipment in 2022 is expected to decrease by 6.5% to 1.27 billion units, and will increase by 6.3%, mainly due to the impact of inflation, geopolitics and other factors, consumer demand has been greatly inhibited.

IDC's latest forecast is down 3 percentage points from its previous forecast, but analysts said this setback is only short-term, with the global smartphone market expected to rebound by 2023 at an estimated 5.2% annual growth rate and a five-year compound annual growth rate (CAGR) of 1.4% over the longer term.

Since last year, the supply constraints that weighed on the market have eased and the industry has turned into a demand-constrained market with high channel inventories, low demand and no immediate signs of recovery, which has spooked Oems and slashed orders for this year, IDC noted. In addition, high-end phones (US\$800+) have proved resilient to economic turmoil, increasing their share of the overall smartphone market by 4% to 16% and will continue to grow; That includes foldable phones, currently the fastest growing segment, with shipments expected to grow 85% annually to 15 million by 2023.

In terms of 5G phones, IDC expected global 5G device shipment to grow 23.6% this year, accounting for more than half (54%) of all shipments with 688 million devices and US\$616 in ASP. In the long term, 5G models are expected to reach 79% market share in 2026, with ASP reaching US\$444. By comparison, 4G ASP will reach US\$176 this year, and IDC believes they will fall to US\$106 by the end of the year. As a result, the overall smartphone ASP will fall from \$413 this year to \$373 in 2026.

IDC said the resilience of the upper tier of the market is a testament to the success of iOS, which has never seen a decline in full-year shipment since 2019 and will maintain a 0.5% growth in 2022 despite the overall market decline. As for the Android operating system, it is expected to fall nearly 8% this year but rebound strongly with 6.2% growth next year. The lower end of the market has not fared well this year, with shipments of Android devices under US\$200 falling 22.4% in Q1 and 16.5% in Q2. The good news is that sales of devices over US\$1,000 grew 35.2%, thanks to high-end flagships and the recent success of foldable devices on the market.

#### A-2 Smart Vision Technology

Since 2020, the world has been affected by the COVID-19 pandemic, which has changed people's way of living and brought irreversible changes to the global economy and industrial patterns. Under the epidemic, lockdown measures implemented by various countries to prevent the epidemic have unexpectedly accelerated the development of high-tech and digital industries. The COVID-19 pandemic has created unprecedented demand for webcams globally. During the pandemic, most companies adopted Hybrid working mode or WFH, which led to a surge in demand for network cameras. In addition to personal cameras, companies also accelerated the upgrading of conference video equipment. In addition, online education and health care are being promoted to enable daily life without interrupting educational and medical activities during the pandemic era, which has increased the demand for webcams and accelerated the development of intelligent imaging systems.

In response to the epidemic, people have less contact with each other, so a lot of content creators use the platform to publish relevant creations. Our company is committed to providing cameras suitable for creators to improve the efficiency and convenience of creation, which increases the connection between people. In the post-pandemic era, metaverse related issues continue to ferment, and related applications of virtual reality mixed reality are also expected to grow rapidly. It is urgent to develop AI video action devices into the metaverse era.

## (2) Overview of the Industry

### i Industry Status and Development

#### (i) PC peripherals

The Group's computer peripheral products are used with desktop and laptop computers; including keyboards, mice, laptop keyboard modules, trackpad modules, high-speed transmission docks, esports games and creator device peripherals, etc., among which keyboards and mice are the main sales items, and the market changes of the product line are closely related to the development of personal computer products. According to IDC (2023/01/10), global PC shipment is about NT\$292 million units, down 16.3% from 2021. Despite the decline in the shipment, PC shipment for 2022 is still well above the pre-pandemic level. According to the Report, the main problem comes from falling demand, as most users already have relatively new computer equipment during the pandemic, as well as the deterioration of the global economy. However, supply-side activity suggests that many large players are entering 2023 with a cautious attitude. But the consensus is that some parts of the PC market could return to growth by the end of 2023, with the overall market following through in 2024. There are several drivers of growth in the business sector, including the coming end of support for Windows 10 and the building renewal cycle. Although the market downturn, the Group still adhere to the belief of innovation and research and development, derivative technology into the new field of products of creators, break the old thinking to take the lead in the industry's new technology, continue to attract and expand the world's famous brands. The pursuit of lightness and thinness has become the mainstream trend in the mobile devices industry, and the lack of external interfaces has caused the market for docks to grow vigorously. The docks can enable functions, such as data transmission, power supply, and video output through a USB interface easily. According to the estimates by Infiniti Research, a market research agency, the global dock market is expected to grow to US\$762.68 million between 2020 and 2024. Personal computing devices can be connected to more USB interfaces, network cables, audio cables, video output

### A-3 Automotive camera modules

ADAS penetrates into the market rapidly, and autonomous driving technology expands to the mid-range market. As per Roland Berger's forecast, the global ADAS market scale will steadily increase from €5.7 billion in 2015 to €27.5 billion in 2025, with a compound growth rate of as high as 17%. Of the ADAS subsystems, adaptive cruise control (ACC) will be the fastest growing sector of the autonomous driving industry. It is expected that the market scale will reach €15.3 billion by 2025, with a compound growth rate of as high as 23%.

The global automotive camera market reached US\$6.67 billion in 2019 and will grow at a compound annual growth rate of 11.9% between 2021 and 2027.

The total global shipments of automotive camera in 2021 reached approximately 225 million units, of which the total shipments of ADAS system optical ones reached around 88 million units. If the average price of automotive cameras is estimated at around US\$40 per unit at this stage, the global ADAS optical lens market grew to a scale of approximately US\$9 billion in 2021.

Since the release of the 2025 Roadmap of the European Union's European New Car Assessment Program (Euro NCAP), regulators around the world have begun to focus their attention on the driver monitoring system (DMS) to prevent the dangers caused by driver distraction or fatigue. It is stipulated that the driver monitoring requirement should be fully applicable to new models, as well as to all vehicles that will be registered in Europe, including existing vehicles. From 2022, commercial vehicles in Europe should be installed with DMS in the front compulsorily. Therefore, the DMS shipments surged by more than 300% in a quarter of 2020 year on year.

### A-4 IoT Camera Modules

According to the Ericsson Mobility Report and GSMA Intelligence released in June 2020, the IoT Connections Forecast (revised for pandemic demand) predicts that the IoT market will grow rapidly across all industrial segments. By 2025, the Internet of Things market is expected to have more than 2.4 billion IoT device connections. This figure includes both consumer and enterprise types of IoT devices.

It is equally important to break down by IoT market segment to identify which areas and use cases are delivering important growth. According to GSMA Intelligence report, the main growth sources for the consumer IoT are expected to come from the smart home, consumer electronics, wearables and smart vehicles sectors. In the enterprise IoT market, the key area of growth is expected to be in smart buildings, utilities, retail, smart cities, manufacturing, and health.

## B. System Integration Products

### B-1 Business Equipment Product

The Group's Business Equipment Products include image scanner, printer, multifunctional printer (MFPs), binding machine, bar code printing machine, a wide range of products, among which scanner and Multi-Functional Photocopiers mainly.

Because scanners, printers, and business equipment are all products produced by well-developed technologies, even though the products are still moving toward high resolution and internet connection, prices continue to fall. The global economy is affected by COVID-19, and production line shutdown and shortage of materials have led to a slowdown in the growth of emerging markets. The work-from-home model has significantly affected for the sales market of printer and business equipment hardware this year. According to the 2016 annual report on the research of China's printer market released by IDC, the total number of new printers installed in China's printer market continued to decrease, and the number of new printers installed from all mainstream printer manufacturers continued to fall. Due to the global environment, the procurement from the government and small and medium enterprises has shrunk significantly. At the same time, the purchase demand of remote office individual consumer groups has also changed, and the cost performance, reliability and service of products have become the key decision factors to affect the decision-making of buyers.

The proliferation of mobile devices (smartphones and tablets) and the trend towards digital processes has also hit the printer market, leading to a number of innovative applications, but there are also new innovations such as cloud printing and cloud scanning machines, which allow users to print directly via mobile devices, i.e. wirelessly (Wi-Fi), or direct access to file images. This new capability can be used in remote office to enable the growth of A4 low order laser black, white and color printer.

### B-2 Surveillance Products

The increasing demand for home security, smart city, smart transportation, and personal safety have prompted the security surveillance industry to continue to thrive, and has driven many manufacturers to introduce more diversified omnidirectional high resolution image surveillance products. The popularized mobile devices integrated with cloud computing has witnessed a significant reduction in equipment construction complexity and cost, in addition to the enhanced immediacy and convenience of security protection; therefore, the penetration of relevant products increased, and relevant technologies have also become the field which manufacturers have focused in recent years. Looking ahead to the future, the vision-based security surveillance industry will respond to the demand for high intelligence and a substantial increase in the amount of data because of the increase in resolution or the increasing number of camera modules used in a product, including AI and edge computing will be the target every player pursues in the next few years. In contrast, with the spread of broadband networks, surveillance cameras and the use of smart home audio/video streaming, the volume of digital data has soared. Demand for storage devices (such as NAS, DLNA wireless storage) and high-speed wireless network transmission technology (such as WiFi 6E and 5G technology) will be the focus of future R&D. In summary, the security surveillance industry has benefited from the innovation of various technologies and applications, and the global market size has been maintaining a double-digit growth.

### B-3 Wireless Charging

After wireless charging has undergone specification wars and technological evolution in the past ten years, with the support of major mobile phone suppliers (such as Apple and Samsung) in 2018, and the joining of Xiaomi and Huawei in this field in 2019, the specifications of the wireless power consortium (WPC) (also known as Qi on the market) have become the mainstream in the market. Apple further launched the MagSafe (MFM) wireless charging specifications under the Qi specifications in 2020, spawning a new trend in the market. The Company has also been working in this field for more than ten years and launched dozens of products with shipments of millions of units.

According to the data from Strategy Analytics, with the increase in the penetration rate of mobile phones equipped with the wireless charging function and the growing demand for smart portable products, such as Bluetooth headphones, the total global shipments of Qi-certified wireless charging receivers and transmitters reached 700 million units in 2021, an annual increase of 21%. The global penetration rate of mobile phones with the wireless charging function is expected to be close to 45% in 2024 (currently around 25%). In addition, the automotive wireless transmitter modules in alignment with the Qi specifications have grown by nearly 60% to more than 30 million units in 2021. In particular, Tesla, the major player in the electric vehicle industry, has fully adopted wireless chargers to all models. International automobile manufacturers' incorporation of wireless chargers into standard equipment is around the corner.

At present, the most popular ones in the market can be divided into three types. The first one is dedicated to low- to medium-power mobile communication devices, consumer electronics, and wearable devices; the second one is dedicated to medium- to high-power applications, including computers, machine tools, industrial equipment, and home kitchen appliances; the third one is dedicated to ultra-high-power vehicles. At present, the first type of products is the main focus of development, accounting for more than 90% of the market demand, which is also driving the accelerated investment in the second and third types.

For this low- to medium-power wireless charging function, in addition to gradually expansion from high-end mobile phones to mid-end mobile phones (such as the Honor series of Huawei), it has been rapidly expanded to peripherals, including smart watches, wireless headphones and wearable devices, while applied to various types of smart home devices, acoustic products, IoT sensors, medical equipment (such as hearing aids already shipped out by the Company), robots, and drones. This will drive the wireless charging market to continue to grow and penetrate into all consumers' lives and fields of industrial control, medicine, and cars.

### B-4 Smart Access Product

Benefiting from the development of cloud computing, edge computing, and artificial intelligence, the market demand for smart doorbells and smart door locks has increased significantly in recent years. With the camera and intercom function of the doorbell, consumers can still make video calls with visitors even when they are not at home so as to avoid missing important appointments or packages. Key is digitized because of smart door locks, which provides consumers with diverse and convenient unlocking methods and makes it easier for consumers' lives. Meanwhile, through real-time notice of door opening and closing, consumers can instantly keep abreast of the status of the door at home, which safeguard family safety in the first place. The market demand for these new smart interface devices has created new growth opportunities for us.



### C. TYMPHANY Acoustic Products

Acoustic products mainly refer to a variety of integrated products and parts related with audio application, including speaker systems, headphones, power amplifiers, speaker manufacturer, microphones, and answering machines.

Speaker systems mainly include bluetooth speakers, wireless speakers, smart speakers, sound bars, and Hi-Fi systems. In recent years, with the economic growth and the continuous innovation of audio signal technology, consumers' demand for speaker products with good performance and advanced technology has been increasing. Smart speakers can acquire high-quality contents on the Internet; combined with artificial intelligence technology, they have provided consumers with diversified services and a better user experience, broadened the application boundaries of acoustic products, and accelerated the rapid development of the acoustic industry.

Since the 1980s, with the rapid development of the audiovisual entertainment industry and consumer electronics industry, headphones have been widely used in mobile phones, music players, and computers. In early days, headphones were connected to audio players through wires. In recent years, with economic development and technological innovation, major consumer electronics manufacturers and technology companies have entered the headphones industry, driving the continuous development of the headphones industry in technology, scale, and application fields, to provide consumers with headphones products that are better in sound quality, more portable, a better smart interactive experience.

#### C-1 Speaker Modules and Systems

The speaker industry has a long history with a stable competitive environment. The giants in this industry are basically well-developed multinational companies, such as BOSE, Harman, B&O, Apple, and Sennheiser, with a dominant position in the high-end market.

The speaker industry is moving forwards "smart" and "wireless" development opportunities and popularity of smart phones. The product structure is changing rapidly; the market size of products, such as radios, answering machines, and CD players is shrinking. However, smart speakers and wireless headphones have become a new growth driver behind the development of this industry. These two fields have also attracted major players in the Internet industry, such as Amazon, Google, Apple, Alibaba, Baidu and JDcom, and they have launched smart speakers or true wireless headphones products.

Smart speaker is a popular product in electronic consumption in recent years. Since Amazon launched the first speaker—first generation of Echo—in 2014, smart speaker shipments have grown exponentially, and the global shipments surged from 2.55 million units in 2015 to 86.2 million units in 2018, with the compound annual growth rate of around 223%. The global smart speaker shipments exceeded 56.2 million units in the first half of 2019.

According to Fortune business insight's forecast, the market size of smart speakers will increase from US\$90.4 billion in 2021 to US\$342.4 billion by 2028, with an annual compound growth rate of 21%, which is the fastest growing segment of smart home devices.

With the development of communication technology and the popularization of smart phones, the pan-entertainment industry represented by music streaming, online video, live broadcast, short video, online reading, and online karaoke has developed rapidly, enabling consumers to access high-quality pan-entertainment contents. This has broken the geographical limitations of accessing entertainment content in the past, thereby further boosting consumer demand for acoustic products with high convenience, high restoration capability, and high noise reduction capability. In particular, high-end acoustic products with excellent sound quality, stylish appearance, high portability, waterproof and dustproof will usher in further growth.

In 2020, the world is faced with unexpected challenges, and people's lifestyles have undergone sudden changes. New ways of working, studying, and communicating have unexpectedly opened up new application areas for speaker products. With the rising demand for online communication, headphones, video conference equipment, radio equipment, and other types of products that were originally used only for conferences have suddenly become popular products that the public needs. Therefore, new products that are in line with general consumer habits have sprung up. Moreover, with people spend more time at home, the data transmission of streaming video and audio has increased significantly, and the population that is engaged in video and audio content creation for streaming has also increased significantly, while the demand for relevant audio and video recording and editing products has also demonstrated an exponential growth. Even if the pandemic is alleviated in the future, such new lifestyles that people develop as a result are expected to continue. Thus, relevant product is worth looking forward to in the future.

Meanwhile, due to the sharp drop in the international travel business, many business trips have been forced to cancel, and this has also prompted many companies to purchase video conferencing systems in large quantities, which has transformed a niche market product to a product that is close to people's lives. The combination of the functions of image capture, sound capture, and sound reproduction for such products requires synchronous integration and transmission of video and audio data. There are few companies with all such technical capabilities in the market, which is a big niche for the Company.

This new development combined with the development of 5G communications will extend the application scenarios of acoustic products to new areas, such as smart cars, smart medical care, and distance learning.

#### C-2 Headphones

Since 2000, the headphone industry has experienced three waves of digitalization, wireless and smart. According to data from Future market insight, the global annual sales of the overall headphone market in 2022 is close to US\$22.3 billion, and is forecast to rise to US\$35.2 billion in 2028, with a compound growth rate of 7.9%.

In addition to the voice assistant, intelligent translation, transparent mode, and noise reduction before, today's headphones also appear Spatial audio, virtual surround and so on along with the meta-universe, to simulate the real environment and allow users to get deeper into the content. In the future, AI identification, bone voice print ID identification, health tracking and other technologies, more performance and experience will be integrated into the headset to drive growth. In addition, the Bluetooth communication technology has been constantly updated in recent years. In 2022, the new Auracast broadcast Audio will be launched, and all specifications of LE Audio (low power audio) will be completed. In the future, there will be more diversified applications, especially hearing aid applications. Legislation pushed by the US Food and Drug Administration (FDA) to open more access to over-the-counter (OTC) hearing AIDS, coupled with the long-term use of headphones, is also a future trend.

The epidemic has promoted the application scenarios of home office and online live broadcasting, making the demand of headset microphone more and more important. Applications such as microphone reducing noise, clear radio and beautifying sound are also playing an increasingly important role in the headset.

According to Market Watch, the global market for true wireless headphones is estimated to be worth US\$10.7 billion in 2022 and is expected to reach US\$14.84 billion in 2028, with a compound annual growth rate of 5.6%.

According to the forecast of Intelligence Research Group, the global shipments of true wireless headphones will reach 65 million units, 100 million units, and 150 million units from 2018 to 2020, respectively, with a compound annual growth rate of 51.9%. It is expected that as the sound quality and functions of true wireless headphones continue to improve, the penetration rate of true wireless headphones will continue to increase in the future.

In the future, the development of headphones will continue to diversely develop, advancing in the direction of miniaturization, true wireless, anti-noise, environmental sound integration, and health promotion.

#### C-3 Microphones

Due to the rise of online we-media platforms and increasingly mature viewing devices, the market of creators has gradually matured since 2012. Since the outbreak of the epidemic in 2020, people's living conditions have changed a lot, and one of the major changes is that the hardware requirements of online video creators have increased along with the quality requirements of viewers. One of these fast-growing products is the microphone.

Traditional microphones have been developed for many years. Technical speaking, there have been few technical breakthroughs. However, with the increase of freelance content creators, the sales of microphones have increased significantly. As per a report by Futuresource Consulting, the microphone for creator's market scale size jumped from US\$510 million in 2019 to US\$730 million in 2020. It is estimated to rise at an annual rate of 11% thereafter. Maia's report also stated that the overall microphone 2022 market has reached a size of US\$3.3 billion.

In the future, it is expected that microphones will be greatly expanded from the professional market to the consumer market, and the usability, functionality, and product update will be enhanced significantly.

**C-4 Conference product**

The epidemic has changed people's working mode. The demands of remote work, hybrid work, online meeting and so on have gradually increased, and the requirements are getting higher and higher. In recent years, conference headphone, portable teleconference telephone speaker, video conference system demand increased significantly.

Unlike in the past, many smart features, such as autofocus and screen separation, have been developed to make it easier for participants to understand each other's body language and improve communication efficiency as users pay more attention to presence, speech clarity and avoiding auditory fatigue during long-term online meetings.

According to Precedence research, the market of video conference products is US\$6.85 billion in 2021, and it is predicted that it will reach US\$18.56 billion in 2030, with a compound growth rate of 11.71% per year.

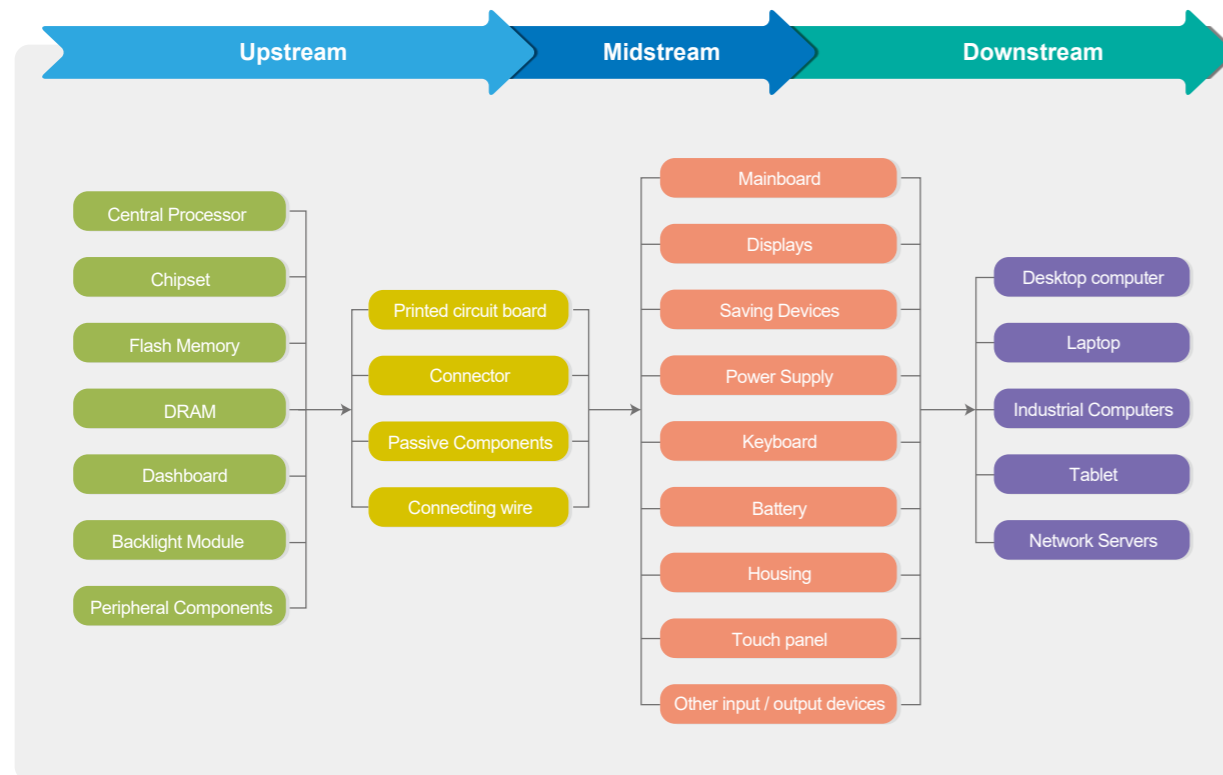
**C-5 Car Audio product**

In recent years, because of the epidemic, the demand for personal vehicles increased, coupled with automatic driving, active safety systems and so on, strengthen the demand for in-car audio systems, in addition to audio reminding drivers, consumers pay more and more attention to user experience and car entertainment, the demand for audio systems is higher and higher.

According to Fortune Business insight, the automotive audio system market is worth US\$8.82 billion and is projected to reach US\$13.52 billion by 2028, growing at a compound annual rate of 6.3%.

**ii Links between the upstream, midstream, and downstream segments of the industry**

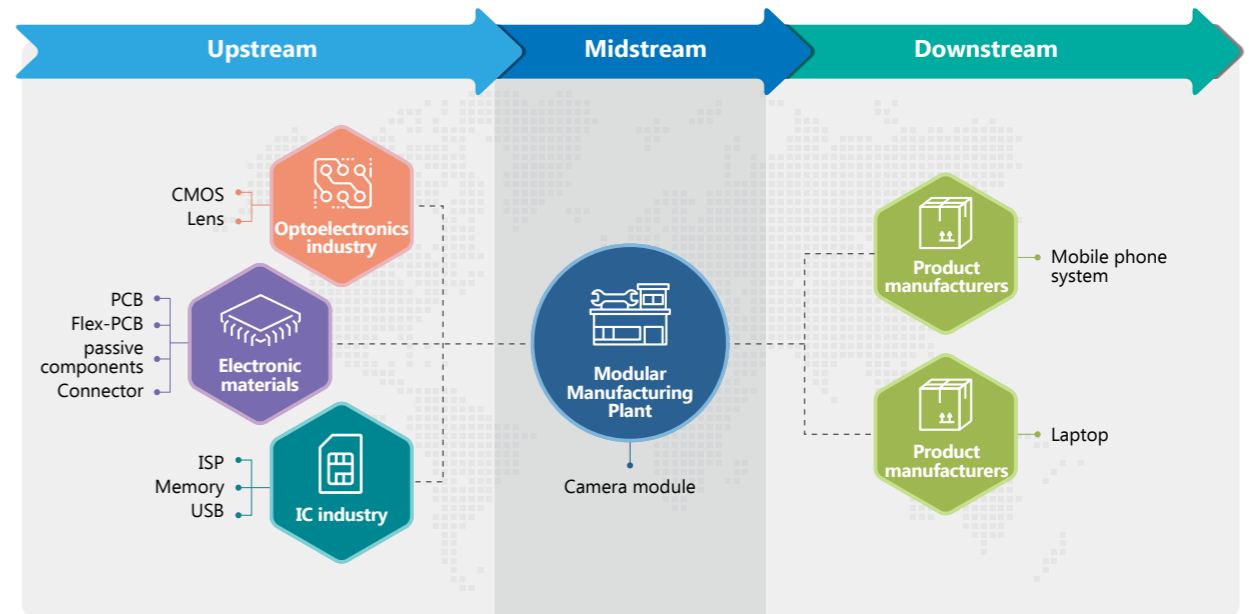
**(i) PC peripherals**



**(ii) Non-PC Peripherals**

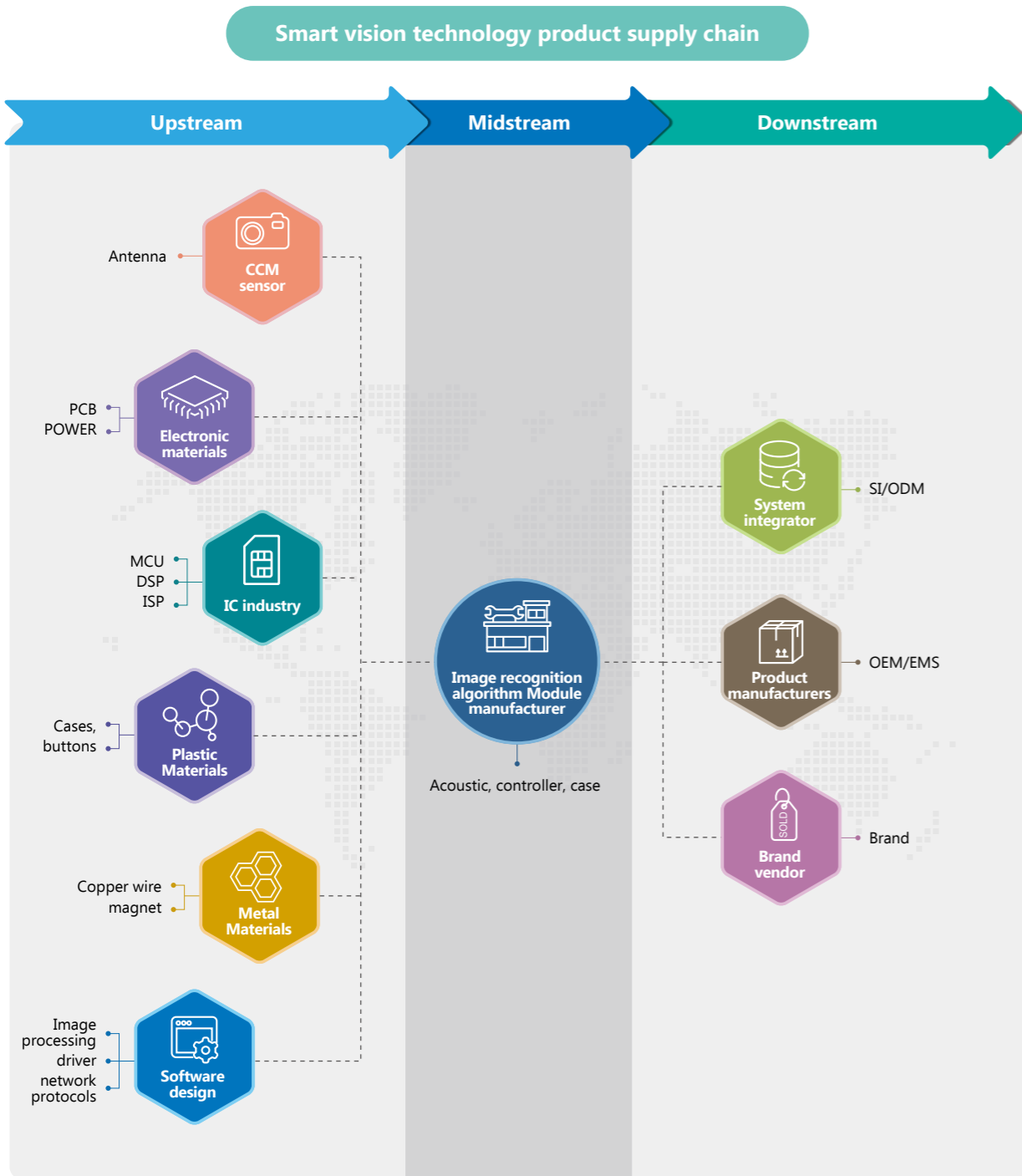
**A. Vision Technology Product**

**A-1 Mobile Camera Module**

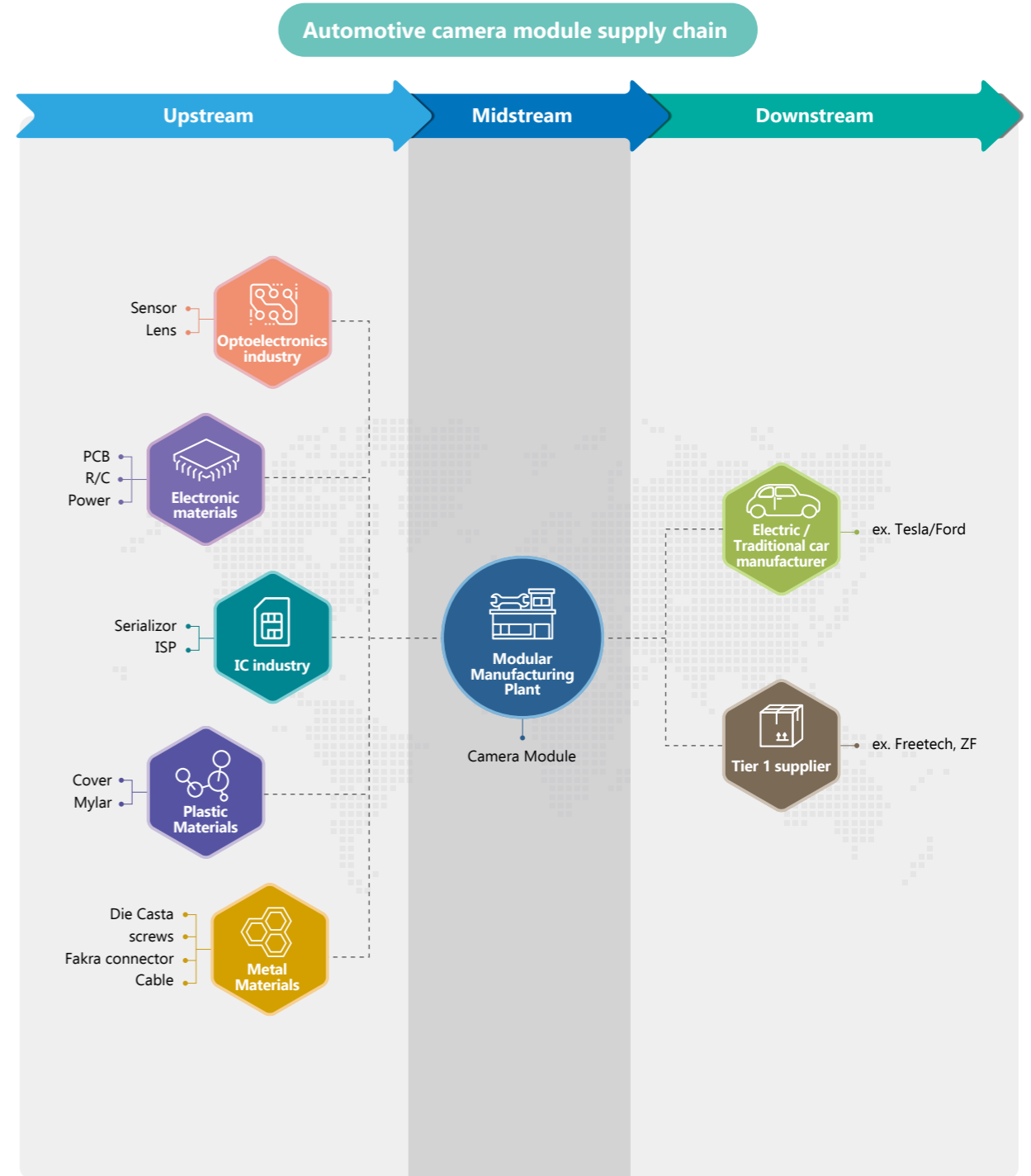


A-2 Smart Vision Technology

In the category of smart vision technology, the Group provides design and manufacturing services for various types of digital image products, such as CCM modules, wireless networks, image systems, and smart image recognition systems.

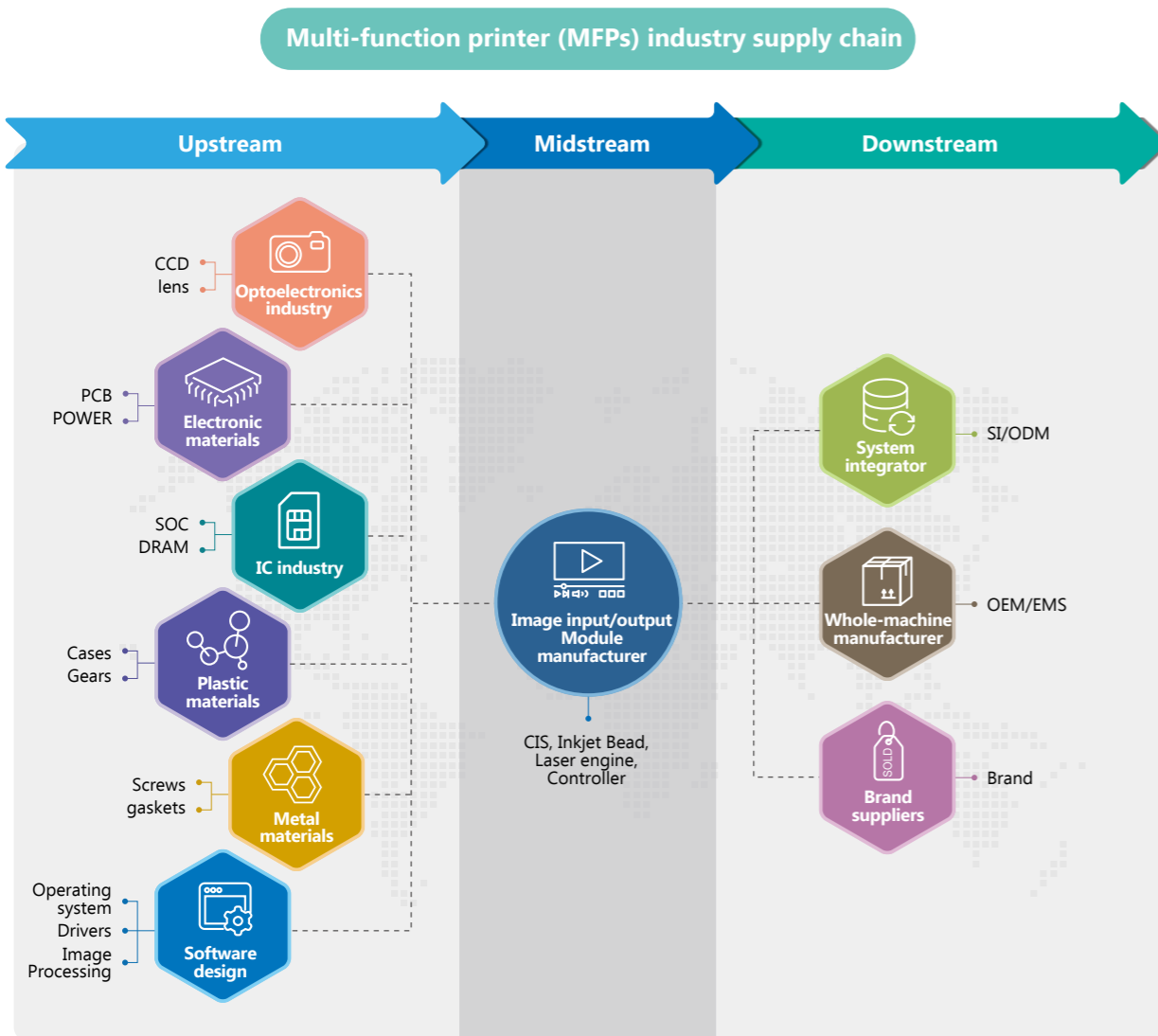


A-3 Automotive Camera Module



**B. System Integration Products**

**B-1 Business Equipment Product**



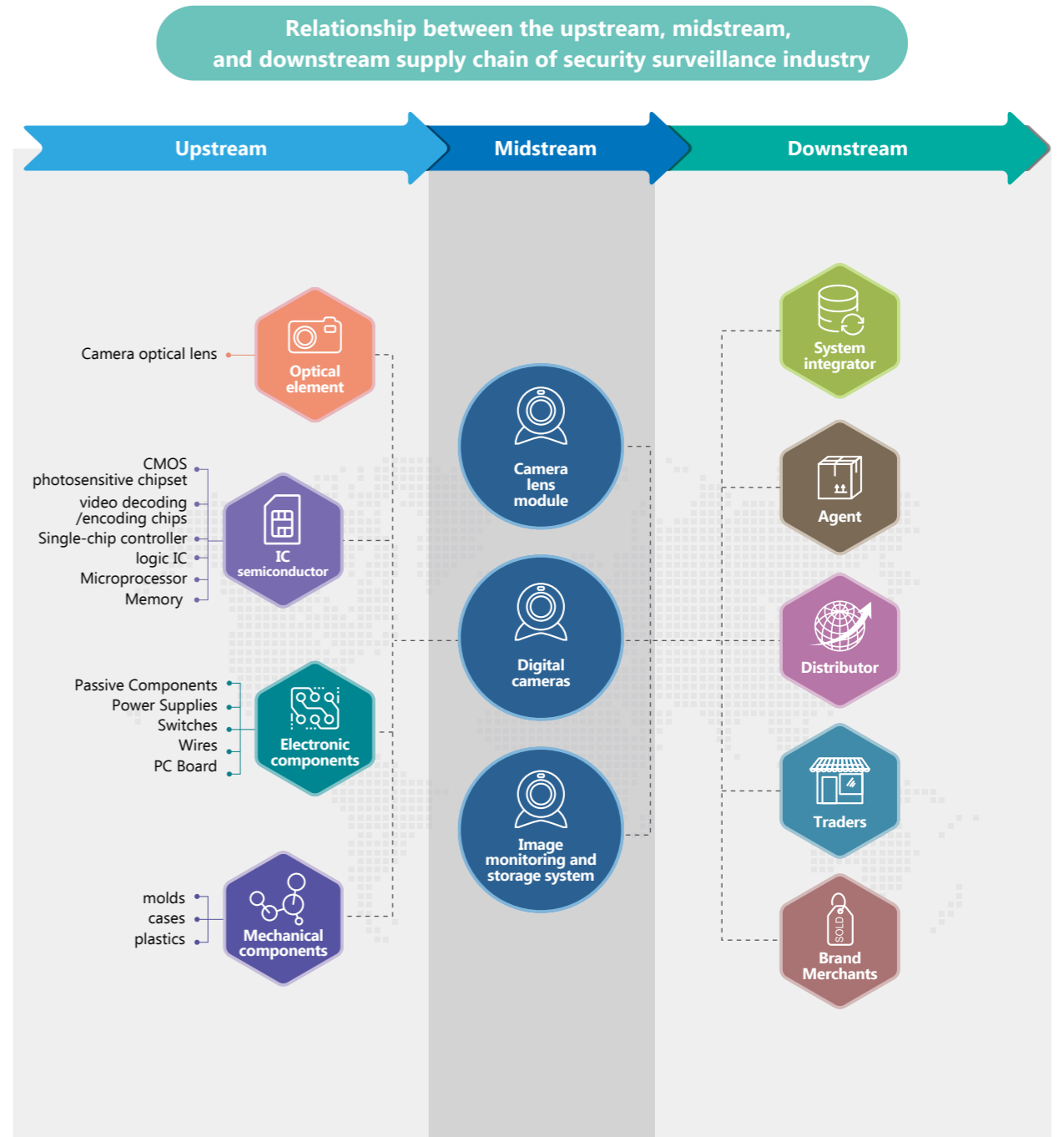
The multifunction printer (MFP) is composed of several important modules, namely the document scanner, printer (printing head), control panel, operating panel, automatic document feeder (ADF), and input (output) tray. The key component of the document scanner is the image sensor. There are two main technologies: charge-coupled device (CCD) and complementary metal-oxide-semiconductor (CMOS), which are mostly controlled by Japanese manufacturers. The main suppliers are Sony and Toshiba. Midstream suppliers provide image scanning modules, including sensors, mirrors, and lamps. Downstream system suppliers don't only provide complete scanners, including image scanning modules, motor control, image capture control circuits, data transmission control circuits, cases, and software, but also provide ADF, combining the function of continuous scanning for scanners.

The upstream suppliers of the Group are all well-known global manufacturers, and great and stable long-term partnership has been established. Therefore, there are no cases of shortages, interruptions, or delays in the supply of raw materials in terms of supply quality and delivery. Therefore, the Group's operational risk for upstream changes is very low. The Group has actively developed modules dedicated to high-speed multifunction printers and strengthened firmware and software application and system integration technologies, to reduce manufacturing costs and improve product quality. In addition, in order to respond to customers' product strategies in emerging markets, the Group has developed a variety of low-end black and white laser printers and multifunction printers, with very competitive quality and cost.

**B-2 Surveillance Products**

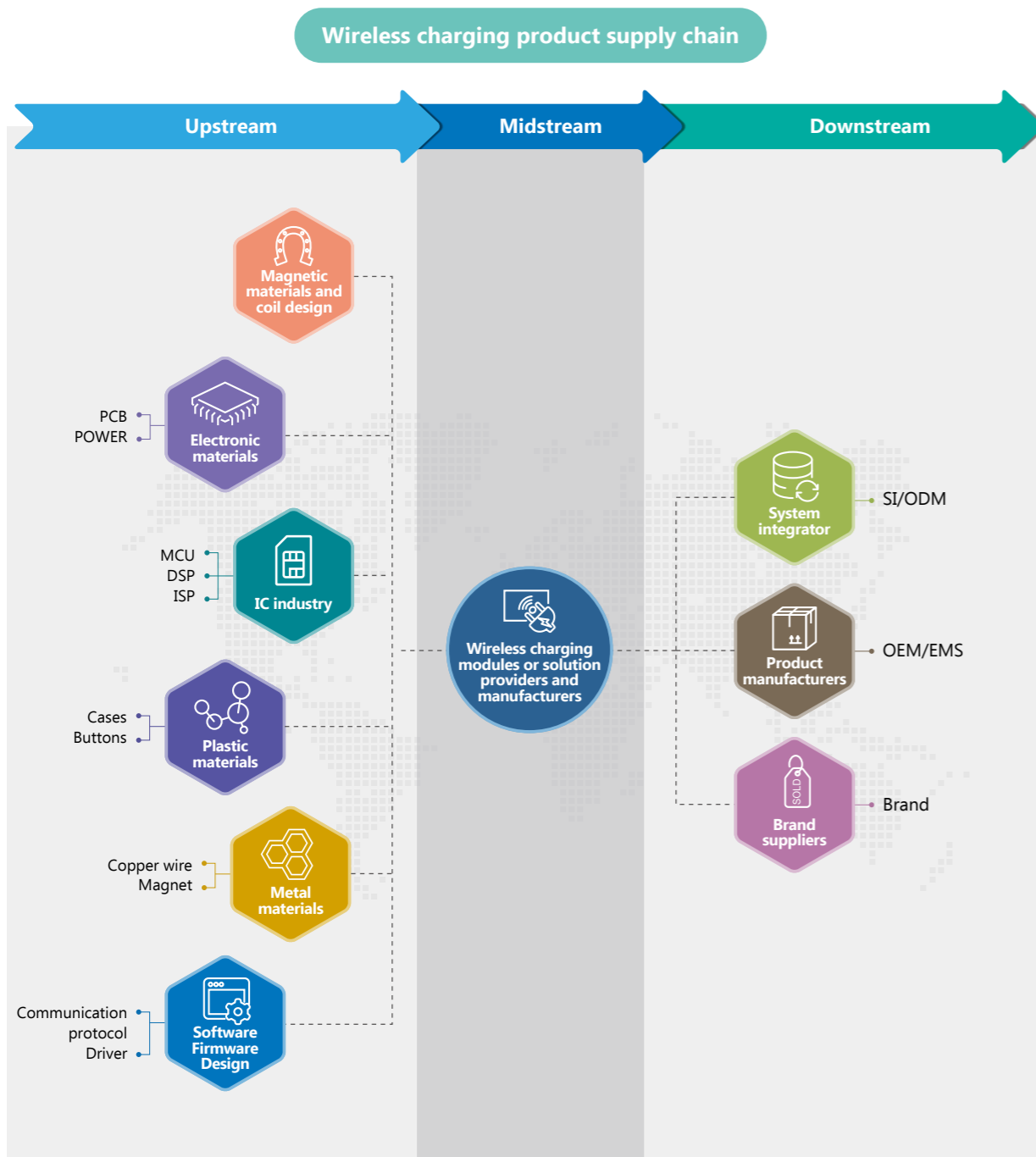
The Group designs and manufactures a wide range of related products in the field of security control and storage, such as digital video and surveillance cameras, and professional recorders, personal storage products, such as Wi-Fi Hard Drive and Wireless charging storage.

With the popularity of security monitoring, the Group is also actively developing the home monitoring market, including home monitors, pet monitors, and so on. At the same time, due to the deep research in the field of radar for many years, in addition to adding millimeter-wave radar with image sensor hardware and algorithm to achieve multi-sensor integration, improve the level of safety protection, the recent development of radar fall detection sensor, providing another choice for home protection monitoring.



B-3 Wireless Charging

In the design of wireless charging devices, the Group focuses on the development, design, and assembly of modules and finished products. The service scope ranges from the selection of MCU or SoC chip platform, circuit board design, coil design, heat dissipation material design to module design. In addition, the Group further provides whole-machine design and manufacturing, calibration, and testing for the commercialization of various products; thus, it provides complete design, manufacturing, and services, while performing wireless charging certification, including Qi, Magsafe MFM, NFC, resonance, and even RF, for customers. Furthermore, it optimizes efficiency and adjusts product customization, and has established strategic partnerships with key upstream component suppliers and downstream key brand customers in the industry. Therefore, it provides complete and forward-looking product service solutions to major customers and future potential markets.

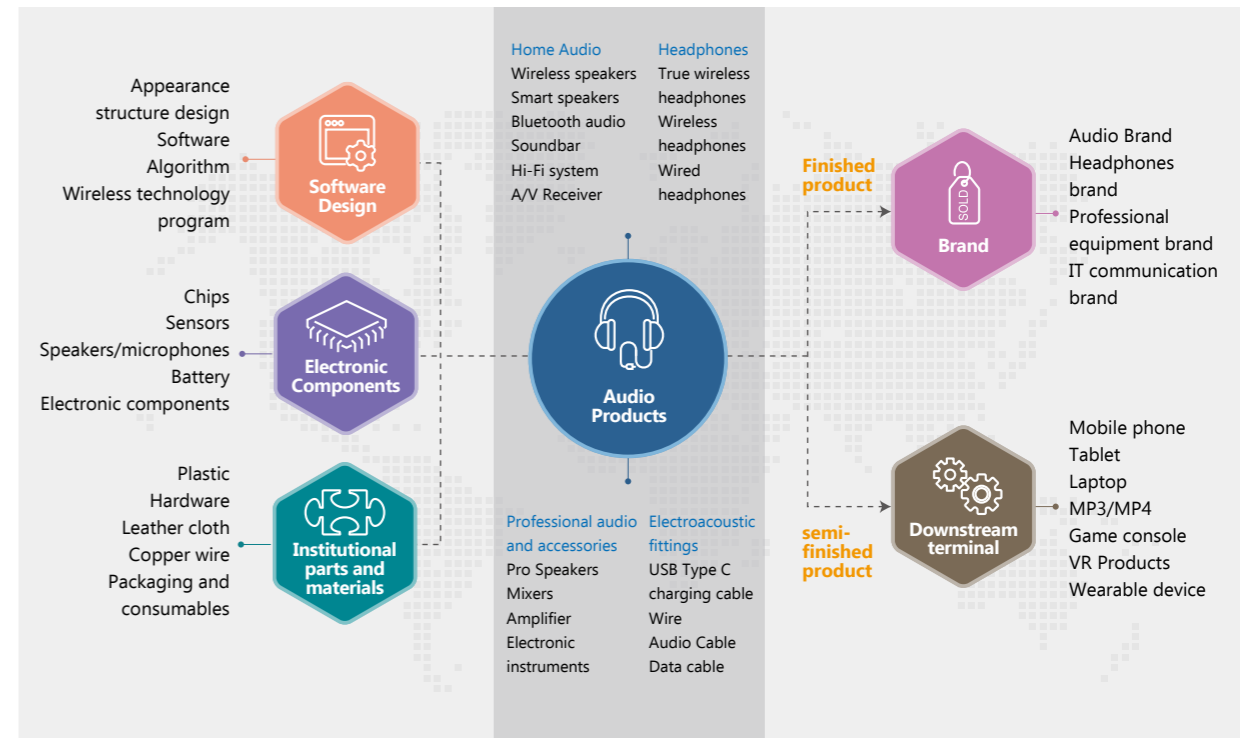


B-4 Smart Access Product

In the fields of smart doorbells and smart door locks, the Group can provide services, ranging from design and development to assembly and production, and has the ability to design circuits, and mechanisms, as well as software and firmware. Meanwhile, in order to strengthen the supply chain of key mechanical components for door locks, the Group has developed relevant strategic partnerships with major door lock manufacturers in Taiwan, to provide safe and high-quality products to our customers.

C. TYMPHANY Acoustic Products

C-1 Speaker Modules and Systems



C-2 Headphones

( Same as the figure above )

iii Various Product Trends

(i) PC peripherals

The computer peripherals of the Group are mainly used in information products, such as desktop computers, laptops, and personal digital devices. With the concentration of computer brands, competition in the computer peripheral market has become even more fierce. In line with the development trend of application products in the downstream segment, keyboard and mouse manufacturers will turn to an approach of diversification to meet the needs of the market, such as peripherals of e-sports devices, multimedia peripherals for creators, thin and lightweight laptops with high-speed transmission and connection devices, future smart home products, peripherals of mobile devices, information appliances (IA), Internet of Things products, wearable products, as well as peripheral input devices continuously developed in line with Internet TV, entertainment computers, game consoles, and mobile devices to meet current consumers' need for personalized and user-friendly products, to increase the added value of products. This will widen the technological gap with competitors; the development of new products with high added value will be the development trend of the industry in the future.

**(ii) Non-PC peripherals****A. Vision Technology Product****A-1 Mobile Camera Module**

The camera modules of the Group are mainly used in high-end models of smartphones. In recent years, the trend of mobile phones is moving toward "high screen ratio", which refers to the large screen or full screen, like the one of iPhone 14. The space where there is no room for an exposed fingerprint module is also compressed. The Group's patented packaging technology of holder on chip (HoC) can significantly reduce the size of the camera module while maintaining the optical function of the camera.

For the packaging of miniature camera modules, a peer in the industry has launched the molding on chip (MoC) process; although the size of the camera module is effectively reduced, its high price, long delivery time, low yield rate, and high equipment investment are completely unsuitable for the mobile phone industry. The Group's patented HoC packaging technology uses existing equipment to achieve the same size as that in MoC and features the price, delivery time, and yield rate that are close to those in traditional packaging as the mainstream packaging technology for ultra-small camera modules in the future.

Recently, the demand for video systems with camera modules has become a trend. The Group has made tremendous progress in integrating high-resolution camera modules with video systems and in integrating 3D depth sensing modules into video systems. The Group has developed 3D depth sensing modules on its own. The Group independently developed a precision calibration method for 3D depth sensing modules, leading the industry and opening up new areas for the application of high-resolution cameras and 3D sensing.

**A-2 Smart Vision Technology**

In the past, it was easy to cause a misjudgment or trigger an alarm because of the visual detection error in the plane using a single lens; nowadays with the continuous breakthrough of key AI technologies, face recognition technology and advanced algorithms are used to build invisible three-dimensional fence, which can accurately determine the actual moving position and size of the detected object, greatly reducing the occurrence of false alarms or missed alarms. Meanwhile, the access and storage of images and data of surveillance system software are increasing. How to effectively use these videos and data to deeply explore their potential value has become the focus of smart home growth in the following few years. In the past, experts needed to manually select features for image recognition. With the assistance of deep learning technology and hardware computing resources, automated feature learning through a large amount of data is already available, greatly lowering the threshold for developing image recognition applications.

Many image recognition applications require a great deal of manpower to execute, such as medical image recognition for symptoms, customer group and flow analysis through videos in malls, public area/home security surveillance, and defect identification in production line detection. Through assistance of smart image systems, the industry can improve the image recognition accuracy, reduce manual interpretation time, and further develop innovative services through integration of other systems.

**A-3 Automotive Camera Module**

The enhancement of external environment perception and judgment: with the evolution of hardware, the collection of actual road data by camera modules and the optimization of algorithms, many actual driving conditions have been gradually controlled by vehicle systems. For example, vehicle recognition and lane detection, pedestrian detection and traffic signal identification, stereo vision combined with navigation.

Miniaturization of automotive lens modules: As automotive lens modules are gradually shifted from purely external applications to the interior of vehicles, they are used for fatigue detection, head-up display calibration, and real-time surveillance. Users are concerned about the existence of such cameras very much. Therefore, car manufacturers attach great importance to the volume and visibility of such lens modules, which is also the inevitable direction in the future development.

Development towards high pixels: Higher pixels represent more details and information. In the era of autonomous driving, traditional megapixel camera modules can no longer provide enough information for the background system to interpret. Therefore, the subsequent 3, 5, 8 megapixel or more camera modules will be the basic requirements of the ADAS system and L4/L5 autonomous vehicles.

Depth information is added to 2D images, and ToF time-ranging sensing is also a technology adopted by automatic driving, which can support collision warning, lane deviation, fatigue attention detection, driving distraction warning, accident data recording and reverse detection. The second is the high complementarity

between the MMW radar and the/ToF time-of-flight rangefinder sensing camera, which supports automatic emergency brake, intelligent speed assist and emergency brake light.

**A-4 IoT Camera Module**

Security Control and Other B2B Camera Modules: In addition to the quality of ultra-wide Angle, low-light photography, and reasonably improved resolution, the integration of miniaturized optical shock absorbers and auto zoom solutions, including Inner Focus, is a market trend.

Camera Modules for Video Conferencing Systems: Multiple camera modules can be used to process whole conference rooms (ultra-wide Angle) and scenes focused on a particular speaker (telephoto). Depth/range detection modules can also be added to improve autofocus or beam forming.

Drone Camera Modules: The use of multiple camera modules to cover ultra-wide angles and the ability to zoom in on specific objects, as well as the need for shock resistance, water resistance, fog removal, resistance to high and low temperature harsh environments, and lightweight.

AR/MR/VR Camera Modules: Lightweight, high-precision Active Alignment process, shockproof, extremely compact.

Smart Robot Camera Modules: 3D depth sensing manufacturing precision, integrated object recognition AI algorithm.

Smart speaker/home central device camera modules: Ultra wide Angle, reasonable resolution for practical application.

Smart Doorbell/Smart Door Lock Camera Modules: Ultra wide Angle, 3D depth sensing, face recognition.

Intelligent Networked Fitness Device Camera Modules: Ultra wide Angle, 3D depth sensing, motion identification, temperature identification.

Smart Shop Camera Modules: Ultra-wide Angle, high precision Active Alignment process.

**B. System Integration Products****B-1 Business Equipment Product**

With the rapid increase in sales of smartphones and tablets, consumers can take photos and print them immediately via Wi-Fi connection, print documents directly from mobile devices (such as Apple AirPrint®), or save scanned document images directly to mobile phones or tablets. New features, such as cloud printing (such as HP ePrint, Google Cloud Print) and scan-to-cloud, are further derived, while the needs for family life, entertainment, and work are met. In order to meet the printing needs (convenience, user-friendliness, compatibility, and consistent print quality) of many brands and mobile devices users on different platforms, the leading multifunction printer manufacturers, namely HP, Canon, Xerox, and Samsung, have jointly established the Mopria Alliance to jointly develop mobile printing standards and formulate a standard mobile printing agreement. They initially focus on Android mobile devices. At present, there are 20 members in the Alliance, including the major US and Japan multifunction printer manufacturers, control board chip design companies, and application software development companies.

It is undeniable that smart phones and tablets have already caused a quite big impact on the printer industry, particularly the inkjet printers. In order to improve revenue and profitability, major brands have proposed a managed print solution to help companies reduce hardware equipment expense and printing costs. The tier one manufacturers have also proposed a complete office document digitization process solution, and are developing toward a service-led business model. In addition, they have proposed customized system solutions and services based on the characteristics of different industries. The most obvious example is Xerox, among other tier one brands, including HP, Canon, Lexmark, and Ricoh. Focusing on the development of low-end laser A4 MFP and mobile device support as it will have significant requirements for the hardware in the future.

**B-2 Surveillance Products**

The development trend of security control system is as follows: (1) the image system evolves from the past 1080p to 4K or higher image quality, (2) fast Edge AI, (3) Wireless transmission from WiFi 11n to WiFi 6E, (4) increased sensitivity under low light source, (5) multi-sensor fusion, (6) low power consumption.

The ongoing uncertainty about the global COVID-19 pandemic is fundamental challenge posed to most security industry trends of 2022. It is accelerating the switch to the cloud and emphasizing the need for accurate data and analytics to make faster, better, and more informed decisions. Video surveillance systems are no longer about security; instead, they are also used for business intelligence and expanding to various fields. Home applications

include: Care for the elderly, children, pets, etc. at home; industrial fields, such as factory monitoring and smart production; medical fields, such as hospital operation, medical safety, and infection control; agricultural fields, such as monitoring of the growth of livestock and crops. Especially in recent years, with the introduction of AI, which has created new value for the security industry, more AI, sensing technology and security technology are integrated, making its function more powerful. Security intelligent applications are rapidly expanding, no matter people's livelihood or commercial, industrial fields professional applications have been fully covered.

### B-3 Wireless Charging

Expanding from high-end phones to mid-end ones, the wireless charging function has also been extended to peripheral smart watches, wireless headphones, and wearable devices, and can be applied to smart home devices, IoT sensors, medical equipment, as well as robots and drones, which will drive the continuous growth of the wireless charging market.

Automotive wireless charging is the focus of the industry in terms of development, and the Company has entered the supply chain of the well-known electric vehicle industry. In addition to the traditional Qi-certified single-sided wireless charging, dual-charge wireless charging (both on driving and passenger ends) products have been developed and mass-produced. In the future, in combination with relevant applications, such as NFC & Bluetooth, wireless charging systems will accelerate the realization of business opportunities in the mobile office inside the car, in addition to enhanced convenience.

In addition to such mainstream wireless charging products and technologies, the Group has collaborated with customers to develop NFC-like wireless charging medical devices for hearing aids and been committed to developing the most popular magnetic wireless charging (including MFM) and various products and technologies, such as the large-scale mobile charging, non-positional charging, mid-range RF wireless charging, and even wireless charging products for medical care, to make it more easier for people in daily life through more accessible wireless charging, while consolidating the Group's competitive advantage.

### B-4 Smart Access Product

With the popularization of cloud computing and AI, and the introduction of new IoT ecosystems by technology giants, including Amazon Alexa, Apple HomeKit, and Google voice assistant, more and more IoT devices have improved user experience; for example, the doorbells and door locks can be controlled through smart assistants; people can know who presses the doorbell at the door by means of face recognition, and users can use face recognition to unlock locks, which increase the market demand. Under the trend in the industry in the foreseeable future, the demand for smart interface devices will increase substantially.

## C. TYMPHANY Acoustic Products

Acoustic products contain professional fields, including electronics, electromagnetics, machining, electroacoustics, and industrial design. With the rapid development of information technology and communication technology as well as the transformation of the electronics industry from analog to digital technology, the new generation of smart terminals is developing toward being digital, wireless, smart, and portable, driving the acoustic industry to continue to carry out iterative operation of products. This is the same with audio products, headphones and microphones.

### a. Development trend of speaker driver technology

(1) Miniaturization is the main development trend of speaker technology

The speaker driver is the core component of acoustic products, which determines the audio quality of acoustic products. With the emergence of smart devices, such as smartphones, and the emergence of new application scenarios, speakers will continue to be developed toward featuring miniaturization, low distortion, high sensitivity, large dynamic range, wide frequency band, and good transient response, stylish appearance, high portability, and excellent sound quality, which are essential elements for future acoustic products. Speakers used in laptops, smartphones, LCD TVs, smart speakers, wireless headphones, and various smart devices create powerful momentum toward the rapid development of miniature speakers.

(2) High performance is still the goal that speaker products need to continue to pursue

Speaker products will be developed toward the direction of long stroke, high power, high sensitivity, wide directivity, and low distortion.

(3) Sustainability is the common goal pursued by the world.

The traditional loudspeaker process is highly polluting, but the Company will develop in the direction of low pollution, energy saving and so on.

### b. Development trend of cabinet design technology

The speaker cabinet is mainly to eliminate the acoustic short circuit, increase the bass sound pressure level and uniformity, thereby improving the sound characteristics in the low frequency of the speaker, but the cabinet also brings some negative effects, such as enhanced formant as well as mid-high frequency reflection and diffraction, causing acoustic coloring in high and low pitches.

The overall technology of cabinet appearance design is relatively well-developed in the speaker industry. The cabinet design conforms to the principles of acoustics, industrial design; the overall consideration is comprehensive and complete and the completeness of details is high. At present, the development trend of cabinet design and manufacturing technology mainly focuses on:

- (1) Improve the directivity of the cabinet, reduce product diffraction, and achieve 360-degree radiation of sound through acoustic radiation design and acoustic structure.
- (2) Improve the immersion of sound. Through the current codec technology, combined with a single cabinet design, the sound emitted from the multi-channel speaker can achieve a better sound immersion.
- (3) Realize the miniaturization of professional speaker cabinet. On the premise of ensuring the indicators of sound output, the high-, medium-, and low-frequency speakers required by professional speakers are integrated into a smaller cabinet, to get rid of the restrictions on the place where they are used because of the large occupation area of traditional professional speakers, which further increases consumers' demand for professional speakers.

### c. Development trend of power management

With the development of acoustic products, such as wireless headphones and portable wireless speakers, power management of acoustic products is becoming more and more important. The longer the limited battery capacity for playing and standby time for acoustic products, the better the user experience. The current power management of mobile phones has been developed for many years and is relatively well-developed. The power management of acoustic products is still in the early stage of development. The main trends of product power management are mainly concentrated on three levels:

- (1) **Optimization at the component level:** optimize the components to reduce the power consumption of individual components, thereby reducing the power consumption of the overall system, so as to extend the power supply time.
- (2) **Optimization at the system level:** To monitor the overall power consumption requirements of the system in real time and adjust and match the voltage and current, thereby improving the efficiency of power supply and extending the battery life.
- (3) **Optimization at the content level:** To load and analyze the content played in advance through cloud computing and big data technology, and optimize the system power consumption according to the content played in advance, so as to achieve the purpose of reducing power consumption under the premise of ensuring quality of playing.

### d. Development trend of digital signal processing

Digital signal processing is to use a computer or special processing device to digitally collect, convert, filter, estimate, enhance, compress, and identify signals to obtain a signal form that meets people's needs. Compared with analog signal processing, digital signal processing based on general-purpose DSP chip has high precision, strong anti-interference ability, and great stability; its programming is convenient, complex algorithms are easy to be executed, and programmable control is available. When the function and performance of the system changes, it does not require design, assembly, and debugging again; the interface is simple, the electrical characteristics of the system are simple, and the data flow is in compliance with the standard agreement; the integration is convenient; it can also be used for signals in very low frequency.

At present, the main applications and development trends of digital signal processing for acoustic products are:

(1) Active noise control

The traditional passive sound insulation method is to simply use noise insulation materials to block noise, without the ability to block noise generated from mid- and low-frequency noise sources. Therefore, heavy

insulation materials must be used for effective sound insulation. Active noise control is a method of electronic closed-loop control, which generates sound opposite to the original noise to counteract the original noise.

#### (2) Echo suppression

In long-distance communications and communications while moving, it is often troubled by echoes. Either linear echoes or acoustic echoes, when the delay exceeds 0.5 seconds, the echo will be clearly captured at the receiving end. In response to the two phenomena above, the echo suppression algorithm is mainly adopted to control and eliminate the echoes. At present, the DSP-based echo suppression algorithm is stable, concise, with a fast response speed, and can maintain great performance for double-talk, near-end-speech, and the mute state.

#### (3) Sound effect processing

The popularity of digital music has brought not only more durable and cheaper storage media and more diverse reception channels, but also more amazing audio-visual effects. However, due to the processing and conversion of digital signals, distortion will inevitably occur. Therefore, if we want to obtain a sound effect comparable to the original audio and video signal source in the human ear, the cost is high and the effectiveness is poor. In order to achieve the surround sound effect, currently the regulations on various digital music have been relaxed, including Dolby Atmos, Dolby Surround, Dolby ProLogic, AC-3, and THX. However, the weakest link in the whole process is in the section from the speaker system to the human ear. The transfer function in this section changes randomly due to different listeners and different listening environments. Therefore, how to automatically detect the environment and adjust the sound effect arrangement to improve the sound delivery range and delivery rate in the entire environment and how to improve the directivity of sound delivery based on the feedback from the live audience are the core issues in current sound processing.

#### (4) Speech optimization

With the increase of the market for creators and the demand for conference systems, the demand for human voice radio systems has increased substantially, and the requirements for quality have also increased significantly. To get a good voice with low delay, the built-in DSP must be used for speech processing, such as popping suppression, compressor, echo cancellation, and labiodental cancellation.

#### (5) Noise suppression

The epidemic has changed people's working habits. Online meetings are becoming more and more frequent, and the need for clarity of life is greatly increased. Through the algorithm, noise other than human voice is removed.

### e. Development trend of acoustic product system design

#### (1) Wireless connection technology

Wireless is one of the most obvious trends in acoustic products in recent years. Commonly used wireless technologies are Bluetooth and Wi-Fi. Bluetooth technology is generally used in headphones and speakers, and Wi-Fi technology is generally used in speakers. In particular, the bluetooth 5.0 technology standard released in 2016 has laid the foundation for the popularity of true wireless headphones. Compared with the previous generation technology, bluetooth 5.0 has lower power consumption; the radius of coverage reaches 300 meters, which is four times that of bluetooth 4.2; the transmission speed is up to 24Mbps, which is twice that of bluetooth 4.2; it can be used for indoor positioning in conjunction with Wi-Fi.

Bluetooth 5.0 technology improves the stability of the device connection and reduces the delay, and its low power consumption feature can also extend the use time of the device. According to statistics, since the second half of 2017, mainstream mobile phone brands have launched more than 50 flagship models that support bluetooth 5.0 transmission. The adaptation of smartphones to support bluetooth 5.0 has laid a foundation in hardware for headphones using bluetooth 5.0 technology.

Bluetooth 5.2 release LE synchronous transmission channel, can ensure one-to-many audio transmission, each received device music is synchronized, and through enhanced EATT to further reduce the overall latency, and more enhanced signal encryption, make transmission more secure.

In 2022, Bluetooth SIG announced a new generation of Bluetooth standard low power voice LE Audio protocol, which can transmit low power voice through Bluetooth, basically the same function as traditional Bluetooth, but greatly reduced power consumption. Meanwhile, the latest Low-complexity Communications Transcoder (LC3) powers low-power Bluetooth audio, which can be compressed to any size required for transmission. The LC3 is able to transmit audio at acceptable quality without the massive resource waste of traditional Bluetooth.

#### (2) Smart voice technology

Smart voice refers to the intelligent system that processes data, including sound collection, voice recognition, and semantic understanding through machine perception technology, to achieve a complete set of calculation processes of human-machine dialogue as well as intelligent analysis and decision-making. This covers multiple interdisciplinary fields, such as speech collection, voiceprint recognition, speech recognition, semantic recognition, and speech output. Smart voice products enhance the user experience in voice recognition, voice processing, deep learning, and voice generation involved in interaction with human beings. With major breakthroughs in a series of core technologies represented by smart speech recognition technology, smart acoustic products have become one of the most important development directions in the acoustic industry.

### D. Connected Mobility Product

#### D-1 Automotive IoT Product

In response to the enormous needs for logistics and transportation and commercial fleet management in recent years, the Company has actively invested in telematics products that combine imaging, AI, and communication functions based on our years of experience in the development of optical and camera modules and audio-visual products.

##### (1) V2X imaging system

The multiple high-resolution and wide-angle cameras, video streaming, communication transmission technology, and AI algorithms have enabled real-time driving and driver status analysis and analysis of vehicle position and status; as such, fleet management businesses can keep abreast of the entire driving status instantly.

##### (2) V2X gateway device

It is an integrated communication and intelligent communication center, equipped with various communication modules, which can collect and monitor the data of various sensors on a vehicle. It is equipped with OBDII, J1939, and J1708 interfaces to capture the data of vehicle status to ensure driving and cargo safety.

It is equipped with multiple video interfaces (PoE, Serdes, USB, and Wi-Fi) and therefore is able to conduct video surveillance and intelligent judgment at different locations. With the latest mobile communication network, the integrated vehicle and cargo data can be synchronized to the driving center in real time.

##### (3) V2X smart sensors

Various sensors required for driving and freight transportation, such as temperature and humidity sensors for cold chain transportation and sensors for cargo compartment closure monitoring, truck wheel and axle monitoring, tire pressure monitoring, and cargo space capacity monitoring.

#### D-2 Industrial IoT Product

In the wave of Industry 4.0, various sensors and monitoring devices have emerged in order to obtain more real-time and rapid monitoring and obtain a large amount of analyzable data. However, different intelligent monitoring and remote operation capabilities are required in different industrial application fields. The Company has developed various integrated communication and monitoring devices for this industrial IoT application.

##### (1) Integrated Wireless Communication Gateway Device

Short-range and long-range communication devices are integrated to facilitate the connection of sensors and remote data transmission at the same time, so as to achieve cloud control and monitoring functions. Meanwhile, edge computing power processors are used to achieve real-time intelligent management functions. Sensor raw data and trigger events of edge computation can be integrated into cloud platforms such as GCP, AWS, Azure through MQTT, WebSockets, or HTTPS according to different requirements, and then connected to the customer's service platform.

##### (2) Surveillance IoT Video Devices

This is a mobile monitoring device for industrial combination of things. Managers can monitor field conditions in real time through this monitoring device, carry out personnel calls and troubleshooting, and at the same time record video, sound and capture the required video for record.



#### iv Competition of products

##### (i) PC peripherals

Keyboards and mouse products are input devices for PC. Although there are other input methods, such as voice input and motion sensing input, currently available, they are unable to replace the mainstream role of keyboard input devices in terms of input recognition, input efficiency, and terminal usage scenarios. At present, information and electronic products are light, thin, short and portable. In order to enable consumers to receive or transmit information easily, the application of touch panels is rising. Currently, touch panels are mainly used in portable electronic products, and the existing keyboard is still adopted as the main input method for desktop computers and laptops. Furthermore, after market tests and feedback, long-term use of touch panels would lead to a considerable degree of inconvenience, such as typing sensitivity and the problem of sore hands caused by users' long-term use, so the touch panel is mainly used for the input device of portable electronic products, while there is currently no alternative for the input device of desktop computers and laptops.

##### (ii) Non-PC peripherals

#### A. Vision Technology Product

##### A-1 Mobile Camera Module

The mobile phone industry is in the unit of billion, so there are naturally many competitors and 70 camera module suppliers in the world, but currently there are no more than 20 suppliers that can provide more than one million units per month with a comprehensive camera product line. Because of the very large market size, new competitors are entering this field constantly. Particularly, the vertical integrators of the upstream and downstream segments in related industries and the horizontal integrators brought by other product line manufacturers of handheld devices pose the most daunting challenges. After 2015, the gross profit of this industry has dropped significantly. In addition, the huge investment in the production capacity of high-end models has enabled big module manufacturers to become bigger. However, as manufacturers competed to expand their factories, resulting in excess capacity. Since 2016, irrational price-undercutting to win more orders has resulted in a certain degree of reshuffling of module manufacturers; some small module manufacturers withdrew from the industry or gradually moved to emerging markets or niche markets. The fingerprint module technology threshold is lower, and the competition is even more irrational. The Group formulates its strategy depending on the degree of competition.

##### A-2 Smart Vision Technology

In addition to striving for stable development of existing product lines, the Group is actively planning to develop new product lines with the most market potential. At this stage, applications related to smart vision technology are taken as the focus of development. The product categories include smart doorbells and portable security video devices, home digital audio and video smart surveillance system, digital smart video conference system, smart access control system, and smart surveillance system.

Meanwhile, the rise of smart homes has brought new impacts and business opportunities to the market. The most representative one is Amazon's Echo. With its powerful advantage in e-commerce channels and strong cloud-based computer processing capabilities, Amazon's Echo becomes instantly popular with the market after its launch. For more than a year after the released to the market, one million units have been sold. This is a huge breakthrough in the smart home field as it has been talked about without any action taken for more than 20 years. It also prompted Google to launch Google Home at the end of 2017, which is also a smart home system. The strengths they promote are the strong network connection and cloud computing capabilities behind the companies, which will inevitably bring significant changes to the market.

In such a competitive environment, businesses who master key image processing engineering capabilities and have high-quality mass production capabilities will stand out from the competition.

##### A-3 Automotive Camera Module

Compared with the cameras used in consumer electronics, lenses for cars have higher requirements for shockproof, stability, continuous focusing, thermal compensation, and resistance against interference of stray and strong light. Therefore, the module assembly is complex and the technology required is relatively advanced. From the perspective of the global lens supply market, currently international companies, such as Panasonic, Valeo, Fuji, Continental, and Magna, occupy a large share of the market. The top five manufacturers have a total market share of about 59%; the concentration is relatively high.

The rest of the market is shared by manufacturers in China/South Korea/Taiwan. Because the manufacturers in China occupies a larger share because of home advantage, while Taiwanese/South Korean manufacturers focus on the niche markets.

At present, the original equipment, or OE (referring to car manufacturers), market of automotive lens shipments is still controlled by the tier 1 suppliers. It is because of the fact that automotive camera module used by OE is a standard product that cannot be purchased or used separately. The relevant specifications and requirements need to match the system controlled by the tier 1 suppliers. Therefore, for OE suppliers, currently Autoliv, Continental, Mcnex, Bosch, and Delphi are the main suppliers. Because automotive cameras require high precision and stability, the use of the active alignment (AA) process is a trend in the industry. The Group has more than 10 years of experience in the AA processes for consumer camera modules, building on which the business has been extended into the automotive field, which currently is where a large portion of the niche is located.

Not all tier one suppliers' car makes cameras by themselves. At present, a considerable number of well-developed products are purchased from tier two suppliers. Such suppliers include Panasonic, Truly, Jabil, Liteon, LGIT, and SMK.

#### B. System Integration Products

##### B-1 Business Equipment Product

The demand for low-priced monochrome laser printers and low-end multifunction printers has rapidly risen in the market driven by the WFH model due to the pandemic, and the competition is very fierce. In terms of product category, the growth range of basic entry function transaction machine will be greater than that of single function printer in the future. To sum up, the laser multifunctional transaction machine has a promising future. With advantages of high-cost performance, automatic batch feeding and scanning and double-sided photocopying efficiency, wireless function that continuously meets the needs of consumers' mobile devices, and enterprises' continuous improvement of the digital application of accounting documents, the product's demand and substitution are not significant risks. However, product price, environmental protection, power saving, printing cost, wireless network printing, and local design are the keys to stand out from the fierce competition.

##### B-2 Surveillance Products

Since Hikvision and Dahua, China's surveillance product giants established in 2001, have occupied 40% of the global market with ultra-low prices. The price war launched by China's security surveillance brands has caused the price of security cameras to drop every year.

However, the situation began to reverse after the start of the trade war. The U.S. passed the National Defense Authorization Act to restrict the purchase of security surveillance products from China's Hikvision and Dahua. Coupled with the technological patent battle caused by the trade war, security surveillance products have made Taiwanese manufacturers as a reasonable target to which customers transfer their orders. In addition, with the expansion of geopolitical effect, the security control industry is more sensitive, which can quickly transfer production bases to reduce geopolitical risks and master key technologies and chips, which will highlight the competitiveness of the Company. Under this niche, with more than ten years of experience in the development of image products, the group has successively received ODM orders from Japan, Europe and the United States. In addition, in response to the trade war between China and the United States, the Group is also planning to gradually shift its production base to non-China regions, such as Thailand or the Americas, to reduce the risk of trade war. The Group's production base in Thailand has been operational since 2021.

##### B-3 Wireless Charging

As early as since 2007, the Group has invested in research and development of relevant products and successively provided design, manufacturing, and OEM services for wireless charging products to the world's leading mobile phones, consumer electronics, computers, peripherals, and even sportswear brands and manufacturers. So far, it has accumulated millions of units in mass production, and continues to make breakthroughs in the development and promotion of various new key technologies, such as the 15W wireless charging device, applicable to Samsung fast charging in 2017, 30W medium- and high-power wireless charging device for computers, the integrated products with wireless charging and wireless data backup functions in 2019. Magnetic wireless charging applications that emerged in 2020 as comprehensively introduced in Apple's products will drive a new wave of upgrades in the industry, and the competition and innovation are also expected to accelerate.

In the future, the Group will still take advantage of the experience and technology accumulated in the past ten years to design more high-efficiency, high-power, and miniaturized applications with low heat consumption

in response to the various needs of major customers for wireless charging and the development of relevant new technologies. The long-distance true wireless charging device allows wireless charging to be prevalent in the modern society and further change people's electricity consumption habits.

#### B-4 Smart Access Product

The Group has many years of development experience in the development of embedded system software and hardware, camera modules, fingerprint recognition modules, and human-machine interface devices, etc., and has developed a large number of key core technologies and patents certified by major domestic and foreign manufacturers, while accumulating many years of experience in the technological development of acoustic products with good results in the market. Building on this foundation, investing in the development of smart doorbells and door locks is expected to have a better outcome more easily. Since the mechanism of traditional mechanical locks is still the core of smart door lock products, the Company has strategically collaborated with traditional door lock manufacturers in Taiwan in addition to investing in R&D talents. With a win-win collaboration model, we can complement our shortcomings while speeding up the product design and development cycle and seizing market opportunities.

This year we will continue to mass produce doorbells and door locks. With that, we will strengthen our R&D efforts to add more smart functions to products more and develop more user-friendly product designs, in order to provide customers with more value added to products so as to face external competition.

### C. TYMPHANY Acoustic Products

#### C-1 Speaker Modules and Systems

Speaker modules and systems have been developed for nearly 100 years, and the original environment in this sector has been stabilized. However, in recent years, with the vigorous development of mobile phones, the development of wireless technology, the replacement of traditional physical distribution of music with online videos and music and streaming music, the speaker industry has undergone significant changes. Many companies that were not involved in the speaker sector have had incredible performance on acoustic products in recent years, such as Apple, Amazon, and Google, which has greatly subverted the original ecology in this sector. Meanwhile, the original speaker businesses are not defeated; instead, they change the direction of product design from the original function orientational to the design orientation. The speaker products have become more stylish. There are many personalized products, either in terms of home products or personal styles.

Speakers with the Bluetooth connectivity function are today's mainstream products. The price of such products in the market varies greatly, ranging from \$10 for low-priced, unknown brand products of to nearly US\$1,000 for high-end products. This kind of wireless speaker product has broken through the framework in the past; it is no longer a high-end product that only people with high and stable income over the age of 30 or 40 can buy; instead, it becomes the product that young people can also afford. Lowering the threshold for the purchase of the product also means a great deal of investment from competitors. Moreover, it has prompted traditional speaker brands that were mainly focused on high-end models to launch entry-level products with the aim of cultivating consumers' brand loyalty when they are young. Such market changes have prompted traditional speaker brands to release more outsourcing OEM orders, which has also brought more business opportunities to PRIMAX.

Meanwhile, the rise of smart speakers with voice assistants has created brought new impacts and business opportunities to the market. The most representative one is Amazon's Echo. With its powerful advantage in e-commerce channels and strong cloud-based computer processing capabilities, Amazon's Echo becomes instantly popular with the market after its launch. For more than a year after the released to the market, one million units have been sold, which is a huge success in the speaker-related products. It also prompted Google to launch Google Home at the end of 2017, which is also a smart home system. For the e-commerce giant and network heavyweight to launch the speaker products as non-traditional speaker manufacturers. The strengths they promote are the strong network connection and cloud computing capabilities behind the companies, which will inevitably bring significant changes to the market.

In such a competitive environment, businesses who master key speaker engineering capabilities and have high-quality mass production capabilities will stand out from the competition.

In this wave of pandemic, the online video conferencing system has been transformed from a small niche market product to a standard equipment of many companies. This type of product needs to be combined with video and audio technology. Of many competitors, the Company is one of the few with technological capabilities in both video and audio fields. This has allowed us to take the lead in the market at the beginning, and we have been developing many new models at the same time.

#### C-2 Headphones

The market development situation for headphone products is similar to that encountered by speaker systems. It is also the wave of new technologies that which has made the market boom and led to many emerging leaders on the market. As a relative latecomer in the field of headphones, our strategy is not to catch up with the existing products, but to invest greatly in research and development of emerging wireless headphones based on the trend of future headphone products in the scenario of wearable applications, such as health detection, hearing aids, and smart applications, to put the Company's advantages in this field to good use to obtain market leadership.

In recent years, as people have changed their working patterns due to the epidemic, home office has become more and more popular. The demand for headphones with microphone function is increasing, and the requirements for comfort and microphone efficiency are also increasing. Years of experience in the design of earphones, coupled with a large amount of investment in the development of microphone technology in recent years, such as radio noise cancellation and noise prevention, technology from the dial to the radio has made us the market leader in this field.

#### C-3 Microphones

The traditional microphone is a passive device, that is, it can only be used when connected with many other external devices. To record high quality sounds, it requires a great deal of professional knowledge and experience. Many new content creators are unaware of these challenging issues.

However, in recent years, the leading brand of traditional microphone does not occupy too many advantages in the creator market. Instead, USB microphones and collar microphones launched by esports, consumer brands and emerging brands quickly occupy the market, such as Logitech Blue series, HyperX QuadCast, Elgato Wave series, Rode, and Beacn. Among them, built-in audio processing and wireless microphones are starting to hit the market and go mainstream.

The Company has developed in the field of acoustics for many years, particularly with our own professional technologies in sound signal processing. These technologies can also be shared between the application of speakers and microphones. This technology to make sound more pleasant is what creators care about. Therefore, we are particularly focused on the development of smart microphones. That is to say, we add a digital signal processor (DSP) for sound signals to the traditional microphone, so that users can plug the microphone directly into the computer and record better and cleaner sounds compared with other microphones, to address the problems that users encounter every day. In addition, the technology can also be applied to wireless microphones, making us one of the few manufacturing companies to offer its own complete DSP microphone solution.

#### C-4 Conference product

As the demand for teleconferencing and conferencing grows rapidly, videoconferencing systems that integrate video and audio are becoming popular. In addition, due to the increase of radio distance, radio environment more diverse, speech enhancement, filtering processing technology has become the focus of competition among leading brands.

Combined with the Group's capabilities in system acoustics and intelligent imaging, as well as our own DSP sound processing capabilities, the Company is a rare manufacturer that can provide complete solutions.

#### C-5 Car Audio product

With the development of electric vehicle and autonomous driving technology, the function and configuration of in-car audio also undergo new changes. How to integrate the best audio configuration and provide a more comprehensive and personalized acoustic experience under the new concept of car body design is the design trend of the new generation of car audio. Meanwhile, in addition to listening to music, the application of acoustics in automobiles has been more widely applied with the upgrade of autonomous driving technology, such as outside the vehicle proximity warning, unexpected sound detection, noise cancellation and so on, which have been widely introduced into the application of various acoustic technologies.

Based on long-term accumulated experience in the field of acoustics, the Company established a new business model in the field of automotive. The Company provides professional acoustic design services from the initial design of the car body to help the car factory build the best audio space configuration and customized products, which is different from other manufacturers that sell the single horn as parts.

### (3) Overview of Technologies and Recent R&D Efforts

#### i Overview of invested R&D expenses

Unit: NT\$1,000

Year	R&D expenses	Ratio to operating revenue (%)
2022	3,366,095	4.25%

#### ii R&D accomplishments in the most recent fiscal year and as of the publication date of the annual report

Year	R&D results
2022	<ul style="list-style-type: none"> <li>■ Design and development of thin and energy-saving Mini LED module for laptops</li> <li>■ Design and development of thin and energy-saving Mini LED full color module for gaming laptops</li> <li>■ Design and development of 1W - 15W wireless charging sets for headphones, wearable devices, and smart shoes</li> <li>■ Design and development of 10W - 15W large-area wireless charging solution, applicable to iPhone fast charging</li> <li>■ Design and development of 15W - 30W wireless charging module with iPhone fast charging function</li> <li>■ Design and development of 15W - 30W wireless charging pad and stand, applicable to iPhone fast charging</li> <li>■ Design and development of 15W in-car wireless smart charger mount, applicable to iPhone fast charging</li> <li>■ Design and development of 15W in-car multi-coil wireless charging module, applicable to iPhone fast charging</li> <li>■ Design and development of 60W - 120W high-power wireless charging device</li> <li>■ Design and development of 1 - 5W RF wireless charging products</li> <li>■ Design and development of high-speed wireless mechanical keyboard for gaming</li> <li>■ Design and development of high-speed wireless mouse for gaming</li> <li>■ Design and development of home game console controller</li> <li>■ Design and development of high-speed transmission docking station</li> <li>■ Design and development of upright binding machine</li> <li>■ Design and development of A3 ARDF</li> <li>■ Design and develop wearable positioning sensing device</li> <li>■ Design and production of credit card color printing equipment</li> <li>■ Design and development of bluetooth portable printer</li> <li>■ Design and development of paper size detection technology</li> <li>■ Design and development of bluetooth mini camera product</li> <li>■ Design and development of recorders, supporting LTE, bluetooth, and Wi-Fi</li> <li>■ Design and development of wireless charging and mobile phone backup device</li> <li>■ Design and development of smart doorbell</li> <li>■ Design and development of smart access control system</li> <li>■ Design and development of home security surveillance system</li> <li>■ Design and development of smart surveillance system</li> <li>■ Design and development of smart video conference system</li> <li>■ Design and development of 2M/3M/5M/8M-pixel in-car camera module</li> <li>■ Design and development of 48M-pixel single-/multi-lens mobile phone camera module</li> <li>■ Design and development of 64M-pixel single-/multi-lens mobile phone camera module</li> <li>■ Design and development of camera module with multiple functions of ranging and depth plus face recognition.</li> <li>■ Design and development of camera module with multiple functions of structured light 3D modeling and face recognition</li> <li>■ Design and development of 50M optical anti-shake camera module for micro gimbal stabilizer (MGS)</li> <li>■ Design and development of AI intelligent camera modules and systems</li> <li>■ Design and development of camera modules with 3D computing video conferencing system</li> <li>■ Design and development of gaming camera modules and video systems</li> <li>■ Design and development of wide-angle sports camera module</li> <li>■ Design and development of a new generation of optical fingerprint identification module</li> <li>■ Design and development of a new generation of ultrasonic smart door lock fingerprint identification module</li> <li>■ Design and development of headphone speaker driver</li> <li>■ Design and development of true wireless headphone</li> <li>■ Design and development of Dolby Atmos sound bar</li> <li>■ Design and development of digital mixer</li> </ul>

Year	R&D results
2020	<ul style="list-style-type: none"> <li>■ Design and development of mechanical low-power wireless e-sports keyboard</li> <li>■ Design and development of mute mouse for business purpose</li> <li>■ Design and development of mute keyboard for business purpose</li> <li>■ Design and development of high-fidelity vibration controller for home game console</li> <li>■ Design and development of 15W - 45W wireless charging module with iPhone fast charging function</li> <li>■ Design and development of 15W - 45W wireless charging pad and stand, applicable to iPhone fast charging</li> <li>■ Design and development of 15W - 45W wireless charging smart in-car charger mount, applicable to iPhone fast charging</li> <li>■ Design and development of 15W - 45W in-car multi-coil wireless charging module, applicable to iPhone fast charging</li> <li>■ Design and development of 15W - 45W innovative mobile charging product, applicable to iPhone fast charging</li> <li>■ Design and development of 60W - 200W medium-power wireless charging device</li> <li>■ Design and development of 1W - 15W RF wireless charging product</li> <li>■ Design and development of thin and energy-saving Mini LED module for laptops</li> <li>■ Design and development of thin and energy-saving Mini LED full color module for gaming laptops</li> <li>■ Design and development of a new generation of A4 DADF scanner</li> <li>■ Design and development of a new generation of barcode printer</li> <li>■ Design and development of a new generation of sheet-feed scanner</li> <li>■ Design and development of a new generation of high-speed CIS image scanning module</li> <li>■ Design and development of a new generation of ultrasonic paper sensor module</li> <li>■ Design and development of camera module for autonomous driving and assisted driving</li> <li>■ Design and development of driving monitoring and in-car detection camera modules</li> <li>■ Design and development of ultra-thin flat speaker driver</li> <li>■ Design and development of integrally formed speaker driver</li> <li>■ Design and development of integrated module for high-performance speaker and amplifier</li> <li>■ Design and development of high-performance mobile speaker power management system</li> <li>■ Design and development of anti-noise true wireless headphones</li> <li>■ Design and development of speaker systems for video conferencing and conference calls</li> <li>■ Design and development of speaker systems for audio conferencing</li> <li>■ Design and development of camera module for autonomous driving and assisted driving</li> <li>■ Design and development of 3D distance measurement with high-resolution camera multifunction camera module</li> <li>■ Design and development of optical stabilization (3 degree or higher) multifunction camera module</li> <li>■ Design and development of multifunctional camera module for smart glasses</li> <li>■ Design and development of 4800/6400 pixel single-/multi-lens mobile phone camera module</li> <li>■ Design and development of driving monitoring and in-car detection camera modules</li> <li>■ Design and development of Apple Homekit smart door lock</li> <li>■ Design and development of Apple Homekit smart doorbell</li> <li>■ Design and development of a new generation of click feedback-based precise multi-point touch panel modules</li> <li>■ Design and development of a new generation of touch feedback-based precise multi-point touch panel modules</li> <li>■ Design and development of a new generation of force-sensing-based precise multi-point touch panel modules</li> <li>■ Design and development of thin and energy-saving Mini LED multi-color backlight module for laptop keyboards</li> <li>■ Design and development of smart automated UVC disinfection devices</li> </ul>
2021	<ul style="list-style-type: none"> <li>■ Design and development of mechanical magnetic axis gaming keyboards</li> <li>■ Design and development of ultra-wideband (UWB) wireless e-sports keyboard/mouses</li> <li>■ Design and development of handheld game controller for iPhone</li> <li>■ Design and development of broadcasting machine for live streaming with smart phones</li> <li>■ Design and development of broadcasting machine for live streaming with PC</li> <li>■ Design and development of camera for indoor live streaming</li> <li>■ Design and development of controllers for post-production for content creators</li> <li>■ Design and development of Smart USB Microphones</li> <li>■ Design and development of hearing aid wireless Bluetooth headset</li> <li>■ Design and development of AI Voice Recognition Technology</li> <li>■ Design and development of intelligent judgment microphone radio adjustment technology</li> <li>■ Design and development of smart microphone radio anti-noise technology</li> </ul>

Year	R&D results
2022	<ul style="list-style-type: none"> <li>■ Design and development of wireless high-transmission e-sports mouse</li> <li>■ Design and development of wireless ultra-light e-sports mouse</li> <li>■ Design and development of live video controller</li> <li>■ Design and development of a new generation of force-sensing-based precise multi-point touch panel modules</li> <li>■ Design and development of a new generation of touch feedback-based precise multi-point touch panel modules</li> <li>■ Design and development of 3D face recognition smart doorbell/door lock</li> <li>■ Design and development of hemispherical outdoor anti-riot camera</li> <li>■ Design and development of hemispherical indoor camera</li> <li>■ Design and development of gun-shape anti-iot camera</li> <li>■ Design and development of intelligent image AI recognition system and algorithm</li> <li>■ Design and development of MMW smart doorbell</li> <li>■ Design and development of professional cameras</li> <li>■ Design and development of pet cameras</li> <li>■ Design and development of garage cameras</li> <li>■ Design and development of MMW radar and camera fusion system</li> <li>■ Design and development of MMW radar fall detection devices and algorithm</li> <li>■ Design and development of thermal transfer label printer</li> <li>■ Design and development of high-speed DADF scanners</li> <li>■ Design and development of clip-on wireless smart microphone</li> <li>■ Design and development of smart e-sports headphones</li> <li>■ Design and development of new portable conferencing audio device</li> <li>■ Design and development of AI microphone noise reduction technology</li> <li>■ Design and development of small space audio speaker</li> <li>■ Design and development of space audio speaker and sound correction mobile phone software</li> </ul>

**(4) Long- and short-term business development plans**

**i Short-term business development plans**

**(i) PC peripherals**

- a. Keep abreast of the development trend of technologies related to mice, keyboards, multi-color backlit keyboard modules, peripherals of e-sports input devices, and smart remote control, and continue to develop new products to facilitate business promotion.
- b. Establish a key component supply chain and establish a VMI/JIT system to effectively reduce inventory pressure and the problem of material shortages.
- c. Improve factory production efficiency, reduce costs, and continue to strengthen OEM/EMS business so as to increase turnover steadily and increase gross profit margin. Keep abreast of the trend of mobile applications and relevant technology development.

**(ii) PC peripherals**

**A. Vision Technology Product**

**A-1 Mobile Camera Module**

Having been certified by the major European and US brands, PRIMAX has built on this to work hard to manage different market. With the successful strategic positioning in the past, all four major oversea mobile phone brands have become its customers. The main short-term strategy will be based on the existing customer relationships to optimize the layout of the entire group. In terms of camera modules, PRIMAX has made every effort to introduce dual-lens multi-lens, ultra-wide-angle lens, miniaturized lens, and 3D/SWIR camera lens module to regain its technological lead.

In terms of customer management, existing customers' gross margin improvement is the most important indicator; apart from emerging markets, our strategy has always been to focus on strategic customers to expand the business in-depth. In addition to increasing the market share of the existing product lines, PRIMAX works to introduce the relevant new product lines of mobile phones.

In production, more advanced and fully automated production, ultra-high-speed high-end processes, and higher-standard clean management are the focus of this year. Moreover, in response to the growth of orders, the expansion of the high-end product capacity is a task of continuous development.

**A-2 Smart Vision Technology**

In addition to continuing to enhance the business of the existing product lines, PRIMAX actively explores new product lines, with a view to taking a leading position in the new digital wave, both in product design capabilities and mastering of key technologies. Smart home-related products that are currently under active development are expected to bring new momentum of profit and create profit margins. At this stage, in addition to keeping abreast of the development trend of technologies related to smart home multimedia streaming, PRIMAX continues to develop new platforms and software to facilitate business promotion and actively establish a supply chain of key components. In terms of internal R&D plans, PRIMAX will continue to strengthen our software development capabilities and establish long-term cooperative relationships with software solution providers to stay up-to-date with the trends of relevant technology development. In terms of the customer base, PRIMAX will continue to deepen and broaden the current relationships with our major customers and product items. At present, all major customers are leaders on the market, which is in line with PRIMAX's growth strategy, and PRIMAX will further expand its market share and enhance the leading position.

Meanwhile, PRIMAX will expand the business and enter the professional field of surveillance products, that is PRIMAX will continue to expand our business under the condition that the existing customers are also leading brands on the market.

**A-3 Automotive Camera Module**

Based on the existing customers, PRIMAX will deepen and expand the business by laying a foundation for future growth through the existing new energy car manufacturers/vehicle tier-1 suppliers.

**A-4 IoT Camera Module**

As IoT devices are widely applied in the consumer market or the enterprise market, the business strategy needs some degree of focus. Therefore, in terms of application fields, PRIMAX first focuses on the following categories and carefully select the customers in this field. At present, PRIMAX has cooperated with world-class large factories or leading customers in all fields:

- Camera Modules for Video Conferencing Systems: New and existing video conference system large manufacturers
- Drone Camera Modules: American UAV manufacturers based on B2B application
- AR/MR/VR Camera Modules: The main objects are Google, Apple, and Meta
- Smart Robot Camera Modules: Take robot vacuum cleaner as the entry point to lock the top three manufacturers in the market
- Smart speaker/home central device camera modules: Mainly target Google and Amazon
- Smart Doorbell/Smart Door Lock Camera Modules: Take American clients as the main outlet
- Intelligent Networked Fitness Device Camera Modules: Take American clients as the main outlet
- Smart Shop Camera Modules: Take Amazon as the main object of cooperation

**B. System Integration Products**

**B-1 Business Equipment Product**

PRIMAX actively develops high-speed and low-cost scanner modules, which have been successfully mass produced. High-end business scanners and module products are also about to enter the stage of mass production so as to expand the global business actively. In the design and manufacturing of laser printers and multifunction printers, in addition to consolidating the existing customers, PRIMAX will continue to develop platforms with more competitive costs and functions and actively strive for new product development projects from customers in China, U.S. and Japan. At present, various projects are in progress, and the main series of new platform models have been put into mass production this year. Label bar code heat transfer printer is another new product line, the first generation of products has been mass produced for many years, this year into the development of a new generation of products. The business of OEM manufacturing of image modules and integrated A3/A4 business equipment continues to grow steadily, and PRIMAX will actively strive for new customers and opportunities for A3 and new products. In terms of office automation products, with the continuous improvement of its own technologies, PRIMAX has successively obtained many important patents. The development of new customers has been very smooth. PRIMAX has successfully transformed its business model into an ODM-based one and actively cooperates with customers to develop new products.

### B-2 Surveillance Products

In the short term, PRIMAX will continue to accept more ODM orders through the Group's resources to consolidate its leading position in OEMs of professional security surveillance products, while developing radars, to ensure the leading technological specifications and widen the technological gap with general surveillance manufacturers. Also because of the popularity of security products, in addition to professional security, the group also entered the home security and pet monitoring market, to extend the product line, so as to expand the market, bring more room for growth.

### B-3 Wireless Charging

In the short term, PRIMAX will continue to consolidate its leading position in retail customers, ensure the leading advantages in scale and technological specifications, and use innovative products and magnetic products (including MFM) to extend the market to various consumer product brands, such as mobile phone brands and TWS headphones.

In the automotive field, PRIMAX will not only continue to consolidate and prop up the share in the existing special applications and several automotive and electric vehicle customers it has secured and rapid growth, but it will also further promote its products to major well-known automotive tier -1 suppliers and car manufacturers, to seize the market opportunities also rising from the rapid growth and maintain the contribution to the gross margin.

In addition, in the medical field, the Company has collaborated with one of the world's top three hearing aid manufacturers quickly to jointly develop a world-unique charger for NFC hearing aids, which has been mass-produced and launched to the market. In the future, this technology will expand to other hearing aids, medical, IoT, and other miniaturized charging devices, to usher in another wave of growth opportunity and contribute to the gross margin.

### B-4 Smart Access Product

Initially, PRIMAX will target the consumer market for smart doorbells and door locks in North America and Japan, continue to increase the penetration rate based on the existing customers, and actively invest in R&D, improve the competitiveness of product design, and reduce costs, with a view to overcoming the more intense competition in the future. In the future, it will extend its market to Europe, with the aim of grasping more business opportunities in a wider market.

## C. TYMPHANY Acoustic Products

### C-1 Speaker Modules and Systems

Smart speakers are still the mainstream in the current market. In addition to consolidating the existing mainstream customers in the market, PRIMAX will focus on the development of markets outside Europe and the US. Smart speakers are mainly based on voice, and the existing mainstream customers may not be able to enjoy an advantage in non-English-speaking countries because of characteristics of each language; thus, there is still a great deal of room for growth in the market. The Company has also worked hard in the China's market for a long time, which will have a greater space for growth in the future.

In addition, breakthroughs of flat-panel LCD TVs have been made in size and pixels, and the price is becoming accepted by the wider public, which also makes market attention re-paid to sound bar products. When consumers are pursuing the enhanced image quality, they are also pursuing the improved sound quality. The latest Dolby Atmos has stepped out of the cinema and entered the family; thus, this is also one of the key products that the Company will focus on in the future.

Meanwhile, in view of the market potential and high profitability of professional-grade commercial speakers, PRIMAX has developed its business in this market for past two years. As the products in this market are durable with high unit prices and high power, it is of great help to further increase the Company's profitability and long-term stable sources of revenue in this market.

Video conferencing audio system is a product that responds to the emergence of new working models. With the Group's advantages in video and acoustic products, the Company is at an advantage. New products will be launched one after another, creating a new wave of business opportunities.

### C-2 Headphones

PRIMAX's current major customers in headsets are market leading brands. It will continue to maintain the cooperation with these customers and expand the scope of services to other types of headphone products in different fields.

In terms of true wireless headphones, the Company has begun to launch many products this year, and the emerging wireless Bluetooth hearing aids have also been officially rolled out to the market. We will continue to develop new technologies and new customers to gain a leading position in the market.

### C-3 Microphones

As for the microphone, PRIMAX will target esports related and traditional acoustic brand customers this year.

E-sports is mainly for online game live main development, which is one of the mainstreams of online live streaming, market prospects are quite predictable, it is expected that this year will be several products developed by the company shipped.

The acoustic brands' products mainly target general talk show creators and music creators. Main focus on sound quality performance and reliability. These customers highly overlap with those in the professional speaker's field; thus, it is an area worthy of development. By working with such customers, the Company will be able to secure its position in the microphone market.

### C-4 Conference product

Building on past ability to integrate acoustic design and smart imaging within the Group, PRIMAX will continue to collaborate with international leadership conference brands to launch new products. At the same time, PRIMAX will incorporate the experience of these projects and the newly developed microphone radio technology to start designing different product platforms to offer to its customers.

### C-5 Car Audio product

Car audio starts from the Company's familiar wireless audio, perfectly integrating wireless audio and vehicle system into portable audio, and has been marketed.

At the same time, based on years of experience in system acoustics, the Company is negotiating with a number of car manufacturers, unlike most competitors only providing audio, but to provide a complete interior acoustic system design service.

## ii Long-term business development plans

### (i) PC peripherals

PRIMAX will continue to strengthen its production automation capabilities, reduce labor costs and pressure for shortage of workers, and implements a lean production model. In addition, it will develop new product lines (such as home gaming console peripherals and mobile device gaming peripherals) to expand new business and increase turnover.

### (ii) Non-PC peripherals

## A. Vision Technology Product

### A-1 Mobile Camera Module

In the long-term strategy, with a large customer base as the foundation, PRIMAX will strive to form effective strategic cooperation with upstream suppliers of key components of camera modules/intelligent camera modules targeted (such as image chips, optical cameras, motors, infrared-free glass, and ceramic chips), to ensure cost competitiveness, technological advantages, and supply guarantee through closer partnership. In addition, for existing customers, PRIMAX will (1) deeply expand the business with customers' entire product lines of camera modules/fingerprint modules and will fully support the strategic customers' needs for lenses and extend to modules containing similar technologies for all physical platforms defined by customers, including TVs, wearable devices, tablets, mobile phones, and even automotive devices; (2) broaden customers' other product lines, and ensure continued competitive advantage through bundle price negotiation.

In terms of management of customers, PRIMAX has invested in and developed customers in the fields of non-mobile applications that are about to flourish, which is expected to have significant results next year.

### A-2 Smart Vision Technology

In terms of long-term business development plans for new product development, PRIMAX will continue to develop and expand the technologies and business of wireless network storage devices and smart digital imaging products, and will also work closely with key customers to develop new products that meet the market needs, to create a win-win situation. In terms of the customer base, it will expand from the Company's existing customer base and start with market leading brands, including cooperation with major European and US consumer electronics manufacturers and Japanese leading manufacturers, to lead the market in energy conservation, system integration, and user-friendliness

design, so as to grow together with key customers selected. In addition to hardware product development, in response to emerging cloud computing applications, PRIMAX will continue to enhance the ability to develop, integrate, and apply relevant software technology. With its solid design, research, development, application, management and execution capabilities, PRIMAX will surely be able to successfully expand the business of such products and services.

#### A-3 Automotive Camera Module

PRIMAX will develop towards smart subsystems, and collaborate with software suppliers to develop a complete layout in system products. Such as: Driverless/advanced assisted driving/driver monitoring/indoor monitoring system.

### B. System Integrators Modules

#### B-1 Business Equipment Product

PRIMAX will continue to expand the technology and business of scanners and multifunction printers and become the world's first professional ODM design company. Moreover, in response to the huge market demand for wireless broadband and mobile multimedia devices, PRIMAX has actively enhanced the development, integration, and application of relevant technologies for mobile device scanning and printing. PRIMAX has accumulated solid capabilities and experience in the design of high-end scanners, automatic feeders, automatic binding machines, and control panels. With more than 20 years of experience in the development and manufacturing of imaging products and embedded devices, the Group will be able to successfully expand the depth and breadth of this product business by providing stable quality products and cost competitive products to customers to achieve the goal of win-win. In the future, in terms of the office automation products, PRIMAX will continue to invest in the development of its own technology, from the customer's point of view in environmental protection and sustainability, energy saving, system integration and user convenience design, leading the market, and long-term development and growth together with selected important customers.

#### B-2 Surveillance Products

Security surveillance products have been gradually developed towards the direction of AI in recent years. Most product designs combine digital image recording, AI identification, cloud system, and wireless transmission technologies, and are applied in smart homes, smart workplaces, and even a wider smart cities. In addition to the continuous development of the existing business, the Group will form alliances with major system companies, which will be a win-win outcome as both parties can satisfy their own needs, seek mutual benefits, and restructure resources. In addition, in the AI era, the Group will design surveillance products in combination with more diversified applications, and upgrade from a hardware supplier to a solution provider rather than sticking to the original OEM model. We will focus on automated production, data structuring and strive to improve privacy, enhance product security, and achieve digitalization to meet customers' needs and ensure that they have the technological foundation for rapid growth and expansion to create a win-win situation for the Company and our clients.

#### B-3 Wireless Charging

In addition to continuing to consolidate the business in mobile phones and automotive field in retail channels, the Group has massed produced wireless chargers for a world-renowned brand's medical hearing aids. In the future, we will enhance the development of medical products, such as hearing aids, and expand to the miniaturized IoT field, while striving toward the applications more widely used in the home (Ki), PC, industrial control, medical care, acoustics, and even new areas, such as external wireless charging for electric vehicles, to ensure business with the markets and service categories with high growth, high gross profit, and high added-value.

#### B-4 Smart Access Product

In addition to continuing to deepen the consumer market, PRIMAX will invest in the development of commercial access control systems, with the aim of expanding the business scale and increasing the market penetration rate of its products through new fields.

### C. TYMPHANY Acoustic Products

#### C-1 Speaker Modules and Systems

In terms of long-term strategic development of acoustic products, PRIMAX will work to increase the sales of speaker drivers. In addition to the promotion of the use of PRIMAX's own speaker drivers to the existing customers in the system business, the sales of independent drivers will be strengthened. This aims to not only enhance the growth of business but also to promote the visibility and reputation of the Company's efforts in the quality of speaker drivers,

thereby enabling this field to be a boost for the system development business and vice versa.

The development of new markets is to strengthen development of customers in China and Europe. China is a big market for emerging speaker products and also an emerging market for smart voice assistant speakers in the future. In Europe, there are many traditional speaker manufacturers striving for transformation into a business model featuring a wide variety of products in a small quantity, highly customized, and high added value; PRIMAX can contribute to the transformation using its strengths.

The Company has established new laboratories with R&D talents for this field, and has begun to collaborate with major foreign automobile manufacturers to develop a new generation of concept cars. The future potential of this market is tremendous.

#### C-2 Headphones

As wireless and smaller headphones are becoming popular, a new development direction in the future is to combine headphones and wearable devices as a new generation of health and fitness products. In addition to smart functions, there are various new functions, such as physical state detection, environmental sound monitoring, and hearing assistance. These functions will be likely to once again subvert the ecology of the existing market and new brands may emerge as a result. Therefore, PRIMAX will continue to invest in new technologies in this field and develop new customers, to ensure leadership in the market and creation of new markets.

With the change of work pattern, the commercial headsets are more and more favored by the Company, the demand is also higher and higher. In addition to helping to create high-end quality products and conference platform certification (such as Teams and Zoom) test environment and platform, in the future, PRIMAX will continue to invest in solving the problem of hearing fatigue, hearing loss and comfort, continuing to invest in optimization, such as bone conduction, open headphones, smart tuning, to make sure it can lead the market and create market value.

#### C-3 Microphones

With the increasing popularity of audio and video content creation, the market demand for microphone products is on the rise. With more people in the content creation, they will become more sensitive to the usability and price of products. Although the Company is a latecomer in the field of microphone, its original competitors in this field all belong to traditional companies, which are slow in the development of emerging technologies, and the demands of creators are completely different from those of professional recording users. Besides the built-in DSP, the Company will also use the wireless transmission technology accumulated by the Group over the years and human factors engineering in the microphone products, thus expanding the technical leadership in creator microphone.

#### C-4 Conference product

Due to the increasing demand for long-distance communication in the post-pandemic era, the Company will continue to break through the design capabilities of far-field radio and conference audio, and develop new products. Meanwhile, the Company will continue to develop new customers and jointly tap into this rapidly growing market.

#### C-5 Car Audio product

Car audio is a key project for the growth of the Group. In view of the fact that electric vehicles, self-driving cars, and new energy-powered vehicles have become the mainstream of the future development in the automotive market, the application of automotive acoustic system adopted in the new generation of cars has gradually deviated from the traditional application models.

Only one set of automotive acoustic system is installed in a traditional car, and all passengers in the car receive the same audio source, either music, radio, or the sound of the navigation system. A small number of higher-end vehicles will have an independent Bluetooth acoustic system installed in the driver's seat for the driver to make phone calls or for navigation purposes. But even so, other passengers in car will still hear the sound from the system, causing interference.

In the future, driving work will gradually be replaced by self-driving systems, and the internal noise of new energy-powered vehicles is lower than that of traditional vehicles, and more and more people's smart mobile systems can be introduced into a car with new communication systems, such as 5G. There are more and more activities that can be carried out in car, and the first demand arising is an independent acoustic space for each seat. Through the arrangement of the speaker position and the design and algorithm of the spatial sound, each position in car can have an open and independent acoustic space, which does not interfere with each other, and can be shared when necessary, making it a new generation of in-car entertainment system. In the meantime, the car noise reduction will also be the focus of development technology.

## 2. Overview of the Market as well as Production and Marketing Situation

### (1) Market analysis

#### i Sales area of main products

Geographic Distribution	Year	2021		2022	
		Amount (NT\$1,000)	%	Amount (NT\$1,000)	%
Mainland China		33,587,191	46.88	28,212,456	35.60
Europe		16,606,343	23.18	20,771,566	26.21
USA		16,701,890	23.31	21,964,066	27.72
Others		4,754,425	6.63	8,292,677	10.47
Total		71,649,849	100.00	79,240,765	100.00

#### ii Market share

PRIMAX is a manufacturer of professional computer peripheral products, mobile device components, business equipment, acoustic products, and smart home-related products, with a high rating in the industry. As PRIMAX's wide variety of products covering a wide range of areas can be widely used in products, such as mice, keyboards, touch panels, laptops, mobile phones, headphones, charging docks, printers, scanners, and acoustic products. Since 2015, it has gradually entered the automotive electronics market. Because of the great differences in the final products to which these products are applied, there has not yet been complete and objective market share statistics for reference.

#### iii Supply and demand in the market and growth in the future

##### (i) PC peripherals

The peripheral products produced by PRIMAX include keyboards, mice, laptop keyboard module, touch panel modules, high-speed transmission docks, devices for e-sports and gaming creators, among which the keyboards and mice are the main sale items. As laptops become thinner and simpler, USB ports are declining on many computers, and the need for high-speed transmission docks and wireless input devices continues to grow.

##### (ii) Non-PC peripherals

#### A. Vision Technology Product

##### A-1 Mobile Camera Module

PRIMAX's mobile camera modules include camera modules and fingerprint recognition modules, as well as Bluetooth headphones, charging docks, and wireless charging modules in communications peripherals; of them, camera modules occupy the largest portion. The components are mainly used in information, communications, and consumer electronic products, such as laptops, smart phones, and tablets; thus, the changes in demand in the future are closely related to the shipments of laptops, smart phones, and tablets.

Since the built-in camera module of laptops has become the standard device of laptops, the shipment volume of the built-in camera module for laptops will also be stable with the shipment volume of laptops. The growth of the number of mobile phones has slowed down, but mobile phones equipped with multiple camera modules have become a trend (front camera, dual main cameras, and facial recognition), so the demand for mobile phone cameras is still expected to grow. In terms of smartphones, with the growth of global mobile phone shipments and the increase in the number of mobile phone and video camera modules installed on devices, the annual shipments of mobile phone camera modules have grown year by year. With the increasing popularity of 4G and upcoming 5G mobile networks, the percentage of mobile phones with built-in second camera modules (sub-camera, i.e. video camera) has increased year by year, which has led to a continuous increase in global smartphone shipments. In recent years, the biggest trend of smartphone camera modules is the continuous increase in the number of lenses for the rear camera. As per

the research by TrendForce, triple cameras will surpass the dual ones and become the mainstream in 2020, driving the continuous growth of smartphone camera module shipments. It is estimated that smartphone camera module shipments in 2023 are expected to reach 5.3 billion, an annual increase of 1.5%.

However, the wave of multi-cameras has started to witness a change from the second half of 2021 after the high growth over the past few years. The previous significant increase in the penetration rate of four camera phones was mainly triggered by the mid-range models in the second half of 2020 as mobile phone brands marketed the feature of multiple cameras. However, as consumers gradually realized that the frequency of using the third and fourth cameras for macro photography and depth of field was low with limited improvement to the image quality, the demand for four camera phones gradually subsided, and mobile phone brands shifted their focus back to consumers' actual needs.

In addition, the increase in the prices of semiconductor chips, such as PMIC and Driver IC, as well as the high shipping costs have resulted in sharp increase in the cost of mobile phones. Without the cost passed to consumers effectively, the room for phones with entry-level cameras is limited.

##### A-2 Smart Vision Technology

The price of full-high-definition (FHD) digital TVs continues to decrease, ultra-high-definition (UHD) 4K TV continues to grow; personal mobile devices, multimedia games, audio and video streaming boxes, as well as cable network bandwidth continues to improve (10/100Gb); wireless broadband technologies (IEEE802.11ax and 5G) continue to advance; the cloud video and audio streaming services are popularized and diversified, and the contents of high-quality multimedia become more diversified. The smart home products are diverse, and various innovative devices, applications, and services are constantly being introduced; thus, the future growth is ensured.

With the booming market for voice assistant speakers, coupled with the rapid development of artificial intelligence in the past two years, in the foreseeable future, there will be more and more smart speakers with network connectivity, voice assistants and artificial intelligence capabilities connected to the cloud, and even emerging products containing smart audio modules, which is expected to bring a new wave of growth opportunities for the smart home industry. It is expected to create a new wave of opportunities for tremendous growth to the smart home industry.

##### A-3 Automotive Camera Module

The barrier to automotive cameras is higher, and once certification is obtained, long-term profit will be ensured. The technological and technical difficulty of automotive cameras is relatively considerable, mainly because of its high requirements for reliability. Unlike ordinary cameras, the continuous working time of automotive lenses is long, and the environment they are in is often subject to larger vibration. Once they fail, they will cause a fatal threat to users' life and safety. Therefore, strict requirements are imposed on modules and packaging. Automotive lens testing requires several days of soaking in water and a temperature test of more than 1000 hours, as well as a rapid switch from minus 40 degrees to 80 degrees. In addition, automotive cameras need to have a night vision function to ensure normal use at night. In summary, the requirements for the manufacture of automotive camera modules are relatively high. OEMs have more trust in lens manufacturers with scale and stronger manufacturing capabilities. This makes it easier for powerful lens manufacturers to win the competition in the current automotive lens market.

##### A-4 IoT Camera Module

According to the GSMA Intelligence IoT Connections Forecast published in June 2020, the number of IoT device connections in all IoT market is expected to exceed 2.4 billion by 2025. According to the same GSMA Intelligence report, the main growth sources for the consumer IOT are expected to come from the smart home, consumer electronics, wearables and smart vehicles sectors. In the enterprise IoT market, the key area of growth is expected to be in smart buildings, utilities, retail, smart cities, manufacturing, and health.

#### B. System Integration Products

##### B-1 Business Equipment Product

Due to fierce market competition, the end price of multifunction printers (MFP) has been declining, particularly inkjet and black and white laser models. Due to the stagnation of the global economy, the shipment of consumer inkjet models will continue to decline in the next few years. However, the laser models focused on by PRIMAX will continue to grow slightly, and the demand for multifunction printers in emerging countries will continue to grow. The demand for entry-level multifunction printers in the well-developed markets of Europe, the U.S., and Japan in the pandemic period increased significantly, mainly because of the switch from the black and white printers to color multifunction ones. Although the impact of mobile devices and digital trends will continue, the demand from the

government agencies in China and other emerging markets for printers and multifunction printers will continue. Through enhancing security and performance, combining digital process management, deepening the customization in vertical industries, and innovative applications that integrate cloud services, PRIMAX will focus on the applications of A4 entry-level laser MFP and communications products, which is expected to lead to another wave of growth momentum.

**B-2 Surveillance Products**

With the US-China trade war and the COVID-19 pandemic, international buyers have begun to re-examine the supply chain. Taiwanese companies have successively received orders from Japan, New Zealand, Australia, Europe, and other countries, which not only improved the visibility but also eliminated the unqualified business and restructured the industry, further facilitating the growth in the industry. The future technological trends of security protection and smart cities will largely depend on the advancement of smart video surveillance, smart analytics, and cloud storage. With the development and application of data analytics through AI and machine learning in various fields, it is estimated that the output value of the entire industry will grow significantly. According to the estimation of Mordor Intelligence, the U.S. security surveillance market is expected to grow at a compound annual rate of 12.2% between 2021 and 2026, but after the NDAA prohibits the use of Chinese products and solutions in the public sector, it poses a potential huge OEM/ODM business opportunity for the factory in Taiwan.

**B-3 Wireless Charging**

With the popularity of smart phones, tablets, and wearable devices, wireless products have become an indispensable electronic product in people's daily lives. Coupled with the introduction of Samsung's flagship model and all Apple models in 2017, the growth momentum of wireless charging is overwhelming. The major mobile phone manufacturers are also closely preparing for the introduction. At the beginning, the flagship model is still the main import product with high price.

In addition, other consumer electronic product and computer product providers hope to add as many functions useful to consumers as possible. Wireless charging has thus become the function that is useful to consumers and is differentiated with the value-added effect. Therefore, the major manufacturers have also followed Apple's step and are preparing to introduce wireless charging into some of their products.

IHS expects that the demand will reach 1.8 billion units in 2022. This huge business opportunity mainly comes from the built-in wireless charging function of mobile phones. Therefore, it can be estimated that the current wireless charging models will be gradually decentralized from the high-end flagship level to the mid-level or even low-level market, bringing business opportunities as what has been brought by the camera modules, bluetooth, Wi-Fi, touch function, and fingerprint recognition, as another important component and peripheral in electronic products.

**B-4 Smart Access Product**

With the rapid development of cloud computing, edge computing, and AI, smart IoT devices will usher in a wave of significant growth in the next few years. Many market research institutions predict the compound annual growth rate of smart doorbells and door locks will be 15% in the next five years. Smart doorbells and door locks will develop into a market of more than US\$2 billion in 2023, respectively. Faced with a rapidly growing market, as we have been working in this field for two years, we are expected to be able to seize the growth opportunities arising from smart IoT devices.

**C. TYMPHANY Acoustic Products**

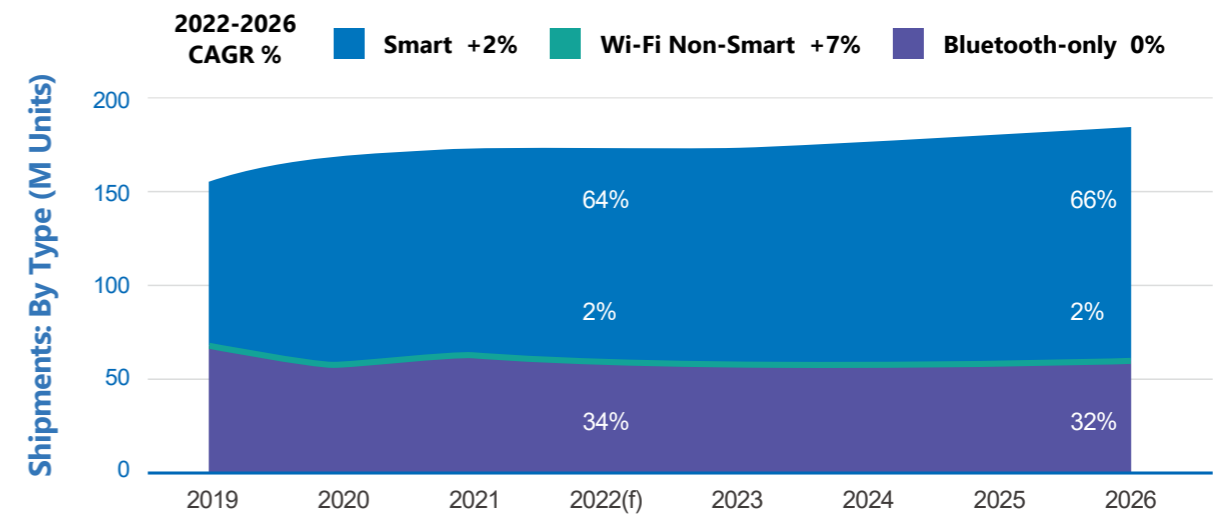
**C-1 Speaker Modules and Systems**

The outlook for wireless audio has changed considerably over the forecast period. In particular, with the introduction of super-cheap smart speakers, the expectation is to allow traditional audio brands to compete more effectively in the market, to shift their current product positioning and implement WiFi capabilities. Bluetooth, which previously forecast a compound annual growth rate of 9% from 2021 to 2025, has now been absorbed by smart and WiFi non-smart audio, with compound annual growth rates of 2% and 7% from 2022 to 2026, respectively.

WiFi non-smart audio is marketed as a device that provides the best wireless audio music listening experience. As the average selling price increases and the power of higher price segments continues to evolve, this will benefit the outlook for WiFi non-smart speakers.

The branding of smart speakers is expected to become more volatile, with more products directly using established software from tech companies.

**Worldwide Wireless Speaker Market Development:By Type**



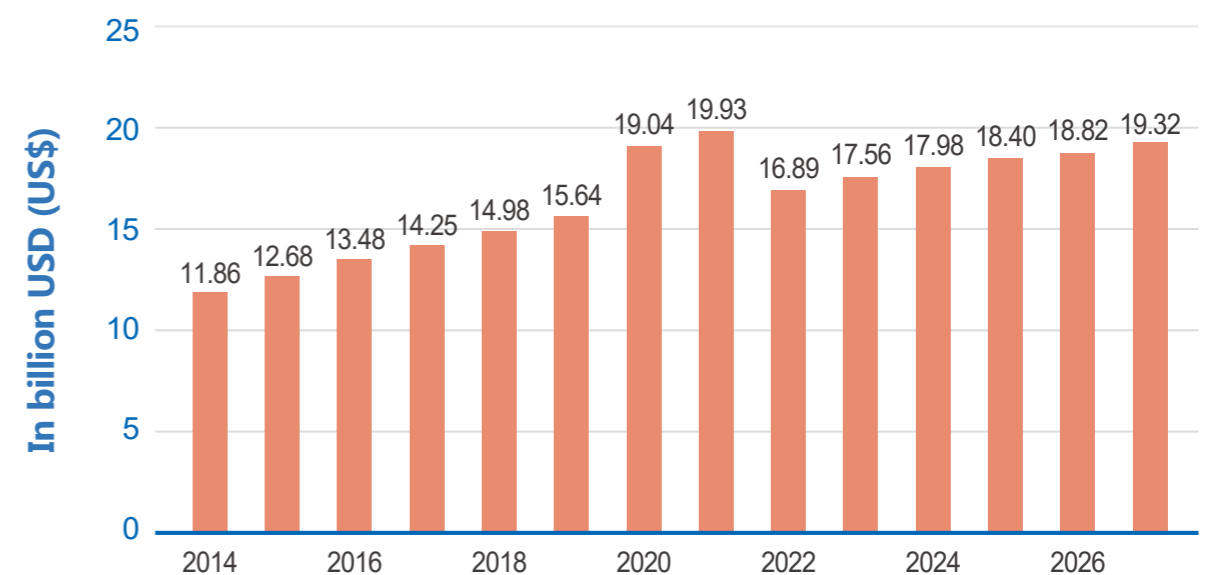
Source: Futuresource Worldwide Home Audio Report July 2022

**C-2 Headphones**

The market for headphones will reach US\$17.56 billion by 2023. The market is expected to grow at a CAGR of 2.42% (2023-2027) to US\$19.32 billion annually.

The type of headphones also shows a polarization trend with the growth of the market, on the one hand, true wireless headphones quickly become the mainstream of the market, with its lightweight and easy to carry to become the favorite of most people, on the other hand, headphones in special applications such as games, high-quality music listening, conference calls and other applications continue to maintain a strong position, the future trend should be maintained for some time.

**Worldwide Headphone Market Forecast to 2027**

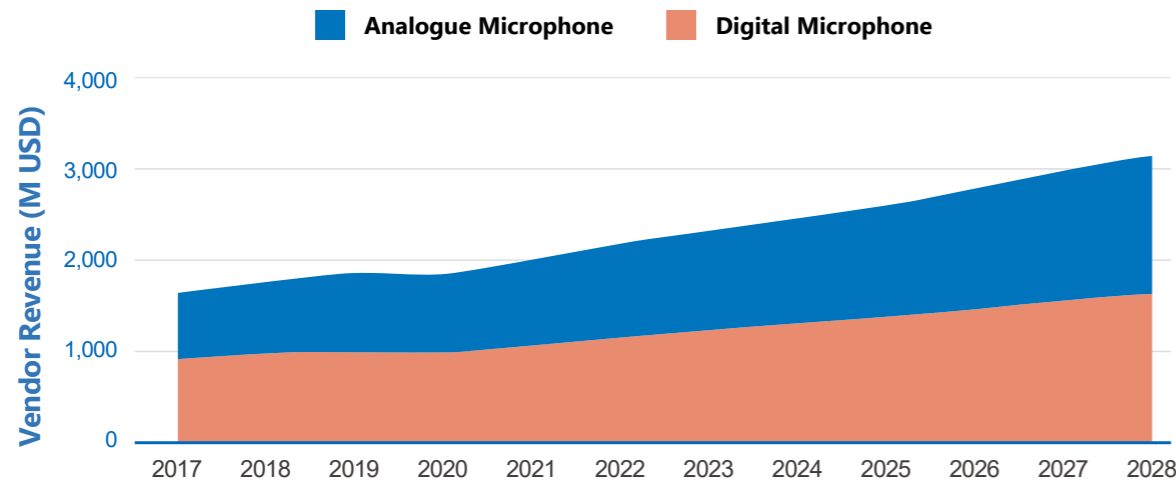


Source: Statista, Dec 2022



C-3 Microphones

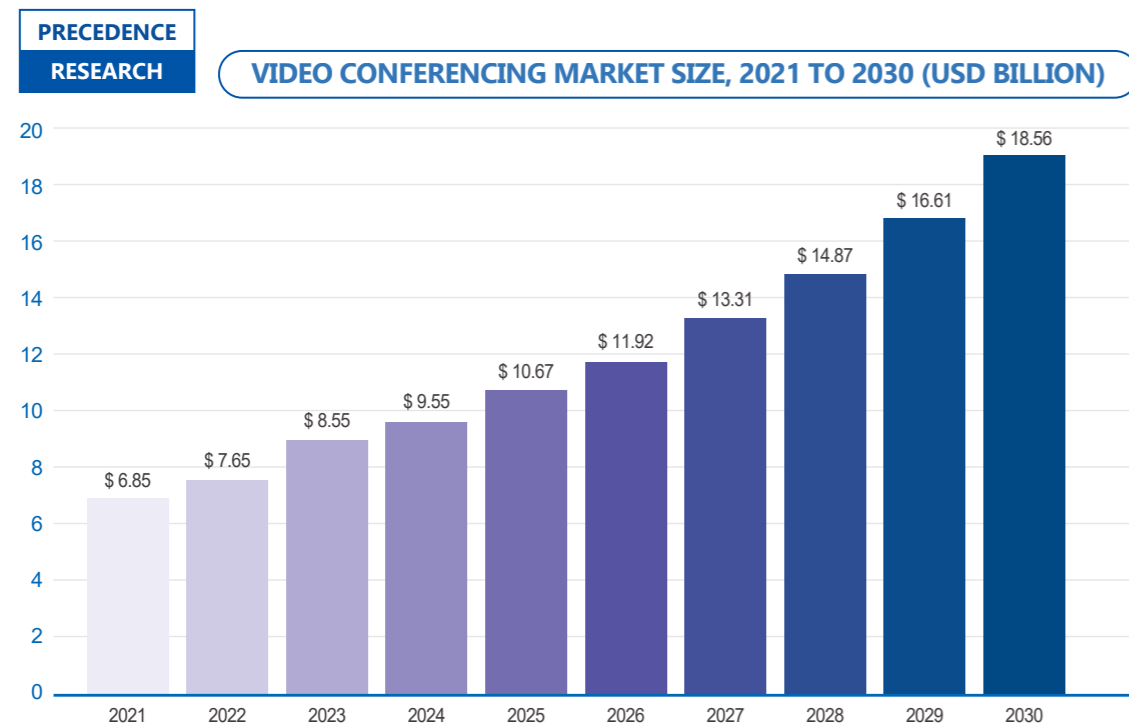
The outbreak of the COVID-19 pandemic has indirectly contributed to the rapid growth of the microphone market, which according to Maia's report will grow rapidly in 2021 and will continue to grow at a compound growth rate of more than 7%. In digital microphones, wireless microphones have a high growth rate of more than 10%, which is a new opportunity for a product with a history of 100 years.



Source: Maia 2022

C-4 Conference product

With the impact of the epidemic on human work patterns, the demand for videoconferencing has increased, and companies have also introduced conference systems to drive market growth. Precedence Research's industry report shows that conference equipment will grow at a compound annual growth rate of 11.71% in 2021 to US\$18.56 billion in 2028.



Source: www.precedenceresearch.com

C-5 Car Audio product

Assisted driving and autonomous driving systems are becoming more popular, and the demand for in-car entertainment, especially in-car and sound systems, is also increasing. In addition, the gradual alleviation of the shortage of materials in the automobile industry, as well as the slowdown of the epidemic, caused the recovery of automobile demand, which also led to the rapid growth of the relevant market. According to Fortune Business Insight's industry report, automotive audio will grow at a CAGR of 6.3% in 2021 to US\$13.52 billion in 2028.

iv Competitive niches

A. Sufficient production capacity and economies of scale

With the increasingly shortened life cycle of consumer electronics products, various manufacturers are all focusing on new product development and cost reduction. Therefore, under the consideration of cost reduction and rapid mass production, OEM is the mainstream trend in the market. Under this trend, manufacturers with relevant product production experience and sufficient production capacity have become the large international manufacturers' first choice for outsourcing. PRIMAX has decades of experience in the development, design, and manufacturing of imaging products and embedded devices, with a strong technological development team and strict manufacturing and quality management processes. Backed by its strong R&D team, PRIMAX can immediately adjust the production process according to customers' needs and assist them in optimizing their existing products while responding to their needs in real time. PRIMAX has successively set up production bases in Thailand, Dongguan, Kunshan, Chongqing, and Huizhou in China, to continue to increase the production capacity, while having production capacity with the effect of "economies of scale" and capacity allocation flexibility. Such economies of scale, capacity allocation flexibility, and professional process technology have made the entry into this field for new competitors relatively more difficult, and such diverse production resources have also become an important competitive advantage for the Group in obtaining OEM orders from large international manufacturers.

B. Global logistics-based production

PRIMAX provides services to customers in a global logistics-based model. In addition to providing excellent products to customers, the Group also provides logistics support services to them. PRIMAX's process management capabilities are excellent, production flexibility is high, as well as its production and sales layouts in Dongguan, Kunshan, Chongqing, and Huizhou are great, while providing customers with services from the nearest base to stay close to the market and shortening the product delivery time through the global instant supply warehouse (such as the US, the Netherlands, and China), so as to provide customers with a stable and fast supply and enable them to have minimum inventory and reduce capital backlog; therefore, the logistics support capability is one of the competitive niche of the Group.

C. Maintain deep partnership with international manufacturers

Since its establishment, PRIMAX has continued to focus on the R&D of computer peripheral products, mobile camera modules, business equipment, smart homes, and electro-acoustic-related products. The product quality and stability have been deeply recognized by customers, and the Group continues to receive customers' orders for purchases. PRIMAX's main customers are all internationally renowned manufacturers. When establishing specifications and undergoing technological innovations in the preliminary stage of validation with customers, the Group can make full use of customer relationships to obtain the latest market information to keep abreast of the market trend. PRIMAX has established great cooperative relations with upstream and downstream industries for many years. In the future, it will also be an important partner for close cooperation with major manufacturers when developing new products.

D. People-machine interface integration technology and software development capacity

PRIMAX has an experienced and well-qualified software R&D team with the R&D capabilities of human-machine interface software and hardware. It can not only actively help customers improve product operation interfaces but also develop highly user-friendly software and convert it to consumer electronic products widely accepted by the general consumers, such as personal network servers and wireless hard drives. These new applications that are integrated and developed from the existing technologies will be a big niche for future development.

### E. More than 10 years of experience in wireless charging hardware and software design and mass production capacity

Wireless charging involves the wireless and magnetoelectric principles; there have not yet been standards of the industrial specifications and scale advantages and there are no major specifications or leaders on the market, so it attracts many small and medium manufacturers to join. However, because of major brands' requirements for diversified product designs and their expectations of larger-scale developers with design capabilities equivalent to those of other key components in terms of design mastery and optimization, even the final product certification, and mass production capabilities, PRIMAX stands out particularly on this front.

The Group has received the favor of major mobile phones and consumer electronics brands from ten years ago, and has continued to introduce wireless charging into the products of major brands. The styles include various receiving devices (mobile phone cases, smart speakers, laptops, headphones, mice, etc.), sending devices (charging boards, charging docks, charging racks, wearable special charging docks, mouse pads, etc.), and the requirements for design, manufacturing, testing, and quality assurance are all international standards, which are not comparable to other wireless charging competitors in the short term. Therefore, at present, the Group has continued to attract the attention of major brands, and has released inquiries and even cooperation on related wireless charging.

### v Favorable and unfavorable factors of development prospect and response strategies

#### ■ Favorable factors:

#### A. International manufacturers continue to outsource its business to OEM to reduce costs

International brand manufacturers have recently continued to manage their brands and maintain the control of their R&D technologies; they have successively outsourced their business to professional OEM factories for production to reduce production costs and to focus on their own design, sales, and R&D work so as to simplify the complexity of management and improve operational efficiency, while streamlining the organizational structure, concentrating resources, reducing production costs, strengthening brand value, and increasing the market share. Under the situation where the global division of labor in the electronics industry is becoming more and more obvious, such a business model has become necessary for all major international brands, and as a result, it has led to huge outsourcing business opportunities.

PRIMAX has established production bases in Thailand, Dongguan, Kunshan, Chongqing, and Huizhou in China in order to serve local customers in proximity, strive for OEM business, and reduce production costs. In recent years, PRIMAX has gained customers' recognition in product development technological capabilities as well as has provided customers with diverse production resources as the production backbone and the most complete services in a timely manner; therefore, it has cooperated with well-known international manufacturers in the US and Japan while successfully obtaining their OEM business. With PRIMAX's professional development technological capabilities and great production management model, it can effectively reduce the production cost and expand business opportunities in the competitive OEM market.

#### B. The terminal application market still has great room for growth

##### (i) PC peripherals

PRIMAX's computer peripheral products include mice, keyboards, keyboard modules for laptops, and high-speed transmission docks. In current trend, as the major computer brands are becoming bigger, although the growth trend of the computer market in the future will slow down, the Group will still occupy a favorable position because of the appropriate customer strategy. Meanwhile, the increase in demand comes from the gradual development of the e-sports industry, and relevant keyboards, mice, and game controllers are produced accordingly.

##### (ii) Non-PC peripherals

#### a. Vision Technology Product

##### a-1 Mobile Camera Module

PRIMAX's mobile camera modules mainly include built-in camera modules and fingerprint recognition modules for laptops, smartphones, and tablets; video conferencing system camera modules, smart speaker camera modules, and smart door lock camera modules; as well as Bluetooth headphones and charging docks for peripheral communications devices. As consumers are accustomed to using the mobile phone cameras to take photos or share videos with friends and family at any time, smartphone and tablet manufacturers continue to launch high-pixel smartphones and tablets with built-in camera modules. In addition, with the popularity of the Internet and the increase in bandwidth, the built-in camera modules for laptops have become the standard device of laptops, showing that the market of built-in camera modules still has great room for growth. Moreover, the mobile payment market is in full swing and the demand for fingerprint recognition is growing fiercely and rapidly, which is the one of the fastest-growing areas in these two years. With the advancement of mobile phone functions, the power consumption has also increased significantly. It is no longer the case that mobile phones can stand by for more than a week as in the past; instead, the demand for various portable chargers, USB charging cables, and in-car charging cables has increased dramatically. Driven by the Internet phone and the portable device industries, the demand for Bluetooth headphones will continue to rise, which will surely drive the Group's revenue growth.

##### a-2 Smart Vision Technology

As the image AI environment is more developed, the Wi-Fi network penetration rate at home increases year by year, and wireless transmission-related applications are booming, which will drive the sales of home security surveillance. The explosive growth of mobile devices, such as the popularity of smart phones and tablets, the market demand for wireless intelligent monitoring has increased significantly, which will drive consumers to buy smart doorbells, intelligent access control systems, and intelligent monitoring systems as an extension of mobile devices.

PRIMAX also possesses profound knowledge and development capabilities in imaging optics, as well as development and manufacturing capabilities system integration, along with its overall manufacturing and procurement capabilities, the Group has great competitive advantages.

In addition, smart imaging requires new human-machine interfaces and the wireless networking function, which are also part of PRIMAX's core competitiveness, so that we are in a good condition when facing external competition.

##### a-3 Automotive Camera Module

From simple reversing imaging systems to panoramic display systems, the number of automotive cameras used per car has grown from one in the past to at least four, that is one on the front, rear, and both sides, respectively. In addition, in order to solve the problems of fog during the day and insufficient light at night, night vision cameras are produced accordingly. The driver monitoring lens installed in the car has also become a new function of automotive cameras. Statistics showed that the global demand for automotive cameras in the first half of 2019 was 120 million units. With the increase in the popularity of the ADAS system and the use of technologies, including face recognition, in-car monitoring, and rear-view cameras, will be more widely used, and automotive cameras will usher in a truly smart era.

##### a-4 IoT Camera Module

It is expected that by 2025, including consumer and enterprise applications, the number of IoT device connections will exceed 2.4 billion. For a variety of applications that integrate artificial intelligence judgment and identification, algorithms have increasingly higher requirements for high-quality camera module output images. The process capability of Active Alignment contributes greatly to the image quality of camera modules. Alignment's core RD and engineering team have nearly 20 years of experience in this field, which has been recognized by the industry.

## b. System Integration Products

### b-1 Business Equipment Product

As the geopolitical and trade war expands, the security enhancement of non-Chinese manufacturing and products for most customers is listed as a necessary condition for selecting suppliers, and the withdrawal of competitors from the market will be a factor beneficial to the Group. Besides, with the increasing popularity of wireless network technology, the trend of printers and business devices using wireless technology for printing and transmission is becoming more and more obvious. With the increase in sales of smartphones and tablets and the advancement of their functions, consumers' demand for printing is increasing day by day. With the advent of wireless business equipment and printers, it will be able to meet the printing needs of handheld devices, such as mobile phones and tablets, and will increase the Group's product sales indirectly. Moreover, the demand for black and white laser multifunction printers in emerging markets continues to grow, which will also directly contribute to the growth of PRIMAX's product sales.

### b-2 Surveillance Products

Due to the COVID-19 pandemic, new business models and new unmanned stores have emerged. These new stores need a great deal of equipment to monitor the operation of the stores. As well as product development related to business intelligence and image analysis, these products are well suited to the future development direction of the Group, which has accelerated the adoption of these products.

And with the broadband network environment becoming more mature, the Wi-Fi wireless network penetration rate in the home has increased year by year, wireless transmission related applications have flourished, and consumers have increased the actual demand for home security protection, which will drive home monitoring device sales.

### b-3 Wireless Charging

The Group will make good use of the achievements of wireless charging in the retail, automotive, and medical hearing aids markets for many years, the customer base, and positive supply chain relationships to launch more innovative products and services to further promote the growth of other consumer products and motivate automotive and medical care clients to adopt such products, leading to more diversified application and market expansion.

In addition, wireless charging combined with the Group's unique competitive three-in-one sense (listening, voice, and touch) technology and advantages, as well as the large diversified customer base established by the Group will enable the Group to offer one-stop high-value-added and highly executive services to major well-known brands, and create a win-win outcome with customers.

### b-4 Smart Access Product

With the rapid development of cloud computing, edge computing, and AI, smart IoT devices will usher in a wave of significant growth in the next few years. Many market research institutions predict the compound annual growth rate of smart doorbells and door locks will be 15% in the next five years. (The smart door lock CAGR is 19.5% from 2022 to 2030 and is expected to reach a market value of US\$8.1 billion by 2030.) Smart doorbell is expected to grow from a market capitalization of US\$2.6 billion to US\$14 billion in 2021, with a CAGR of 18.3%)

## c. TYMPHANY Acoustic Products

At the same time, the Group has deep acoustic knowledge and development capabilities, as well as the development and manufacturing of key parts and horn monomers, digital and intelligent audio processing development, system acoustic design and training, new material design and application capabilities, and the Group's overall manufacturing and procurement capabilities, giving us an excellent competitive advantage.

From the product composition point of view, the company has become one of the very few manufacturers that can provide all products on the complete sound transmission chain, from radio, sound processing, to sound playback, and can also provide basic components, design services, and even end products or systems. Allows our customers to complete the purchase of all audio products in one place.

The human-machine interface and wireless networking capabilities, which are valued by all emerging products, are also one of the core competitiveness of the group, which makes us have good conditions in the face of external competition.

## ■ Unfavorable factors:

### A. Shortened product life cycle

Information, communications, and consumer electronics products are changing rapidly, and product life cycles are shortening, which leads to increased management risks. In addition to the pressure of the inventory that is unable to be consumed and the backlog of capital, the shorter product development design and mass production time have tested PRIMAX's professional technology and management ability.

**Response measure:** PRIMAX actively develops new technologies to enhance its R&D capabilities and continues to train R&D personnel to improve the production efficiency and the yield rate to shorten the product development cycle. In addition, the Group has established long-term and good cooperative relations with a number of well-known domestic and foreign manufacturers. When developing products, it adopts communication and cooperation methods with customers to fully understand customer needs and market trends, so that it can quickly develop and produce products that meet market needs. In addition, strict control of raw materials of special specifications, actively reducing inventory, and reducing the loss of product sluggishness can effectively reduce costs and improve market competitiveness.

### B. Fierce price competition undermines profit margin

In recent years, the vigorous development of electronic products has driven the market demand for relevant components for computer peripheral products, mobile camera modules, and business equipment products. As a result, market competition is fierce and product price pressures increase, resulting in a trend toward lower prices for electronic products and undermining the profit margin.

**Response measure:** The Group focuses on enhancing its core competitiveness, strengthening product R&D technology and manufacturing mass production capacity, continuously improving product processes through product design to reduce material consumption, and introducing advanced production equipment to improve production efficiency, while continuously expanding high-end products with higher gross margins to seek product differentiation and increase product added value to create market distinctions with competitors in the industry, while maintaining close cooperation with existing customers to stabilize existing markets.

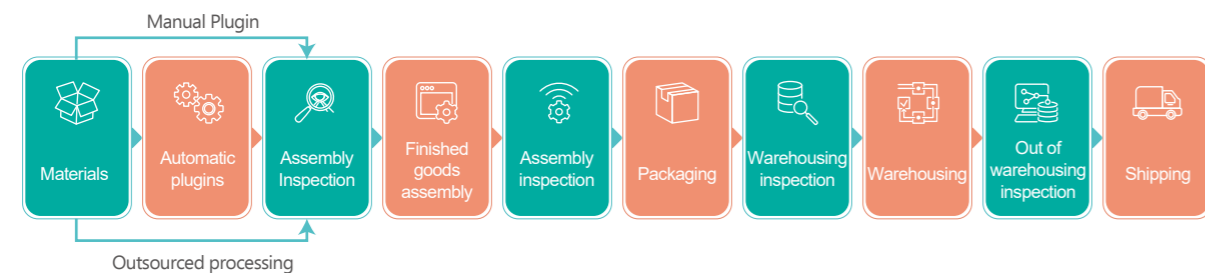
### C. Labor shortages and rising labor costs in China

In recent years, the labor department in various provinces in China have increased wages to protect labor rights. In addition, China's inland economy has developed rapidly, and the annual economic growth rate has grown in double digits, resulting in a reduction in the working population's willingness to continue to stay in the coastal areas. Therefore, the continuous labor shortages and increase in the labor costs have caused an increase in the business operating costs.

**Response measure:** In order to fundamentally improve labor issues and reduce labor costs, the Group actively introduced modular automated production equipment and processes to improve production efficiency and reduce labor costs. At the same time, through the improvement of its production process, process simplification, automated testing and other fields, and set up a dedicated unit responsible for the design, production and introduction of precision molds and automated assembly equipment, in order to master the production process and control product quality; in addition, in recent years, the continuous development of highly automated production and line testing equipment to improve production efficiency and reduce production costs.

**(2) Important uses and production process of main products****i Important uses of main products**

Main products and services	Important uses or functions
Mouse	Control computer cursor and scrolling of wheel, to enable easy operations in the window operating systems.
Keyboard	Enable input of characters and provide other convenient computer shortcut keys
Touch panel	Use your finger to control your computer cursor, scrolling of wheel, and other convenient controls
Wireless charging device	Provide a supply of electricity and the charging function to mobile phones, tablets, laptops, consumer electronics, industrial products, machine tools, household products, medical equipment
Micro-camera module	Applicable to mobile phones, tablets, commercial and home surveillance devices, smart TVs, game consoles, dash cam, GPS built-in camera modules, video conferencing system, and smart door lock camera module
Network camera module	Applicable to laptops, LCD monitors, built-in network camera modules, and externally attached network cameras
Fingerprint identification module	Applicable to mobile phones, tablets
Communications peripherals	Applicable to mobile phones or MP3 players, built-in video, external voice, data transmission, and power supply devices
Scanners	Applicable to personal computers, printers, file servers, flash drives, as well as digitization and storage of photos/documents
Multifunction printer	Applicable to photo/document scanning, photocopying, electronic document printing, and document fax for individuals, homes, offices, shops, hotels, and digital data centers
Office automation products	Applicable to photo/document destruction, lamination, and other processing modes for individuals, homes, offices, shops, hotels, and digital data centers
Wireless storage device	Applicable to audio and video entertainment, data storage, and office data storage for individuals and homes
Wireless speakers	Applicable to music appreciation, audio-visual combination, and mobile phone communication for individuals and homes
Smart speakers	Applicable to smart home control, voice inquiry about data, App linkage, and relevant service connections, and music appreciation for individuals and homes
Microphones	Applies to Voice Content Creation, Virtual Meetings, Virtual Calls, and Life Records
Smart digital imaging	Applicable to professional knowledge and skill monitoring, smart home surveillance, image recognition, App linkage, and relevant service connections for businesses, individuals, and homes

**ii Production process****(3) Supply of main raw materials**

The Group's products are mainly divided into two product lines: computer peripheral products and non-computer peripheral products. In addition to the raw materials required for the Group's products purchasing through Dongguan Primax Electronic & Telecommunication Products Ltd., Primax Electronics. (KunShan) Co., Ltd., Primax Electronics (ChongQing) Co., Ltd. and Primax Electronics (Thailand) Co., Ltd. the Group has set up a supply chain department at its headquarters in Taiwan to strictly monitor customer demand, inventory and supply and demand of key parts and components upstream and downstream in conjunction with the procurement and development units of various business units.

Through the tracking of the consumer electronics market demand, although affected by China's epidemic and international tensions, high inflation and other shocks, the Group's supply chain in the face of rapid changes in the market, the establishment of information sharing mechanism with customers and suppliers, close partnership, and agility and flexibility with internal operations, can fully grasp the delivery date and supply sources, no shortage of material sources.

**(4) Names of the customers contributed to more than 10% percent of the total purchase (sale) amount in either of the most recent two years, the amount of purchase (sale) from (to) them, and the ratio thereof, and explanation of the reason for changes in these figures.**

- Major supplier information that accounted for more than 10% of the total purchase amount in any year of the last two years: None.
- Major sales customer information that accounted for more than 10% of total sales in any of the last two years:

Unit: NT\$ million

Year	2021				2022			
	Name	Amount	Percentage of net sales (%)	Relationships with the issuer	Name	Amount	Percentage of net sales (%)	Relationships with the issuer
1	Company A	7,709	11%	None	Company A	11,851	15%	None
2	Company B	6,121	9%	None	Company B	8,055	10%	None
3	Company C	8,882	12%	None	Company C	5,394	7%	None
	Others	48,938	68%	-	Others	53,941	68%	-
	Net Sales	71,650	100%	-	Net Sales	79,241	100%	-

The Group's main customers are mainly internationally renowned high-tech companies from diverse fields with high stability. In addition to maintaining a good relationship with existing customers, the Group has actively developed new products with a view to expanding the market and customer sources in other business sectors, while striving to diversify customers and minimize the risk of sales concentration. In the past two years, the total proportion of customers whose orders accounted more than 10% of the Group's annual revenue has remained at the same ratio.

**(5) Table of production volume and value in the most recent two years:**

Unit: NT\$ 1,000/thousands pcs

Major products	Year	2021			2022		
		Production volume	Production capacity	Production value	Production volume	Production capacity	Production value
PC peripherals		197,802	105,537	33,557,287	190,360	76,072	26,301,337
Non-PC peripherals		161,361	73,785	35,643,024	167,916	70,003	49,179,729
Total		359,164	179,322	69,200,311	358,276	146,074	75,481,066

**(6) Sales volume and value in the most recent two years:**

Unit: NT\$ 1,000/thousands pcs

Major products	Year	2021				2022			
		Domestic sales		Exports		Domestic sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
PC peripherals		748	180,892	123,422	32,570,941	841	154,567	139,306	26,973,806
Non-PC peripherals		25	16,951	216,907	36,846,925	368	23,759	178,337	50,184,463
Services revenue					2,034,140				1,904,170
Total		773	197,843	340,329	71,452,006	1,209	178,326	317,643	79,062,439

### 3. The number, average service time, average age, and educational background of the employees in the most recent two years as of the publication date of the annual report.

Year		2021	2022	Current year up to April 17, 2023
Number of employees	Technician (Engineering)	3,203	3,120	2,931
	Management and business personnel	1,401	1,398	1,325
	Total	4,604	4,518	4,256
Average age		37.1	38.4	38.8
Average Years of Service		6.1	6.7	7
Education (%)	PhD	0.2%	0.2%	0.2%
	Master	14.4%	16.1%	16.4%
	University	71.4%	69.0%	68.9%
	Senior high school	12.3%	12.8%	12.7%
	Below high school	1.7%	1.9%	1.8%

### 4. Information on Environmental Protection Expenditures

In the most recent year and as of the date of publication of the Annual Report, the total amount of loss (including compensation) and disposal of the company due to environmental pollution, and disclosure of its future coping measures (including improvement measures) and possible expenses (including the estimated amount of loss, disposal and compensation that may occur without responding to the measures, if it is impossible to reasonably estimate, it should explain the facts that it cannot reasonably estimate): None.

The following is a statistical table of the environmental protection expenditure of the Group's plants in 2022

Unit: NT\$

Classification of environmental protection costs	Description	Expenditures
1. Direct cost of reducing environmental impact		
(1) Cost of pollution prevention	Including air pollution control costs, water pollution control costs, other pollution control costs	6,597,478
(2) Resource conservation cost	The cost of conserving resources (such as water resources)	37,390,550
(3) Business waste and general office waste disposal and recycling cost	The cost of business waste disposal (including reuse, incineration, and landfill)	2,310,881
2. Indirect cost of reducing environmental impact (management expenses related to environmental protection)		
	Includes (1) Employee environmental education expense; (2) Environmental management system architecture and certification fees; (3) Environmental load monitoring expense; (4) Increased cost of purchasing eco-friendly products; (5) Personnel costs related to the entity in charge of environmental protection	47,814,581
Total		94,113,490

### 5. Labor-management relations

#### (1) The Company's employee benefits for studying, training, pension systems and its implementation status as well as labor-management agreement and measures for safeguarding employees' rights and interests

##### i Employee benefits and implementation status

The Company has set up an Employee Welfare Committee in accordance with the Employee Welfare Act to handle the appropriation and distribution of welfare fund. Key points of the current welfare system include: labor insurance and national health insurance, group insurance, annual health check, birthday vouchers, labor/Dragon Boat Festival/Mid-Autumn Festival gifts, employee and family marriage and bereavement subsidies, employee and family scholarships, employee hospitalization, domestic and foreign travel subsidies, maternity subsidies, childcare subsidies, employee emergency rescue loans, year-end and lottery, community activities, employee group travel, measures to promote employees' physical and mental health, and employee leisure spaces.

##### ii Continuing education, training, and the status of its implementation

In order to continuously enhance the competitiveness, develop important technologies, and cultivate management talents, the Company has established a variety of learning and development channels to enable employees to have reinforced learning effects through various methods.

- On-the-job training: learning and development in the workplace, strengthening job experience by participating in work meetings, project (task) assignments, job rotations, etc.
- Internal training: Internal training is divided into three categories: supervisor training, professional training, and general training; including basic courses for new recruits, executive courses, professional technical courses, quality courses, general lectures, and English courses.
- External professional training: In order to encourage colleagues to continue to improve their professional ability, or to develop work-related second professional skills based on career development, the company fully subsidizes the cost of professional external training.
- Overseas training: Select colleagues with excellent performance and development potential to participate in short-term overseas professional training or conferences to enrich international perspectives.
- Online learning and knowledge community platform: on the digital e-learning learning system, provide general knowledge, basic professional knowledge, English learning courses, so that learning is not limited by time and space; colleagues can also exchange knowledge and share discussions through the community discussion area and blog area on the platform.
- Self-learning: Encourage continuous learning of work-related knowledge and skills, and can apply for flexible working hours for on-the-job training; in addition, in response to the company's international business model, English subsidies are also provided to encourage colleagues to strengthen their language skills.

##### iii Retirement system and its implementation

PRIMAX (formerly known as "Hong Chuan Investment Ltd.") was established on March 20, 2006 and had merged the original PRIMAX, with the original employees' relevant rights and benefits effective unconditionally on December 28, 2007. The pension system of the original PRIMAX has also remained unchanged. The payment requirements for and standards of labor pension are processed in accordance with the Labor Standards Act (hereinafter referred to as "the old system") and the Labor Pension Act (hereinafter referred to as "the new system").

For employees who have chosen the old system or the new system but with seniority accumulated under the old system, PRIMAX has established a retirement plan in accordance with the Labor Standards Act and deposits a monthly retirement reserve fund in the special account with the Bank of Taiwan for the payment of future pension. In addition, for employees who are entitled to the new system, PRIMAX appropriates an amount equivalent to 6% of the monthly salary as a labor pension reserve fund in accordance with the Labor Pension Act to the personal pension account with the Bureau of Labor Insurance.

**iv Labor-management agreement and measures for safeguarding employees' rights and interests**

PRIMAX's labor-management relationship is harmonious and positive. Employees can communicate with the Company on issues related to various systems and the work environment through departmental communication meetings to maintain positive interaction between the employer and the employees. In addition, PRIMAX's Employee Welfare Committee is in charge of handling various employee welfare matters and holding events and activities occasionally to enhance the harmonious work atmosphere between the Company and employees and to build coherence. The details are specified below:

- (a) Hold departmental meetings regularly to communicate the Company's and departments' business plans, overview of business activities, and market conditions with employees
- (b) Establish employee complaint and opinion mailboxes for employees to make suggestions on various measures or expose violations of moral integrity, unreasonable treatment, sexual harassment, or other acts that harm the Company's interest.
- (c) Formulate sexual harassment prevention, complaints, and disciplinary measures to maintain positive working relationships and interaction principles between the genders and to avoid gender discrimination and harassment.
- (d) Establish labor-management meetings and hold labor-management meetings regularly for communication and negotiation, to promote the harmonious labor-management relations.
- (e) Establish the Employee Welfare Committee to regularly organize group activities and handle welfare matters.
- (f) Establish a flexible working hour system to balance employees' work and life.
- (g) Provide education and training programs and subsidies, provide employees with functional training, and motivate them to develop the second skill.
- (h) Provide group insurance in addition to the basic protection of labor and health insurances, which further safeguards employees' life safety, medical care, and family.
- (i) Hold employee health checkup and organize safety and health inspections regularly to ensure employees' physical and mental health and a safe work environment.

**v Situation when the company promotes workplace diversity or gender equality measures**

- (a) Added gender-friendly toilets.
- (b) Planned a one-month Diversity and Inclusion exhibition in Lobby Hall, with 23% of participants participating.
- (c) Amount of employees with disabilities exceeds the standard and PRIMAX receives public praise from Taipei Municipal Government to make promotional videos.

**(2) Losses suffered as a result of labor disputes in the most recent year and as of the date of publication of the annual report: None**

**(3) The estimated amount and response measures that may occur at present and in the future. If it cannot be reasonably estimated, please specify the reasons.**

Since its establishment, PRIMAX has maintained an honest and responsible attitude and is committed to employees' well-being and the labor-management harmony, to work together for the Company's growth, making the Company's performance grow increasingly. Therefore, the labor-management relation has always been harmonious, and it is expected that there will be no labor disputes in the future.

**6. Information and communication security management:**

**(1) The information and communication security risk management framework, the information and communication security policy, the specific management program, and the resources invested in the information and communication security management shall be specified.**

**i Information security management policies, objectives, and relevant procedures and documents:**

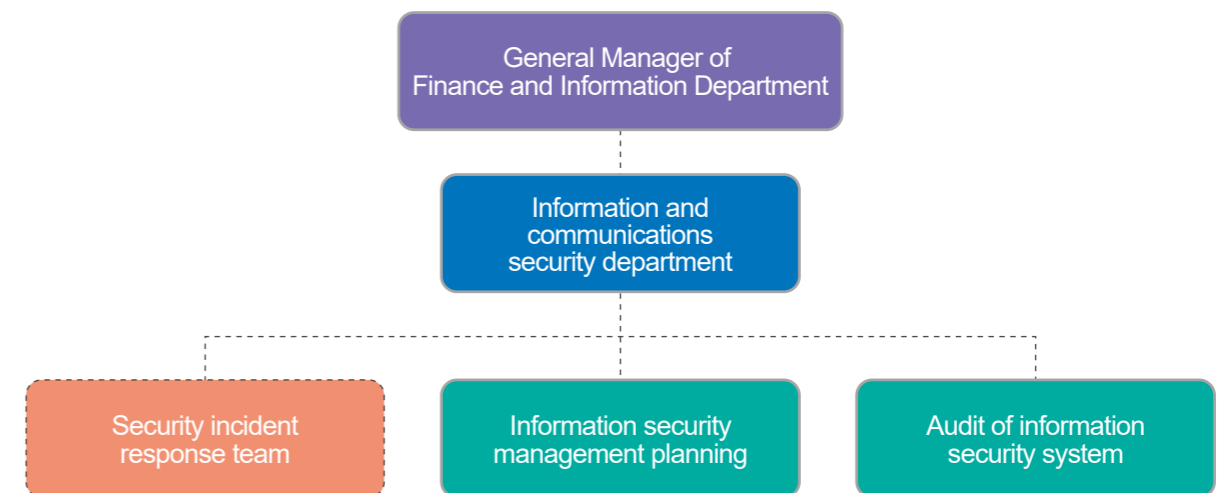
Based on the expectations of shareholders and customers for information security and the requirements of external regulators, the company has formulated an information security policy and has established an information security management system. The core value of the information security policy is to protect customer confidential information and the company's business secrets, which are mainly divided into four goals:

- A. Committed to protecting the confidentiality, integrity, availability and compliance of the Company's critical information systems and data
- B. Ensure that company digital assets are not stolen, compromised or attacked
- C. Passed ISO 27001 information security certification and regular audits to maintain the effectiveness of the information security management system
- D. Continuous improvement of employee information security awareness and implementation of sensitive information and personal data protection mechanisms

Develop the Company's information security management system and its four-tier management procedure documents in accordance with the ICT security policy and objectives; and regularly pass the third-party impartial unit verification every year to ensure that the information security management system continues to operate effectively.

**ii Information Security Management Organization:**

In order to enhance the Group's security management, the Group's ICT security department was established. The general manager of finance and information department is the top person in charge, and the ICT security department is responsible for the promotion of ICT security policies and the dispatch of resources. Dedicated security colleagues ensure that various management norms and control measures for ICT security can be effectively and continuously implemented. The organizational structure of the Group's information and communications security department is as follows:



**iii Specific information security management plan and investment resources:**

In order to improve application system security and reduce risks, system equipment vulnerability scanning and penetration testing are regularly performed every year to patch medium and high risk vulnerabilities, and computer asset management systems, client privileged account management, mobile device security protection, two-factor authentication enhancement mechanism and privileged account centralized management mechanism have been introduced to reduce the occurrence of confidential or sensitive data anomalies.

Regularly arranges biannual security awareness education training and six social engineering exercises a year, conducts information security protection and current affairs case awareness through e-mail, instant messaging and digital television, strengthens the security awareness of the Group's employees, and enrolls in Cyber Risk Insurance/Commercial Crime Insurance to reduce or transfer the loss of information security.

The Company has been certified by "ISO 27001:2013" in January 2018, and the current certificate is valid from February 12, 2021 to February 11, 2024. The Company plans to continue expanding the scope of verification to cover the Company's main operational processes and pass the annual audit and verification by the third-party verification company.

## 5. Operational Overview

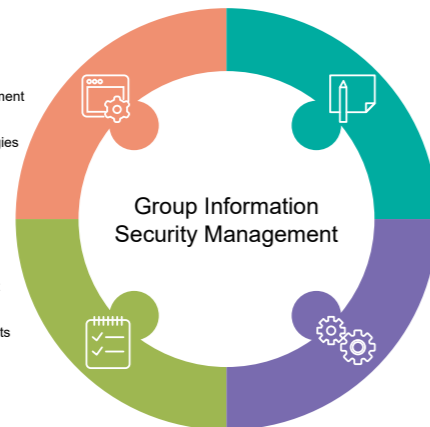
The Group's security risk management and continuous improvement framework, based on the spirit of continuous improvement for PDCA of the information security management system, are as follows:

### Continuous improvement in information security

- Improvement of information security management measures
- Security Threats and New Security Technologies
- Regular security education training and awareness-raising

### Internal IT security assessment

- IT Security Self-Assessment and Assessment
- Internal Audit Plan and Scope of IT Security
- Regularly implement information security audits and improvements



### Information and communications security management system

- Compliance with international security standards (CNS, ISO2701)
- Establishment of information security management system
- Planning Communications Safety Insurance
- Regularly review and update relevant procedural documents

### Information security reinforcement strategy and control measures

- System Vulnerabilities Scanning Management
- Endpoint Protection Management System
- Mobile device security protection
- Two-Factor Authentication Reinforcement Mechanism
- Privileged account management on the user's end
- Email social engineering exercise
- Data leakage protection system
- Centralized management mechanism of special accounts
- Strengthen the management of core data backup and restoration
- Information Security Incidents Management System Log Supervisory Control System

### iv Internal audit of information security:

The information security department - the information security audit team formulates assessment items based on the characteristics of risks, the self-assessment and verification of information security has been completed on March 28, 2022, and submits the assessment results and supporting documents to the Audit Department for verification. The Company's Audit Department implements a cycle audit of information every six months, of which information security is a necessary audit item, and all the audit results are reported to the Audit Committee and the Board of Directors at least once a year.

**(2) The losses and potential impact caused by material information security incidents in the most recent year and up to the publication date of the annual report shall be specified. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated.**

The Company has implemented and continuously updated the measures for the management and control of information technology security. As of the latest year and the date of publication of the annual report, there have been no losses suffered by major information technology security incidents.

## 7. Important contracts

Nature of contract	Counterparty	Commencement and expiration date	Major contents	Restrictions
OEM of products	Customer E	August 1, 2014–end of project	OEM of camera modules and mouses	Confidential
OEM of products	Customer U	September 8, 2008–end of project	OEM of mouses	Confidential
OEM of products	Customer O	January 2006–end of project	OEM of consumer electronic products	Confidential
OEM of products	Customer K	August 14, 2009–end of project	OEM of consumer electronic products	Confidential
OEM of products	Customer S	November 1, 2021 – end of the project	OEM of consumer electronic products	Confidential
OEM of products	Customer Q	September 4, 2017–end of project	OEM of multifunction printers	Confidential
OEM of products	Customer P	January 4, 2010–end of project	OEM of PC peripherals and consumer electronic products	Confidential
OEM of products	Customer R	August 11, 2016–end of project	OEM of PC peripherals	Confidential
OEM of products	Customer N	January 8, 1999–end of project	OEM of PC peripherals	Confidential
OEM of products	Customer Z	January 1, 2012–end of project	OEM of PC peripherals and consumer electronic products	Confidential
OEM of products	Customer I	November 18, 2005–end of project	OEM of printers	Confidential
OEM of products	Customer C	May 25, 2006–end of project	OEM of PC peripherals	Confidential
Leasing	Shin Kong Life Insurance	February 2021–December 2035	Lease of a Primax building	None
Loan contracts	E.SUN Bank	October 2021–September 2024	Medium-to-long term borrowing facility	None
Construction contract	Fu Tai Construction	August 2022–Warranty responsibility completed	New construction of Taiwan Innovation Center	None.
Mechanical and electrical engineering contract	GO-IN Engineering	August 2022–Warranty responsibility completed	New construction of Taiwan Innovation Center	None

# 6. Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

## I. Financial Position

Unit: NT\$ 1,000

Item	Year	2022	2021	Difference	
				Amount	%
Current assets		33,260,417	35,729,467	(2,469,050)	-6.91%
Property, plant and equipment		8,246,823	7,604,823	642,000	8.44%
Intangible assets		2,130,259	2,256,589	(126,330)	-5.60%
Other assets		3,626,562	3,883,319	(256,757)	-6.61%
Total asset		47,264,061	49,474,198	(2,210,137)	-4.47%
Current liabilities		25,335,762	28,532,224	(3,196,462)	-11.20%
Non-current liabilities		3,634,714	4,499,462	(864,748)	-19.22%
Total liabilities		28,970,476	33,031,686	(4,061,210)	-12.29%
Share capital		4,582,893	4,552,633	30,260	0.66%
Capital surplus		2,129,908	1,758,780	371,128	21.10%
Retained earnings		10,649,455	9,308,707	1,340,748	14.40%
Other equity interest		(1,015,162)	(1,444,608)	429,446	-29.73%
Non-controlling interests		1,946,491	2,267,000	(320,509)	-14.14%

Item	Year	2022	2021	Difference	
				Amount	%
Total equity		18,293,585	16,442,512	1,851,073	11.26%

Description of material changes in financial ratios:

- (1) Increase in capital surplus compared to last year: mainly due to increase in issuance restricted stock.  
(2) Decreased in other equity interest compared to last year: mainly due to adjustment for foreign currency translation.

## II. Financial Performance

### (I) Financial performance analysis for the last two years

Unit: NT\$ 1,000

Item	Year	2022	2021	Increase/Decrease	(%)
Net operating revenue		79,240,765	71,649,849	7,590,916	10.59%
Operating costs		68,256,490	62,270,246	5,986,244	9.61%
Gross profit		10,984,275	9,379,603	1,604,672	17.11%
Operating expenses		7,639,502	6,566,998	1,072,504	16.33%
Operating income		3,344,773	2,812,605	532,168	18.92%
Non-operating income and expenses		284,191	217,358	66,833	30.75%
Net income before tax of continuing operations		3,628,964	3,029,963	599,001	19.77%
Income tax expense		760,003	636,742	123,261	19.36%
Net income for the period (including after tax profit or loss from discontinued operation)		2,868,961	2,393,221	475,740	19.88%

Explanation of major changes in financial ratios (if the change is more than 20% in the previous and later periods, and the amount of the change is NT\$10 million):

Increase in non-operating income and expenses compared to last year: Mainly due to the decrease in impairment losses on investments accounted for using the equity method and increase exchange gains.

### (II) The expected sales volume and the basis thereof, and the possible impact on the Company's future financial operations and response plans:

The Company's estimated sales volume are based on the industrial environment and the supply and demand conditions of the market in the future, and take into account business development, current order intake and production base capacity planning for the year 2023, considering the global inflation and possible recession as well as sluggish demand for PC and consumer market, product sales and operations are expected to be conservative in the first half of the year. However, there is a chance of steady growth in the second half of the year. At the same time, the company optimizes its product portfolio to focus on improving profitability. The financial structure of the Company is sound and its operations are in good shape. Its funds and the net cash inflows generated from operating activities are sufficient to meet the working capital and capital expenditure requirements driven by revenue growth.

## III. Cash flow

### (I) Analysis of changes in cash flows for the most recent year (2022)

Unit: NT\$ 1,000

Cash balance at beginning of year	Net cash flow from operating activities for the year	Cash inflow (outflow) in 2022	Cash balance at end of year	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
4,839,241	6,193,998	1,445,646	6,284,887	-	-

Analysis of cash flow changes in the most recent year:

- (1) Operating activities: Net cash inflow from operating activities was NT\$6,193,998 thousand, mainly due to the increase in profit in 2022.  
(2) Investing activities: Net cash outflow from investing activities was NT\$533,577 thousand, mainly due to the acquisition of property, plant and equipment.  
(3) Financing activities: Net cash outflow from financing activities was NT\$4,532,764 thousand, mainly due to repayment of short-term borrowings and cash dividends.

### (II) Improvement plan for insufficient liquidity: There has been no shortfall in the liquidity of the Group's cash flows in the most recent year.

### (III) Analysis of cash flow for the coming year (2023)

Unit: NT\$ 1,000

Cash balance at beginning of year	Net cash flow from operating activities for the year	Cash inflow (outflow) in 2023	Cash balance at end of year	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
6,284,887	5,695,331	2,046,276	8,331,163	-	-

1. Analysis of changes in cash flows in the coming year:

- (1) Operating activities: Net cash inflow from operating activities is expected to be NT\$5,695,331 thousand, mainly due to the expected increase in profit for the period.  
(2) Investing activities: Net cash outflow from investing activities is expected to be NT\$ 2,332,046 thousand, mainly due to the expected acquisition of plant and equipment.  
(3) Financing activities: Net cash outflow from financing activities is expected to be NT\$1,317,009 thousand, mainly due to the expected cash dividend.

2. Analysis of remedial measures for cash inadequacy and liquidity: The cash is adequate, so it is not applicable.

Note: The figures for the coming year (2023) are on a consolidated basis.

## IV. The Impact of Most Recent Major Capital Expenditures on Financial Operations:

In response to global strategic planning, PRIMAX has expanded its investment in Taiwan and announced a new NT \$2.101 billion capital expenditure budget for factory construction on April 12, 2022. The Company will build a factory and set up an advanced laboratory, a production and education centre, a new product manufacturing centre and an intelligent production line. The Company will continue to serve its global customers with the purpose "Taiwan research and development, smart manufacturing and global operations".

## V. Most Recent Annual Investment Policy, Its Main Reason for Income or Loss, and Improvement Plan and Investment Plan for the Following Year

### (I) Investment policy

Based on factors, such as business needs and the Company's future strategic development, relevant units provide professional information, and the Finance and Information Management compiles the information and puts forward suggestions to the managers in charge; investment proposals are thus made. The investee's past performance, future prospects, market conditions, and operating conditions will be assessed as a reference for investment decision-making.



**(II) Main causes for profits or losses for the most recent year and improvement plans**

December 31, 2022. Unit: NT\$ 1,000

Item	Description	Amount of profit (loss) recognized in 2022 (Note 1)	Main reason for profit or loss	Improvement plan
Primax Industries (Cayman Holding) Ltd.		777,426	Normal operation	-
Primax Technology (Cayman Holding) Ltd.		191,092	Normal operation	-
Destiny Technology Holding Co., Ltd.		4,010	Normal operation	-
Primax Destiny Co., Ltd.		321	Normal operation	-
Diamond (Cayman) Holdings Ltd.		399,582	Normal operation	-
Gratus Technology Corp.		1,188	Normal operation	-
Primax AE (Cayman) Holdings Ltd.		(194,309)	Normal operation	-
Primax Industries (Hong Kong) Ltd.		714,663	Normal operation	-
Polaris Electronics, Inc.		10,272	Normal operation	-
Primax Electronics (Singapore) Pte. Ltd.		(60,479)	Normal operation	-
Primax Electronics (Thailand) Co., Ltd.		(57,021)	Normal operation	-
Tymphany Worldwide Enterprises Ltd.		402,006	Normal operation	-
Tymphany HK Ltd.		(416,840)	Normal operation	-
TYP Enterprises, Inc.		5,420	Normal operation	-
Tymphany Logistics, Inc.		(1,360)	Normal operation	-
Dongguan Primax Electronic & Telecommunication Products Ltd.		526,046	Normal operation	-
Beijing Destiny Electronic Technology Co., Ltd.		4,010	Normal operation	-
Primax Electronics (KunShan) Co., Ltd.		(9,858)	Normal operation	-
Primax Electronics (ChongQing) Co., Ltd.		371,216	Normal operation	-
Tymphany Acoustic Technology (Huizhou) Co., Ltd.		480,008	Normal operation	-
Dongguan Tymphany Acoustic Technology Co., Ltd.		17,377	Normal operation	-
Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd.		29,130	Normal operation	-
Tymphany Acoustic Technology HK Ltd.		(16,298)	Normal operation	-
Tymphany Acoustic Technology (UK) Limited		4,093	Normal operation	-
Tymphany Acoustic Technology Europe, s.r.o.		72,432	Normal operation	-
Tymphany Acoustic Technology Limited		73,454	Normal operation	-
Tymphany Acoustic Technology (Thailand) Co., Ltd.		67,646	Normal operation	-
ALT International Co., Ltd (Cayman)		(42,489)	Normal operation	-

Notes 1: The amounts listed in the financial report for 2022 have been audited and certified by CPAs.

**(III) Investment plans for the coming year: None****VI. Risk Analysis and Evaluation****(I) Effect upon the Company's profit (loss) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future****1. Exchange rate fluctuations**

The Group's revenue business is mainly based on export, and the products for export are mainly quoted in US dollars, and the transactions conducted with overseas suppliers and the purchase of machinery and equipment from overseas suppliers are also denominated in US dollars, resulting in a mutually offsetting effect, and thus providing natural hedging against exchange rate fluctuations. The Group's net foreign exchange gain for the 2022 was NT\$635,412 thousand, accounting for 0.8% of net operating revenue. Therefore, the overall foreign exchange factor did not pose a risk to profitability. However, in order to respond to the risks arising from exchange rate fluctuations to the Company's profit and loss, in addition to spot and forward foreign exchange transactions adopted as a hedge against foreign exchange risks at appropriate times, it will continue to monitor market exchange rate fluctuations and the Company's internal foreign exchange positions in the future while maintaining foreign currency assets and balance of liabilities to avoid the risk of exchange rate fluctuations and reduce the impact of exchange rate fluctuations on the Company's profit and loss.

**2. Interest rate fluctuations**

The Group's interest expense for 2022 accounted for 0.37% of the operating revenue of the year, indicating that the interest expense did not have a significant impact on the Group's profit and loss. In addition, the Company regularly assesses the bank borrowing rate and maintains a good relationship with banks to obtain a more favorable interest rate so as to reduce the interest expense.

**3. Inflation**

According to the announcement of the Directorate General of Budget, Accounting and Statistics, Executive Yuan, the average annual rate of increase in the Consumer Price Index, the Producer Price Index and the Wholesale Price Index rose by 2.95%, 10.53% and 12.43% respectively in 2022, indicating a significant increase in inflation compared to 2021. But did not have a significant impact on the annual profit and loss of the Company in 2022. The Group always pays attention to fluctuations in market prices, and adjusts the sales prices as well as raw materials and inventory levels appropriately, and no significant impact has been caused due to inflation.

**(II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profit/loss generated thereby; and response measures to be taken in the future****1. High-risk investments and highly leveraged investments**

The Company focuses on the management of its main business activities, and has not invested in high-risk industries, nor has it engaged in highly leveraged investments.

**2. Engagement in loans to other parties, endorsements, guarantees, and derivatives transactions**

In the most recent year and as of the publication of this annual report, the loans, endorsements, and guarantees were only provided by the Company to subsidiaries, in which the Company held 100% of their equity or between the parent company and subsidiaries, for the purpose of business dealings. The Company's loans to other parties, endorsements, and guarantees are handled in accordance with the policies and response measures stipulated in its Procedures for Loaning of Funds and the Procedures for Making of Endorsement/Guarantee. The relevant operations are executed with the risk situation and relevant regulations considered.

**3. Engagement in derivative transactions**

When the Company engages in derivative transactions, it always conducts careful evaluation. Any derivative transaction is aimed at helping to improve business performance and reducing the Company's operating and financial risks. The transactions are processed in accordance with its Regulations Governing Acquisition or Disposal of Assets and the scope of authorization.

**(III) Future R&D plans and estimated R&D expenses****1. Future R&D plans**

The main products currently developed by the Group are PC peripheral products, IoT camera modules, automotive camera modules, network cameras, security systems, multi-function service machines, audio systems and smart home products. The future development plan will continue to cooperate with international manufacturers and strategically cooperate with start-up companies, focusing on pressure trackpads, smart home products, self-media audio-visual devices, esports headphones,

smart security camera systems, IoT camera modules, 3D sensing modules, conference audio systems, professional audio products, automotive electronics, Industry 4.0 and intelligent manufacturing, etc., to further enhance the Group's R&D capabilities to increase the market share of the Group's products and make the Group's products more international and competitive.

## 2. Estimated R&D expenses

The amounts of R&D expenses estimated by the Group are budgeted step by step according to the development progress of each new product and technology as well as the future operating conditions to maintain a certain growth rate to ensure the Group's competitive advantages. It is estimated that R&D expenses will be around NT\$3.1 billion in 2023.

### (IV) The impacts of changes of the important domestic and foreign policies and laws on the Company's finance and business, and response measures thereof:

The Group operates in accordance with the relevant laws and regulations of the domestic and foreign countries where investments are made, and the relevant personnel also pay attention to the changes of the laws and regulations at any time for the management to stay informed. Therefore, important changes in domestic and foreign policies and laws can be updated immediately and responded to effectively by the Group.

### (V) Impact of changes in technology (including information and communication security risks) and industry on the Company's financial operations, and response measures thereof:

In response to the rapid changes in advanced science and technology, the Group has continuously invested in R&D resources and regularly grasped, collected and analyzed the market and technological development changes of specific areas in PC peripherals, mobile camera modules, business equipment products and smart home products to reduce the impact of technological changes, and has also strengthened the research and development of high value-added, high-margin products, making the company's products more diversified and stable, and ensuring profitability.

The company has established comprehensive network and computer-related security measures and continues to promote information security management systems to the entire group, but hackers may intrude computer viruses, malware or ransomware into the company's network and systems, attempt to interfere with the company's operations, damage computer systems, and thus obtain system control, or snoop on confidential information. These attacks may result in the company compensating its clients for losses due to delays or disruptions in production; or a breach of contract may result in incurring significant overheads.

In order to prevent and reduce the damage caused by malicious attacks, information security measures are updated continuously, for example we have carried out on a yearly basis network and system vulnerability scanning and penetration testing to patch medium and high-risk vulnerabilities, and group-wide endpoint protection software, client privileged account management, mobile device security protection, two-factor authentication mechanism and privileged account centralized management mechanism have been introduced to reduce the occurrence of confidential or sensitive data anomalies. We continue to monitor the information security event management system logs and have introduced a data leakage protection mechanism, as well as six email social engineering exercises a year and half-yearly employee information security awareness training.

The Group continues to expand its extensive strategic alliance system with existing clients through product design, mass production, logistical support, distribution and after-sales service with excellent process technology to strengthen the long-term coexistence and prosperity mutually. So far, technological changes (including information technology security risks) and industry changes have not had any significant financial impact on the Group.

### (VI) Impact of changes of corporate image on the Company's crisis management and response measures:

PRIMAX attaches great importance to image maintenance and is one of the world's leading suppliers of PC peripherals, mobile device components, business equipment, and smart home products. With a complete talent cultivation and training program, along with employee-oriented and people-centered management, PRIMAX has attracted more excellent talents and technologies to the Company, building up the strength of the management team. Then, the Company gives the business achievements back to the shareholders and fulfills its social responsibilities while committed to energy conservation and carbon reduction to improve the environment and actively devoted to social welfare events and activities so as to achieve the goal of sustainable business operation. PRIMAX has a dedicated team in charge of prevention, management, and contingency measures related to corporate image. In the most recent year and as of the publication date of this annual report, no incidents had affected the corporate image.

### (VII) Expected benefits, possible risks and countermeasures for merger: None

### (VIII) Expected benefits and possible risks associated with factory expansion, and response measures thereof:

Primax's plant in Thailand was completed in the fourth quarter of 2021 and has been shipping steadily. Thailand has become a manufacturing hub for Southeast Asia, which will effectively diversify the risk of tariff barriers in the US-China trade war with better response to client's demands, allocate global manufacturing capacity, and diversify production risks.

### (IX) The risks arising from the concentration of purchases or sales, and response measures thereof:

#### 1. The risks arising from the concentration of purchases, and response measures thereof.

In addition to the purchase of finished products, PRIMAX maintains at least two qualified suppliers for other goods to be purchased, to maintain the flexibility of purchases, ensure uninterrupted supply of goods, and maintain the advantage of bargaining to achieve the goal of cost reduction. In summary, PRIMAX should not yet have the risk of concentration of purchases or interruption of supply.

#### 2. The risks arising from the concentration of sales, and response measures thereof.

The Group's main customers are mainly internationally renowned high-tech companies from diverse fields with high stability. In addition to maintaining a good relationship with existing customers, the Group has actively developed new products with a view to expanding the market and customer sources in other business sectors, while striving to diversify customers and minimize the risk of sales concentration. In the past two years, the total proportion of customers whose orders accounted more than 10% of the Group's annual revenue has remained at the same ratio.

### (X) The impacts and risks arising from a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or changes hands and the response measures: None

### (XI) The impact on the Company, and risk due to changes in managerial authority, and the response measures: None

### (XII) Risks associated with litigations or non-litigations

1. Confirmed judgment, ongoing litigation, and non-litigation or administrative disputes in the most recent years and as of the publication date of this annual report, the result of which may have a significant impact on shareholders' equity or securities prices, shall be disclosed. Disclosure includes disputed facts, monetary amount involved, litigation starting date, the main parties involved, and present status: None
2. Confirmed judgment, ongoing litigation, non-litigation, or administrative disputes involving the Company's Director, Supervisor, President, responsible person, and shareholders who hold more than 10% of the Company's shares in the most recent year and as of the publication date of this annual report, the results of which may have a significant impact on shareholders' equity or securities prices: None.

### (XIII) Other important risks and countermeasures:

#### A. Management plan for intellectual property rights

In order to align with advanced technology tendency and protect technical achievement, we continuously engross sufficient resources in R&D and analysis for the variation of marketing and technology in relation to our products. We also formulate intellectual property policy which integrates the operation goal and R&D resources so as to reinforce the advantage in competition. We keep strengthening the patent capability to ensure that the intellectual property rights targeted are consistent with the main products and key technology of the Company. To protect the main products and key technology of the Company, we keep a watch on the products and patents of competitors so as to formulate the best patent strategy. We target to be the top thirty of Taiwan Patent Applications by 2030.

#### 1. Management of patent

For the purpose of protection of technical achievement and leading position, we not only constantly encourage our staff to file application for utility patent via the corporate innovation award, but also establish the patent management policy and risk control mechanism. In addition, the quantity and quality for patent application has been managed by means of AI analysis through the entertainment patent system. We contact and cooperate with the patent competent authority closely to raise efficiency of patent examination and acquire the high-level patent protection. We also take efficient actions to reduce patent risk. We strive to monitor the competitors of certain products and analyze relevant market and patent information.

### 2. Management of Copyright

We promulgated Regulation of Copyright to formulate the process of acquirement, preservation and maintenance of copyright.

### 3. Protection of trade secret

Trade secret is the technological and business operation core of the Company. The regulations with regard to trade secret have been stipulated in Regulation of Trade Secret, Employee Handbook and Employee Contract. We also provide our staff with the training courses to disseminate the importance and protection measures of trade secret.

#### A-1 Operation

1. The report of the implementation of intellectual property events has been submitted to the Board of Directors on Nov.4, 2022.
2. We have carried out the management of intellectual property rights since 1990, the details are listed as follows:

##### a. Application of patent

Primax group has filed numerous patent applications in countries since 1990.

##### b. Procedure management

- (1) In 1990: We formulated and promulgated Regulation of Patent Application.
- (2) In 2002: Regulation of Risk Management and Patent Usage was put into force.
- (3) In 2004: The Enterprise Patent System was introduced.
- (4) In 2021: Regulation of Copyright and Regulation of Trade Secret were put into force. In addition, the AI analyze system was introduced for data calculation to identify the valuable innovative employee.
- (5) In 2022 : Procedure of Copyright and Procedure of Trade Secret were put into force.

##### c. Activation of Property

To realize Patent Monetization, we sold almost 900 patents in 2006.

##### d. Risk control

To reduce the patent risk during the period of product development, we have carried out the management of patent search archive since 2012.

##### e. Management of trade secret: The provisions of trade secret which have been stipulated in Regulation of Trade Secret, Employee Handbook and Employee Contract are summarized below:

- (1) It's staff's duty to maintain secrecy pertaining to his work and the company's business.
- (2) Staff shall not disclose, inform, provide or transfer such Confidential Information to third party, or announce to public or make use for third party of such Confidential Information during and after the termination of employment period. We are eligible to request the staff who breaches the foregoing to compensate the damages incurred by the Company and make a criminal liability claim.
- (3) Staff shall not disclose or use the trade secret owned by his former employer.

#### A-2 List of intellectual property rights obtained and achievements

As of the end of 2022, 844 patents of Primax Electronics Ltd. have been approved while 602 patents are pending in countries.

#### A-3 property Measures for dealing with the risk of intellectual property rights

We occasionally receive the notices from third parties who assert that our products may involve in the controversy of intellectual property rights. We respect and try not to infringe third parties' intellectual property rights for all time. In view of the foregoing, we will analyze the related issues pertaining to legitimate, technical and business aspects to formulate the best tactics for resolution of the IP controversy so as to protect the Company's and stakeholders' interests.

## VII. Other important matters: None

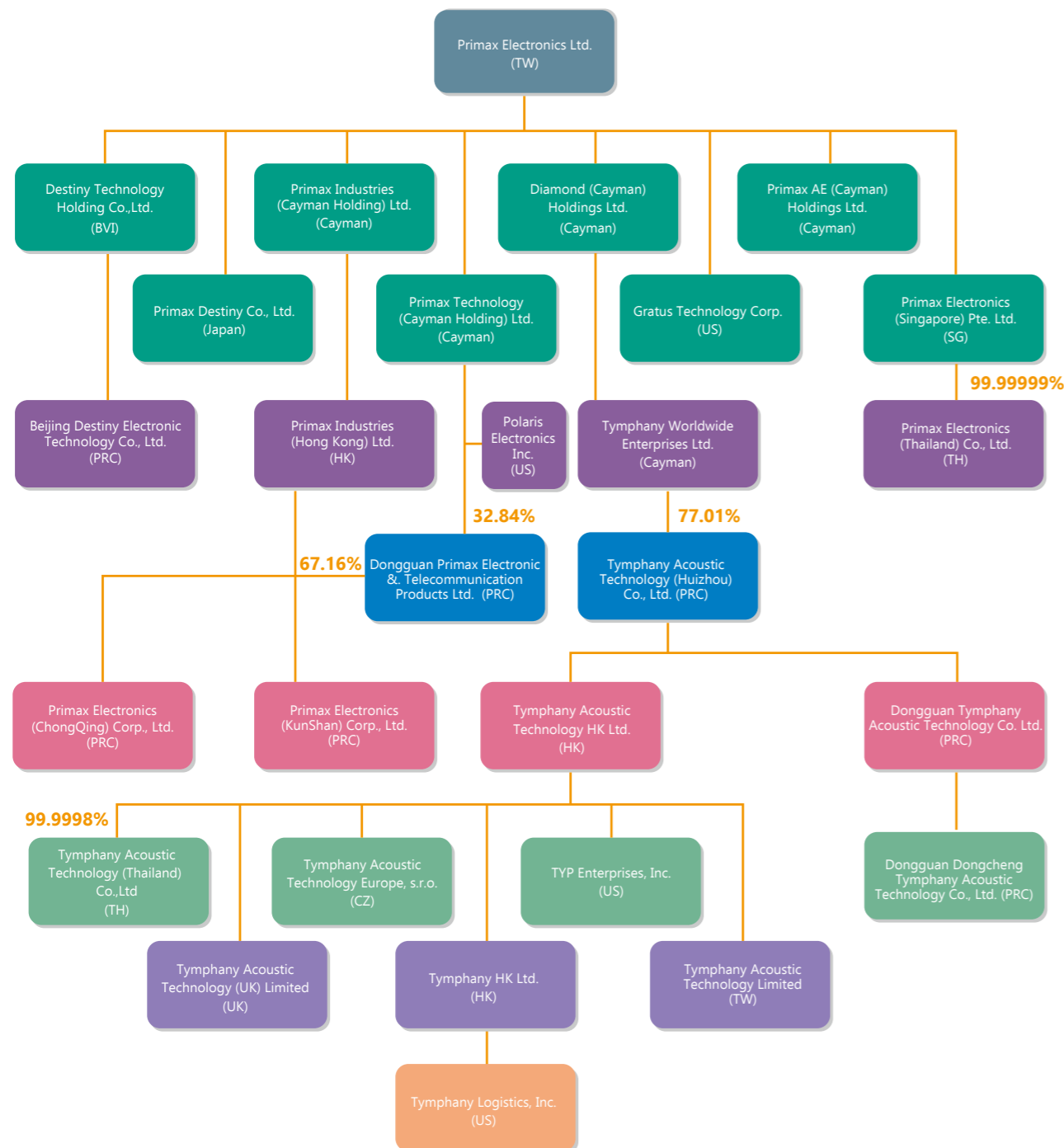
# 7. Special Disclosure

# I. Information on Affiliated Companies

## (I) Consolidated business report of affiliated companies

### 1. Overview of affiliated companies

#### (1) Organizational chart of affiliated companies (December 31, 2022)



## 2. Basic Information about affiliated companies:

Unit: NT\$ 1,000 / December 31, 2022

Name	Date of incorporation	Address	Paid-in capital	Main business or products
Dongguan Primax Electronic & Telecommunication Products Ltd.	1995.12.21	No.135, Shijie Technology East Road, Shijie Town, Dongguan City	1,966,235	Manufacturing and sale of computer peripherals, mobile device components, and business devices
Primax Electronics (KunShan) Co., Ltd.	2009.11.17	No.278 Jinsong Road, Yushan Town, Kunshan City, Jiangsu Province, China	860,949	Production of computer peripheral products
Primax Electronics (ChongQing) Co., Ltd.	2011.02.23	No.2669 Xinglong Road, Yongchuan District, Chongqing City, China	841,404	Production of computer peripheral products
Beijing Destiny Electronic Technology Co., Ltd.	1994.03.24	Room 201, 2nd Floor, No. 10 Caihefang Road, Zhongguancun, Haidian District, Beijing	38,950	R&D of computer peripherals and business devices
Primax Destiny Co., Ltd.	1995.07.28	2nd Fl., Yamashita Bldg., 1-23-2, Hamamatsucho, Minato-ku, Tokyo 105-0013 JAPAN	5,773	Market development of and customer service for computer peripherals, mobile device components, and business devices
Polaris Electronics, Inc.	1996.04.24	890 Hillview Court, Suite 270 Milpitas, CA 95035	49,133	Sale and purchase of computer peripherals, mobile device components, and business devices
Primax Industries (Hong Kong) Ltd.	1989.05.19	Rm.1520-21, 15/F., Block A, Hi-Tech Industrial Centre, 5-21 Pak Tin Par Street, Tsuen Wan, N. T., Hong Kong.	2,374,255	Holding company and customer service
Primax Technology (Cayman Holding) Ltd.	1997.10.08	2nd Floor, Midtown Plaza, Elgin Avenue, George Town, Grand Cayman KY1-1106, Cayman Islands.	875,383	Holding company
Primax Industries (Cayman Holding) Ltd.	1996.10.24	2F, Zephyr House, Mary St. P.O. Box 709, George Town, Grand Cayman, Cayman Islands, British West Indies.	2,501,976	Holding company
Destiny Technology Holding Co., Ltd.	2001.01.19	Sealight House, Tortola, British Virgin Islands	32,243	Holding company
Diamond (Cayman) Holdings Ltd.	2013.10.08	P.O. Box 32052, The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, Grand Cayman, KY1-1208 Cayman Islands.	3,962,867	Holding company
Tymphany Worldwide Enterprises Ltd.	2013.10.29	P.O. Box 309, Uglan House, Grand Cayman, KY1-1104 Cayman Islands.	1,922,510	Holding company
TYP Enterprises, Inc.	2014.01.06	1 Thorndale Drive, Suite 200, San Rafael, CA 94903, USA	15	Market development of and customer service for speakers and their components
Tymphany HK Ltd.	1995.05.11	Room 1307-8 Dominion Centre, 43-59 Queens Road East, Wanchai, Hong Kong	569,100	Holding company; sales of, market development of and customer service for various speaker accessories, speakers and their components
Tymphany Acoustic Technology (Huizhou) Co., Ltd.	2004.08.09	Tymphany Smart Acoustic Technology Industrial Park, Huaguo Village, Xinxu Town, Huiyang District, Huizhou City, Guangdong Province	1,668,961	Manufacturing, R&D, design, and sales of various speaker accessories, speakers, and their components
Tymphany Logistics, Inc.	2015.04.29	1 Thorndale Drive, Suite 200, San Rafael, CA 94903, USA	6,142	Sales of various speaker accessories, speakers and their components

Name	Date of incorporation	Address	Paid-in capital	Main business or products
Dongguan Tymphony Acoustic Technology Co., Ltd.	2015.09.06	Liuwu Road Section, Sanheng Road, Xincheng District, Shijie Town, Dongguan City	153,540	Manufacturing, R&D, design, and sales of various speaker accessories, speakers, and their components
Dongguan Dongcheng Tymphony Acoustic Technology Co., Ltd.	2016.10.11	No.27, Dayuan Road, Zhangcun, Dongcheng District, Dongguan City	88,184	Manufacturing, R&D, design, and sales of various speaker accessories, speakers, and their components
Tymphony Acoustic Technology HK Ltd.	2017.01.05	RM 803 Tung Hip Comm Bldg 248 Des Voeux Rd Central, Hong Kong	1,647,217	R&D, design, and sales of various speaker accessories, speakers and their components, as well as holding business
Tymphony Acoustic Technology (UK) Limited	2017.01.20	C/O AZETS Ty Derw, Lime Tree Court, Cardiff Gate Business Park, Cardiff, United Kingdom, CF23 8AB	14,808	R&D and design of various speaker accessories as well as speakers and their components
Tymphony Acoustic Technology Europe, s.r.o.	2004.08.18	Průmyslový park 305, 742 21 Kopřivnice-Vlčovice, Czech Republic	253,906	Manufacturing, installation and maintenance of various speaker accessories and their components
Tymphony Acoustic Technology Limited	2017.12.14	10th Floor, No. 19-2, 19-3, Sanchong Rd., Nangang District, Taipei City	50,000	R&D and design of various speaker accessories as well as speakers and their components
Gratus Technology Corp.	2015.04.01	890 Hillview Court, Suite 270 Milpitas, CA 95035	9,212	Market development of and customer service for computer peripherals, mobile device components, and business devices
Primax AE (Cayman) Holdings Ltd.	2017.11.14	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Island	1,480,126	Holding company
Primax Electronics (Singapore) Pte. Ltd.	2019.08.05	61 KAKI BUKIT AVENUE 1#04-38 SHUN LI INDUSTRIAL PARK SINGAPORE(417943)	1,231,391	Sale of computer peripherals and other components and products
Primax Electronics (Thailand) Co., Ltd.	2019.08.15	No. 888/8, Moo 7, Tambol Khlong Kio, Ban Bueng, Chonburi Province	1,102,699	Manufacturing and sale of computer peripherals and other components and products
Tymphony Acoustic Technology (Thailand) Co., Ltd.	2019.10.08	300/86-89 M.1 Tasit Sub-District PluaekDaeng District Rayong 21140	690,261	Manufacturing and sales of various acoustic accessories, speakers, and their components

### 3. Those who are determined to have the controlling and subordinate relation in accordance with Article 369-3 of the Company Act: None

### 4. Industries and the division of labor in the overall business of the affiliated companies:

The business operated by the affiliated companies of the Group are mainly the design, manufacturing, processing, and sales of PC peripherals and Non-PC peripherals. Overall, the division of labor between the affiliated companies is based on mutual support of technology, production capacity, marketing, and services to create the maximum synergy.

### 5. Information on directors, supervisors, and managerial officers

December 31, 2022

Name	Title	Name or representative
Dongguan Primax Electronic & Telecommunication Products Ltd.	Chairman	Primax Industries (Hong Kong) Ltd. & Primax Technology (Cayman Holding) Ltd. Representative: Chang, Chen-Te
	Director	Primax Industries (Hong Kong) Ltd. & Primax Technology (Cayman Holding) Ltd. Representative: Fan, Kang-Yang
	Director	Primax Industries (Hong Kong) Ltd. & Primax Technology (Cayman Holding) Ltd. Representative: Liang, Li-Sheng
	Supervisor	Primax Industries (Hong Kong) Ltd. & Primax Technology (Cayman Holding) Ltd. Representative: Hsiao, Yin-Yi
	General Manager	Li, Yi-Ju
Primax Electronics (KunShan) Co., Ltd.	Chairman	Primax Industries (Hong Kong) Ltd. Representative: Chang, Chen-Te
	Director	Primax Industries (Hong Kong) Ltd. Representative: Liang, Li-Sheng
	Director	Primax Industries (Hong Kong) Ltd. Representative: Wang, Yao-Wei
	Supervisor	Primax Industries (Hong Kong) Ltd. Representative: Hsiao, Yin-Yi
	General Manager	Li, Yi-Ju
Primax Electronics (ChongQing) Co., Ltd.	Chairman	Primax Industries (Hong Kong) Ltd. Representative: Chang, Chen-Te
	Director	Primax Industries (Hong Kong) Ltd. Representative: Liang, Li-Sheng
	Director	Primax Industries (Hong Kong) Ltd. Representative: Fan, Kang-Yang
	Supervisor	Primax Industries (Hong Kong) Ltd. Representative: Hsiao, Yin-Yi
	General Manager	Li, Yi-Ju
Beijing Destiny Electronic Technology Co., Ltd.	Chairman	Destiny Technology Holding Co., Ltd. Representative: Liang, Li-Sheng
	Director	Destiny Technology Holding Co., Ltd. Representative: Hsiao, Yin-Yi
	Director	Destiny Technology Holding Co., Ltd. Representative: Wei, Hao-San
	Supervisor	Destiny Technology Holding Co., Ltd. Representative: Chang, Chen-Te
Primax Destiny Co., Ltd.	Director	Zhuo, Yi-Li
	Director	Liang, Li-Sheng
	Director	Hsiao, Yin-Yi
	Supervisor	Chou, Yen-Chou
Polaris Electronics, Inc.	Director	Liang, Li-Sheng
	Director	Kuo, You-Min
Primax Industries (Hong Kong) Ltd.	Director	Primax Industries (Cayman Holding) Ltd. Representative: Liang, Li-Sheng
	Director	Primax Industries (Cayman Holding) Ltd. Representative: Pan, Yung-Chung
Primax Technology (Cayman Holding) Ltd.	Director	Liang, Li-Sheng
	Director	Pan, Yung-Chung
	Director	Hsiao, Yin-Yi

Name	Title	Name or representative
Primax Industries (Cayman Holding) Ltd.	Director	Primax Electronics Ltd. Representative: Liang, Li-Sheng
	Director	Primax Electronics Ltd. Representative: Pan, Yung-Chung
	Director	Primax Electronics Ltd. Representative: Hsiao, Yin-Yi
Destiny Technology Holding Co.,Ltd.	Director	Liang, Li-Sheng
Diamond (Cayman) Holdings Ltd.	Director	Primax Electronics Ltd. Representative: Liang, Li-Sheng Hsiao, Yin-Yi
Tymphany Worldwide Enterprises Ltd.	Director	Diamond (Cayman) Holdings Ltd. Representative: Pan, Yung-Chung Liang, Li-Sheng Wu, Chang-I Duh, Jia-Bin
	Independent Director	Cheng, Chih-Kai
TYP Enterprises, Inc.	Director	Edward Townsend Boyd
Tymphany HK Ltd.	Director	Edward Townsend Boyd; Pan, Yung-Chung
Tymphany Acoustic Technology (Huizhou) Co., Ltd.	Chairman	Pan, Yung-Chung
	General Manager	Wu, Chang-I
	Director	Tsao, Chung-Feng; Wu, Chang-I; Edward Townsend Boyd; Liu, Xiao-Tong
Tymphany Logistics, Inc.	Supervisor	Li, Hsien-Chang; Hsiao Yin-Yi; Fan, Chi-Liang
	Director	Liang, Li-Sheng
Dongguan Tymphany Acoustic Technology Co., Ltd.	Executive Director	Pan, Yung-Chung
	General Manager	Wu, Chang-I
	Supervisor	Hsiao, Yin-Yi
Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd.	Executive Director	Pan, Yung-Chung
	General Manager	Wu, Chang-I
	Supervisor	Hsiao, Yin-Yi
Tymphany Acoustic Technology HK Ltd.	Director	Pan, Yung-Chung
Tymphany Acoustic Technology (UK) Limited	Director	Philip Scott Mcphee
Tymphany Acoustic Technology Europe, s.r.o.	Director	Pavel Merhout
	Director	Philip Scott Mcphee
Tymphany Acoustic Technology Limited	Director	Liang, Li-Sheng Pan, Yung-Tai Pan, Yung-Chung
	Supervisor	Hsiao, Yin-Yi
Gratus Technology Corp.	Director	Kuo, You-Min Pan, Yung-Chung
Primax AE (Cayman) Holdings Ltd.	Director	Primax Electronics Ltd. Representative: Liang Li-Sheng Hsiao, Yin-Yi
Primax Electronics (Singapore) Pte. Ltd. (Note 1)	Director	Liang, Li-Sheng Pan, Yung-Tai Pan, Yung-Chung Hsu, Jau-Nan
Primax Electronics (Thailand) Co.,Ltd. (Note 2)	Director	Liang, Li-Sheng Pan, Yung-Tai Pan, Yung-Chung Yang, Chang-Lung
Tymphany Acoustic Technology (Thailand) Co., Ltd. (Note 2)	Director	Liang, Li-Sheng Pan, Yung-Tai Pan, Yung-Chung Yang, Chang-Lung

Notes 1: The directors of the company in Singapore have no designated term. At least one-third of the directors need to be dismissed at the annual general meeting (the general shareholders' meeting in Taiwan), but new directions shall be elected immediately.  
Notes 2: The directors of the company in Thailand have no designated term. At least one-third of the directors need to be dismissed at the annual general meeting (the general shareholders' meeting in Taiwan), but new directions shall be elected immediately.

## 6. Operational highlight of affiliated companies

Unit: NT\$ 1,000 / December 31, 2022

Name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating income	Profit (loss) for the year (after-tax)	EPS (NTD) (after-tax)
Dongguan Primax Electronic & Telecommunication Products Ltd.	1,966,235	12,989,043	5,905,960	7,083,083	30,457,214	447,774	526,046	-
Primax Electronics (KunShan) Co., Ltd.	860,949	1,349,048	553,103	795,945	1,823,450	(27,902)	(9,858)	-
Primax Electronics (ChongQing) Co., Ltd.	841,404	4,778,638	2,623,380	2,155,258	9,828,223	246,348	371,216	-
Beijing Destiny Electronic Technology Co., Ltd.	38,950	46,090	48,262	(2,172)	120,221	4,160	4,010	-
Primax Destiny Co., Ltd.	5,773	18,308	2,492	15,816	9,660	460	321	641.24
Polaris Electronics, Inc.	49,133	1,848,524	1,416,269	432,255	4,102,030	15,136	10,272	6.42
Gratus Technology Corp.	9,212	17,980	2,416	15,564	29,207	1,653	1,188	3.96
Primax Industries (Hong Kong) Ltd.	2,374,255	7,763,876	11,173	7,752,703	11,775	(625)	714,663	1.19
Primax Technology (Cayman Holding) Ltd.	875,383	2,873,019	0	2,873,019	0	(261)	195,433	0.69
Primax Industries (Cayman Holding) Ltd.	2,501,976	7,767,480	5,703	7,761,777	0	(215)	715,354	0.09
Destiny Technology Holding Co., Ltd.	32,243	(2,169)	0	(2,169)	0	0	4,010	3.82
Diamond (Cayman) Holding Ltd.	3,962,867	6,558,400	0	6,558,400	0	(933)	402,038	3.12
Primax AE (Cayman) Holdings Ltd.	1,480,126	61,809	0	61,809	0	(223)	(194,309)	(4.03)
Tymphany Worldwide Enterprises Ltd.	1,922,510	5,048,270	4,996	5,043,274	0	(4,085)	479,177	2.49
Primax Electronics (Singapore) Pte. Ltd.	1,231,391	3,380,079	2,646,624	733,455	6,865	327	(60,299)	(1.50)
Primax Electronics (Thailand) Co., Ltd.	1,102,699	1,554,180	818,543	735,637	1,270,425	(60,282)	(57,021)	(45.83)
Tymphany Acoustic Technology (Thailand) Co., Ltd.	690,261	2,035,408	1,443,668	591,740	5,763,238	151,954	67,646	8.68
Tymphany HK Ltd.	569,100	6,078,267	4,848,540	1,229,727	20,551,447	(432,703)	(416,840)	(2.89)
Tymphany Acoustic Technology (Huizhou) Co., Ltd.	1,668,961	8,807,447	2,297,030	6,510,417	10,088,503	386,012	632,488	-
Tymphany Logistics, Inc.	6,142	9,474	154	9,320	0	(257)	(1,360)	(6.80)
TYP Enterprises, Inc.	15	84,677	49,372	35,305	169,239	20,829	5,420	10,839.80
Dongguan Tymphany Acoustic Technology Co., Ltd.	153,540	3,403,745	2,576,590	827,155	8,352,277	48,385	26,814	-
Dongguan Dongcheng Tymphany Acoustic Technology Co., Ltd.	88,184	2,426,244	2,210,748	215,496	4,716,364	69,111	39,234	-
Tymphany Acoustic Technology HK Ltd.	1,647,217	6,252,428	3,474,599	2,777,829	11,760,421	227,038	(16,298)	(0.04)
Tymphany Acoustic Technology (UK) Limited	14,808	88,957	53,658	35,299	88,152	6,741	4,093	10.23
Tymphany Acoustic Technology Europe,s.r.o.	253,906	1,971,227	1,213,516	757,711	3,306,592	115,998	72,432	0.39
Tymphany Acoustic Technology Limited	50,000	691,367	394,695	296,672	1,282,740	151,112	73,454	14.69

**(II) Consolidated financial statements of affiliated companies:**

1. Consolidated Financial Statements of Affiliated Enterprises: Please refer to 8. Financial Overview of the 2022 consolidated financial report and Note A audited and certified by CPAs.
2. CPA's audit report on the consolidated financial statements of affiliated companies: Please refer to 8. Financial Overview of the 2022 consolidated financial report and Note A audited and certified by CPAs.

**(III) Affiliation report: Not applicable****II. Private Offering of Securities for the Most Recent Year up to the Publication Date of the Annual Report: None****III. Holding or Disposal of Shares of the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of this Annual Report: None****IV. Other Necessary Supplements: None****V. Any event which has a significant influence on Shareholders' equity or the Company's Securities Price, as prescribed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, that have occurred in the most recent fiscal year up to the publication date of this annual report: None**

# 8. Financial Overview

## I. Condensed Balance Sheets and Statements of Comprehensive Income for the Most Recent Five Years

### (I) Condensed Consolidated Balance Sheet—Based on IFRS

Unit: NT\$ 1,000

Item	Year	Financial information for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		31,472,160	39,323,212	35,110,091	35,729,467	33,260,417
Property, plant and equipment		5,509,536	7,363,740	6,542,015	7,604,823	8,246,823
Right-of-use assets		-	1,843,153	1,568,052	2,380,370	2,134,317
Intangible assets		4,463,979	2,501,156	2,370,578	2,256,589	2,130,259
Other assets		1,715,826	2,114,693	1,716,346	1,502,949	1,492,245
Total assets		43,161,501	53,145,954	47,307,082	49,474,198	47,264,061
Current liabilities	Before distribution	26,060,819	33,562,806	27,940,913	28,532,224	25,335,762
	After distribution	27,133,160	34,639,682	29,295,786	29,943,454	27,127,556
Non-current lease liabilities		-	1,195,744	981,436	1,879,350	1,704,857
Other non-current liabilities		2,130,564	3,883,764	2,884,143	2,620,112	1,929,857
Total liabilities	Before distribution	28,191,383	38,642,314	31,806,492	33,031,686	28,970,476
	After distribution	29,263,724	39,719,190	33,161,365	34,442,916	30,762,270
Equity attributable to owners of the parent company		11,625,821	12,308,002	13,287,833	14,175,512	16,347,094
Share capital		4,474,523	4,485,808	4,508,983	4,552,633	4,582,893
Capital surplus		1,377,077	1,483,045	1,567,628	1,758,780	2,129,908
Retained earnings	Before distribution	6,525,331	7,533,016	8,370,872	9,308,707	10,649,455
	After distribution	5,452,990	6,456,140	7,015,999	7,897,477	8,857,661
Other equity interest		(751,110)	(1,193,867)	(1,159,650)	(1,444,608)	(1,015,162)
Treasury stock		-	-	-	-	-
Non-controlling interests		3,344,297	2,195,638	2,212,757	2,267,000	1,946,491
Total equity	Before distribution	14,970,118	14,503,640	15,500,590	16,442,512	18,293,585
	After distribution	13,897,777	13,426,764	14,145,717	15,031,282	16,501,791

Notes: Financial data from 2018 through 2022 has been audited and certified by CPAs.

### (II) Condensed Individual Balance Sheet—Based on IFRS

Unit: NT\$ 1,000

Item	Year	Financial information for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		12,403,266	13,258,726	15,161,997	13,864,963	14,104,977
Investment accounted for using equity method		14,166,264	14,973,751	15,465,579	15,732,110	17,830,483
Property, plant and equipment		92,023	92,804	100,891	863,616	983,581
Right-of-use assets		-	342,146	255,763	1,227,541	1,139,985
Intangible assets		13,738	9,763	7,708	5,653	3,598
Other assets		1,010,489	914,307	906,754	1,159,660	1,245,330
Total assets		27,685,780	29,591,497	31,898,692	32,853,543	35,307,954

Item	Year	Financial information for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Current liabilities	Before distribution	14,254,636	15,168,513	16,843,558	15,540,854	15,769,502
	After distribution	15,326,977	16,245,389	18,198,431	16,952,084	17,561,296
Non-current lease liabilities		-	260,939	174,194	1,190,212	1,121,079
Other non-current liabilities		1,805,323	1,854,043	1,593,107	1,946,965	2,070,279
Total liabilities	Before distribution	16,059,959	17,283,495	18,610,859	18,678,031	18,960,860
	After distribution	17,132,300	18,360,371	19,965,732	20,089,261	20,752,654
Share capital		4,474,523	4,485,808	4,508,983	4,552,633	4,582,893
Capital surplus		1,377,077	1,483,045	1,567,628	1,758,780	2,129,908
Retained earnings	Before distribution	6,525,331	7,533,016	8,370,872	9,308,707	10,649,455
	After distribution	5,452,990	6,456,140	7,015,999	7,897,477	8,857,661
Other equity interest		(751,110)	(1,193,867)	(1,159,650)	(1,444,608)	(1,015,162)
Treasury stock		-	-	-	-	-
Total equity	Before distribution	11,625,821	12,308,002	13,287,833	14,175,512	16,347,094
	After distribution	10,553,480	11,231,126	11,932,960	12,764,282	14,555,300

Notes: Financial data from 2018 through 2022 has been audited and certified by CPAs.

### (III) Consolidated Condensed Statement of Comprehensive Income—Based on IFRS

Unit: NT\$ 1,000

Item	Year	Financial information for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Operating revenue		64,811,408	80,649,608	68,240,939	71,649,849	79,240,765
Gross profit		7,789,423	9,431,016	8,111,074	9,379,603	10,984,275
Operating profit (loss)		1,942,514	2,762,627	2,299,797	2,812,605	3,344,773
Non-operating income and expenses		421,688	151,274	178,640	217,358	284,191
Net income before tax		2,364,202	2,913,901	2,478,437	3,029,963	3,628,964
Net income from continuing operations		1,913,975	2,262,919	1,944,267	2,393,221	2,868,961
Loss from discontinued operations		-	-	-	-	-
Net income		1,913,975	2,262,919	1,944,267	2,393,221	2,868,961
Other comprehensive income		(327,319)	(544,662)	(4,663)	(223,709)	541,267
Total comprehensive income		1,586,656	1,718,257	1,939,604	2,169,512	3,410,228
Net income attributable to owners of the parent company		1,826,870	2,134,870	1,919,265	2,298,282	2,742,609
Net income attributable to non-controlling interests		87,105	128,049	25,002	94,939	126,352
Total comprehensive income (loss) attributable to owners of the parent company		1,504,297	1,644,893	1,927,312	2,121,938	3,214,191
Total comprehensive income (loss) attributable to non-controlling interests		82,359	73,364	12,292	47,574	196,037
Earnings per share (Note 2)		4.12	4.80	4.30	5.13	6.10

Notes 1: Financial data from 2018 through 2022 has been audited and certified by CPAs.

Notes 2: Basic earnings per share



## (IV) Condensed Individual Statement of Comprehensive Income—Based on IFRS

Unit: NT\$ 1,000

Item	Year	Financial information for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Operating revenue		33,984,435	36,178,733	34,990,027	42,506,020	42,694,520
Gross profit		2,418,611	3,508,999	3,353,886	4,149,614	4,628,684
Operating profit (loss)		468,330	1,257,493	1,248,364	1,793,066	1,879,118
Non-operating income and expenses		1,642,799	1,236,821	974,678	884,465	1,286,717
Net income before tax		2,111,129	2,494,314	2,223,042	2,677,531	3,165,835
Net income from continuing operations		1,826,870	2,134,870	1,919,265	2,298,282	2,742,609
Loss from discontinued operations		-	-	-	-	-
Net income		1,826,870	2,134,870	1,919,265	2,298,282	2,742,609
Other comprehensive income		(322,573)	(489,977)	21,626	(176,344)	471,582
Total comprehensive income		1,504,297	1,644,893	1,940,891	2,121,938	3,214,191
Earnings per share (Note 2)		4.12	4.80	4.30	5.13	6.10

Notes 1: Financial data from 2018 through 2022 has been audited and certified by CPAs.

Notes 2: Basic earnings per share

## (V) Names of CPAs in the five most recent years and their audit opinions

Year	Accounting firm	CPA	Audit opinion
2018	KPMG Taiwan	Wu, Mei-Pin and Yu, Chi-Long	Unqualified opinion
2019	KPMG Taiwan	Wu, Mei-Pin and Yu, Chi-Long	Unqualified opinion
2020	KPMG Taiwan	Wu, Mei-Pin and Yu, Chi-Long	Unqualified opinion
2021	KPMG Taiwan	Wu, Mei-Pin and Yu, Chi-Long	Unqualified opinion
2022	KPMG Taiwan	Wu, Mei-Pin and Horng, Shyh-Gang	Unqualified opinion

## II. Financial analysis for the most recent five years

## (一) Financial Analysis—Based on IFRS - Consolidated

Item	Year	Financial analysis for the most recent five years				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt ratio	65.32	72.71	67.23	66.77	61.29
	Ratio of Long-term funds to property, plant and equipment	310.38	265.94	296.03	275.38	265.90
Solvency (%)	Current ratio	120.76	117.16	125.66	125.22	131.28
	Quick ratio	88.58	81.39	83.14	75.24	91.37
	Times interest earned ratio	63.21	15.35	15.02	18.09	13.75
Operating performance	Account receivable turnover ratio (times)	4.41	4.43	4.10	5.24	5.65
	Average collection days	82.77	82.39	89.02	69.65	64.60
	Inventory turnover ratio (times)	7.84	7.80	5.80	5.32	6.06
	Average days of sales	46.56	46.79	62.93	68.60	60.23
	Account payables turnover ratio (times)	3.28	3.37	2.81	3.39	4.30
	Average payables days	111.28	108.31	129.89	107.67	84.88
	Property, plant and equipment turnover ratio (times)	13.03	12.53	9.81	10.13	10.00
	Total assets turnover ratio (times)	1.60	1.67	1.36	1.48	1.64

Item	Year	Financial analysis for the most recent five years				
		2018	2019	2020	2021	2022
Profitability	Return on assets (%)	4.80	5.03	4.15	5.24	6.40
	Return on equity (%)	13.69	15.36	12.96	14.98	16.52
	Pre-tax income to capital (%)	52.84	64.96	54.97	66.55	79.19
	Net profit margin (%)	2.95	2.81	2.85	3.34	3.62
	Earnings per share (NTD)	4.12	4.80	4.30	5.13	6.10
Cash flow	Cash flow ratio (%)	6.86	19.75	14.18	5.87	24.45
	Cash flow adequacy ratio (%)	107.76	85.02	84.43	68.26	75.94
	Cash reinvestment ratio (%)	1.79	22.43	11.53	1.21	16.85
Leverage	Operating leverage	1.83	1.79	1.97	1.69	1.56
	Financial leverage	1.02	1.08	1.08	1.07	1.09

Explain changes in financial ratios over the most recent two years. (Not required if the difference does not exceed 20%)

1. Quick ratio: Mainly due to the reduction of inventory as a result of de-stocking.
2. Times interest earned ratio: Mainly due to the increase in medium-term borrowings for the construction of the plant in Taiwan and the impact of interest rate hikes resulting in higher interest expenses.
3. Account payables turnover ratio (times), average payables days: Mainly due to the de-stocking of inventory and the reduction of accounts payable due to reduced purchases.
4. Return on assets: Mainly due to the increase in net income in 2022.
5. Cash flow ratio, cash reinvestment ratio: Mainly due to the increase in net cash flow from operating activities due to the de-stocking.

## (二) Financial analysis—Based on IFRS - Individual Entities

Item	Year	Financial analysis for the most recent five years				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt ratio	58.01	58.41	58.34	56.85	53.70
	Ratio of Long-term funds to property, plant and equipment	14,595.42	15,541.34	14,922.18	2,004.67	1,986.46
Solvency (%)	Current ratio	87.01	87.41	90.02	89.22	89.44
	Quick ratio	71.49	65.96	65.25	64.13	71.22
	Times interest earned ratio	115.98	37.09	54.91	55.93	52.91
Operating performance	Account receivable turnover ratio (times)	4.89	4.87	4.86	5.71	5.47
	Average collection days	74.64	74.95	75.10	63.92	66.73
	Inventory turnover ratio (times)	14.64	12.11	8.61	9.63	11.53
	Average days of sales	24.93	30.13	42.39	37.90	31.66
	Account payables turnover ratio (times)	3.35	3.01	2.76	3.56	3.96
	Average payables days	108.96	121.26	132.25	102.53	92.17
	Property, plant and equipment turnover ratio (times)	422.01	391.49	361.29	88.14	46.23
	Total assets turnover ratio (times)	1.31	1.26	1.14	1.31	1.25
Profitability	Return on assets (%)	7.11	7.65	6.35	7.22	8.19
	Return on equity (%)	15.88	17.84	15.00	16.74	17.97
	Pre-tax income to capital (%)	47.18	55.60	49.30	58.81	69.08
	Net profit margin (%)	5.38	5.90	5.49	5.41	6.42
	Earnings per share (NTD)	4.12	4.80	4.30	5.13	6.10
Cash flow	Cash flow ratio (%)	11.29	17.62	14.39	4.23	20.69
	Cash flow adequacy ratio (%)	141.60	123.00	140.68	116.93	111.52
	Cash reinvestment ratio (%)	1.34	11.24	9.00	(4.32)	9.47
Leverage	Operating leverage	1.08	1.11	1.11	1.08	1.08
	Financial leverage	1.04	1.06	1.03	1.03	1.03

Explain changes in financial ratios over the most recent two years. (Not required if the difference does not exceed 20%)

1. Inventory turnover ratio (times): Mainly due to the reduction of inventory as a result of de-stocking.
2. Property, plant and equipment turnover ratio (times): Mainly due to the increase in property, plant and equipment caused by the global strategic planning.
3. Cash flow ratio, cash reinvestment ratio: Mainly due to the decrease in inventory in 2022, and the decrease in cash outflow from operating activities generated by accounts payable, resulting in an increase in net cash flow from operating activities.

**1. Financial structure**

- (1) Debt ratio = Total liabilities / Total assets.
- (2) Ratio of Long term funds 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 - Prepayment for expenses) / Current liabilities.
- (3) Times interest earned ratio = Net income before tax and interest expense / Interest expense for the current period.

**3. Operating performance**

- (1) Account receivable turnover ratio (including accounts receivable and notes receivable from operating activities) = Net sales / Balance of average accounts receivable for each period (including accounts receivable and notes receivable from operating activities).
- (2) Average collection days = 365 / Account receivable turnover ratio.
- (3) Inventory turnover ratio = Cost of goods sold / Average inventory.
- (4) Average days of sales = 365 / Inventory turnover ratio.
- (5) Account payables turnover ratio (including accounts payable and notes payable from operating activities) = Cost of goods sold / Balance of average accounts payable for each period (including accounts payable and notes payable from operating activities).
- (6) Average payable days = 365 / Account payables turnover ratio.
- (7) Property, plant and equipment turnover ratio = Net sales / Average net property, plant and equipment.
- (8) Total assets turnover ratio = Net sales / Average total assets.

**4. Profitability**

- (1) Return on assets = (Profit or loss after tax + Interest expense × (1-tax rate)) / Average total assets
- (2) Return on equity = Profit or loss after tax / Average total equity.
- (3) Net profit margin = Profit or loss after tax / Net sales.
- (4) Earnings per share (EPS) = (Income attributable to owners of parent company - Preference shares dividends) / Weighted average number of outstanding shares.

**5. Cash flow**

- (1) Cash flow ratio = Net cash flow of operating activities / Current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years / (Capital expenditure + Inventory increase + Cash dividends) in the most recent five years.
- (3) Cash reinvestment ratio = (Net cash flow of operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).

**6. Leverage**

- (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income.
- (2) Financial leverage = Operating income / (Operating income - Interest expense).

**III. Report by the Audit Committee on 2022 Financial Report****Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements, and proposal for distribution of earnings. The CPA firm KPMG was reappointed to audit Primax's Financial Statements and has issued an audit report relating to the Financial Statements.

The Business Report, Financial Statements, and proposal for distribution of earnings have been audited and determined by the Audit Committee of Primax Electronics Limited to be in compliance with the Company Act and other relevant laws and regulations. We hereby submit this report in accordance with Article 219 of the Company Act.

Please verify

Yours sincerely,

Shareholders' Meeting of Primax Electronics Ltd.

Convener of the Audit Committee: Wu, Chun-Pang



February 23, 2023

**IV. The impact on the financial position of the Company in the event of financial turnover difficulties in the most recent year and up to the date of publication of this annual report of the Company and its affiliated companies: None**

**PRIMAX ELECTRONICS LTD.  
AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**With Independent Auditors' Report  
for the Years Ended  
December 31, 2022 and 2021**



**V. 2022 Consolidated Financial Statements and Notes  
Audited and Certified by CPAs**

Address: No. 669, Ruey Kuang Road, Neihu, Taipei  
Telephone: (02)2798-9008

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

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## Representation Letter

The entities that are required to be included in the combined financial statements of PRIMAX ELECTRONICS LTD. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, PRIMAX ELECTRONICS LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: PRIMAX ELECTRONICS LTD.  
Chairman: LIANG LI SHENG  
Date: February 24, 2023

## Independent Auditors' Report

To the Board of Directors of PRIMAX ELECTRONICS LTD.:

### Opinion

We have audited the consolidated financial statements of PRIMAX ELECTRONICS LTD. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PRIMAX ELECTRONICS LTD. and its subsidiaries as at 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed 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 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 PRIMAX ELECTRONICS LTD. and its subsidiaries 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. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

We did not audit the financial statements of certain subsidiaries. Those financial statements were audited by another auditor. Therefore, our opinion, insofar as it relates to those subsidiaries, is based solely on the report of another auditor. As of December 31, 2022 and 2021, the assets of these subsidiaries both constitute 35% of the consolidated total assets. For the years ended December 31, 2022 and 2021, the operating revenue of these subsidiaries constitute 40% and 34%, respectively, of the consolidated operating revenue.

We did not audit the financial statements of ALT International Co., Ltd (Cayman) for the year ended December 31, 2021, which represented the investments accounted for using equity method. That statement was audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for ALT International Co., Ltd (Cayman), is based solely on the report of another auditor. The investment in ALT International Co., Ltd (Cayman) accounted for using the equity method constituted 0% of the consolidated total assets at December 31 2021, and the related share of loss of associates accounted for using equity method constituted (2)% of consolidated profit after tax for the year then ended.

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgments, were of most significance in our audit of the consolidated financial statements of the current period. 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. In our professional judgments, key audit matters to be communicated in the independent auditors' report are listed below:

#### 1. Evaluation of inventories

Please refer to note 4(h) "Inventories", note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and note 6(g) "Inventories" of the consolidated financial statements.

Description of key audit matter:

Inventories of PRIMAX ELECTRONICS LTD. and its subsidiaries are measured at the lower of cost and net realizable value. Due to the fast high-tech revolution, as well as the advancement of production technologies that may lead dramatic change in customers' demand, the net realizable value of inventories requires subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, evaluation of inventories is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the inventories of PRIMAX ELECTRONICS LTD. and its subsidiaries; inspecting whether existing inventory policies are applied; examining the accuracy of the aging of inventories by sampling and analyzing the changes of the aging of inventories; inspecting the reasonableness of the allowance provided for inventory valuation in the past and comparing it to the current year to ensure that the measurements and assumptions are appropriate.

In addition, the consolidated financial statements of certain subsidiaries were audited by other auditor, therefore, we have issued audit instruction to their auditors as guidelines to communicate the above key audit matters with them and reviewed other auditor's working papers, as well as obtained the feedbacks required in the audit instruction.

#### 2. Impairment assessment of intangible assets

Please refer to note 4(n) "Impairment of non-financial assets", note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and note 6(m) "Intangible assets" of the consolidated financial statements.

Description of key audit matter:

In 2014, PRIMAX ELECTRONICS LTD. acquired Tymphony Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd. The transaction mentioned above resulted in PRIMAX ELECTRONICS LTD. and its subsidiaries to recognize its goodwill, technologies, and customer relations, as intangible assets. The rapid industrial transformation and the assessment of impairment contained estimation uncertainty; therefore, the assessment of impairment of intangible assets is one of the key audit matters for our audit.

How the matter was addressed in our audit:

The principal audit procedures on the assessment of impairment of intangible assets included: evaluating the identification of cash generating units and any indication of impairment relating to intangible assets made by the management; acquiring impairment assessment report from external expert engaged by the Group; reviewing the impairment assessment report and assessing the reasonability of measurements, parameters, and assumptions; evaluating the operation outcomes and comparing them to the past forecasts; making sensitivity analysis for evaluation of impairment losses and evaluating the completeness of disclosure in the consolidated financial statements.

### **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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretations as well as related guidance endorsed 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 PRIMAX ELECTRONICS LTD. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing PRIMAX ELECTRONICS LTD. and its subsidiaries's financial reporting process.

### **Auditor's 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 auditor's 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 PRIMAX ELECTRONICS LTD. and its subsidiaries' 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 PRIMAX ELECTRONICS LTD. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause PRIMAX ELECTRONICS LTD. and its subsidiaries 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 appropriate audit evidence regarding the financial information of the entities or business activities within PRIMAX ELECTRONICS LTD. and its subsidiaries 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 audit resulting in this independent auditors' report are MEI-PIN WU and SHYH-GANG HORNG.

KPMG

Taipei, Taiwan (Republic of China)  
February 24, 2023

### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD. AND SUBSIDIARIESConsolidated Balance Sheets  
December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 6,284,887	13	4,839,241	10
1110 Current financial assets at fair value through profit or loss (note 6(b))	396,984	1	156,238	-
1137 Current financial assets at amortized cost (notes 6(d) and 8)	130,023	-	1,665,744	3
1170 Notes and accounts receivable, net (notes 6(e) and (w))	14,338,084	30	13,374,675	27
1180 Accounts receivable from related parties, net (notes 6(e), (v) and 7)	54,587	-	130,280	-
1200 Other receivables (notes 6(e) and (f))	1,944,391	4	1,301,019	3
1310 Inventories (note 6(g))	9,353,504	20	13,164,601	27
1470 Other current assets	757,957	2	1,097,669	2
	<u>33,260,417</u>	<u>70</u>	<u>35,729,467</u>	<u>72</u>
<b>Non-current assets:</b>				
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	350,788	1	240,397	1
1550 Investments accounted for using equity method (note 6(h))	-	-	171,567	-
1600 Property, plant and equipment (notes 6(j) and 8)	8,246,823	17	7,604,823	15
1755 Right-of-use assets (note 6(k))	2,134,317	5	2,380,370	5
1760 Investment property (note 6(l))	32,900	-	33,363	-
1780 Intangible assets (note 6(m))	2,130,259	4	2,256,589	5
1840 Deferred tax assets (note 6(s))	747,289	2	692,823	1
1990 Other non-current assets (note 8)	361,268	1	364,799	1
	<u>14,003,644</u>	<u>30</u>	<u>13,744,731</u>	<u>28</u>
<b>Total assets</b>	<b>\$ 47,264,061</b>	<b>100</b>	<b>\$ 49,474,198</b>	<b>100</b>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
2100 Short-term borrowings (note 6(n))	2100		2100	
2120 Current financial liabilities at fair value through profit or loss (note 6(b))	2120		2120	
2170 Notes and accounts payable	2170		2170	
2201 Salaries payable	2201		2201	
2219 Other payables	2219		2219	
2280 Current lease liabilities (note 6(p))	2280		2280	
2320 Long-term borrowings, current portion (notes 6(o) and 8)	2320		2320	
2365 Current refund liabilities	2365		2365	
2399 Other current liabilities (note 6(w))	2399		2399	
	<u>25,335,762</u>	<u>53</u>	<u>28,532,224</u>	<u>58</u>
<b>Non-current liabilities:</b>				
2540 Long-term borrowings (notes 6(o) and 8)	2540		2540	
2580 Non-current lease liabilities (note 6(p))	2580		2580	
2630 Long-term deferred revenue (note 6(j))	2630		2630	
2670 Other non-current liabilities (notes 6(t) and (s))	2670		2670	
<b>Total liabilities</b>				
<b>Equity attributable to owners of parent:</b>				
3110 Ordinary shares (note 6(i))	3110		3110	
3200 Capital surplus (notes 6(i) and (l))	3200		3200	
3310 Legal reserve (note 6(i))	3310		3310	
3320 Special reserve (note 6(i))	3320		3320	
3350 Unappropriated retained earnings (note 6(i))	3350		3350	
3400 Other equity interest	3400		3400	
36XX Non-controlling interests (note 6(i))	36XX		36XX	
<b>Total equity</b>				
<b>Total liabilities and equity</b>	<b>\$ 47,264,061</b>	<b>100</b>	<b>\$ 49,474,198</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES  
Consolidated Statement of Comprehensive Income  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(w) and 7)	\$ 79,240,765	100	71,649,849	100
5000 Operating costs (notes 6(g), (p), (r), (x) and 12)	<u>68,256,490</u>	<u>86</u>	<u>62,270,246</u>	<u>87</u>
<b>Gross profit from operation</b>	<u>10,984,275</u>	<u>14</u>	<u>9,379,603</u>	<u>13</u>
<b>Operating expenses (notes 6(m), (p), (r), (u), (x) and 12):</b>				
6100 Selling expenses	1,868,828	3	1,654,914	2
6200 Administrative expenses	2,313,027	3	2,015,183	3
6300 Research and development expenses	3,366,095	4	2,907,911	4
6450 Expected credit loss (reversal) (notes 6(e) and (f))	<u>91,552</u>	<u>-</u>	<u>(11,010)</u>	<u>-</u>
<b>Total operating expenses</b>	<u>7,639,502</u>	<u>10</u>	<u>6,566,998</u>	<u>9</u>
<b>Net operating income</b>	<u>3,344,773</u>	<u>4</u>	<u>2,812,605</u>	<u>4</u>
<b>Non-operating income and expenses:</b>				
7100 Interest income	95,190	-	118,339	-
7010 Other income (notes 6(c), (q) and (y))	63,709	-	112,322	-
7020 Other gains and losses (notes 6(h), (j), (m) and (z))	457,298	-	229,800	-
7060 Shares of loss of associates accounted for using equity method (note 6(h))	(42,489)	-	(61,551)	-
7050 Finance costs (note 6(p))	<u>(289,517)</u>	<u>-</u>	<u>(181,552)</u>	<u>-</u>
<b>Total non-operating income and expenses</b>	<u>284,191</u>	<u>-</u>	<u>217,358</u>	<u>-</u>
<b>Profit before tax</b>	<u>3,628,964</u>	<u>4</u>	<u>3,029,963</u>	<u>4</u>
7950 <b>Less: Income tax expenses (note 6(s))</b>	<u>760,003</u>	<u>1</u>	<u>636,742</u>	<u>1</u>
<b>Profit</b>	<u>2,868,961</u>	<u>3</u>	<u>2,393,221</u>	<u>3</u>
8300 <b>Other comprehensive income (loss):</b>				
8310 <b>Items that may not be reclassified subsequently to profit or loss:</b>				
8311 Losses on remeasurements of defined benefit plans (note 6(r))	6,971	-	(5,574)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	11,974	-	89,862	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>18,945</u>	<u>-</u>	<u>84,288</u>	<u>-</u>
8360 <b>Items that may be reclassified subsequently to profit or loss:</b>				
8361 Exchange differences on translation of foreign operation's financial statements	522,322	1	(307,997)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	<u>522,322</u>	<u>1</u>	<u>(307,997)</u>	<u>-</u>
8300 <b>Other comprehensive income after tax</b>	<u>541,267</u>	<u>1</u>	<u>(223,709)</u>	<u>-</u>
<b>Comprehensive income</b>	<b>\$ 3,410,228</b>	<b>4</b>	<b>\$ 2,169,512</b>	<b>3</b>
<b>Profit attributable to:</b>				
8610 Owners of parent	\$ 2,742,609	3	2,298,282	3
8620 Non-controlling interests (note 6(i))	<u>126,352</u>	<u>-</u>	<u>94,939</u>	<u>-</u>
	<u>\$ 2,868,961</u>	<u>3</u>	<u>\$ 2,393,221</u>	<u>3</u>
<b>Comprehensive income attributable to:</b>				
8710 Owners of parent	\$ 3,214,191	4	2,121,938	3
8720 Non-controlling interests (note 6(i))	<u>196,037</u>	<u>-</u>	<u>47,574</u>	<u>-</u>
	<u>\$ 3,410,228</u>	<u>4</u>	<u>\$ 2,169,512</u>	<u>3</u>
9710 <b>Earnings per share (note 6(v))</b>				
9810 <b>Basic earnings per share (NT dollars)</b>	<b>\$ 6.10</b>		<b>\$ 5.13</b>	
	<u>\$ 6.02</u>		<u>\$ 5.09</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Total equity				
	Retained earnings			Other equity interest							
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of financial statements		Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Unearned employee compensation	Total equity attributable to owners of parent	Non-controlling interests
<b>Balance at January 1, 2021</b>	4,508,983	1,567,628	1,578,473	1,058,941	5,733,458	(1,004,528)	(41,833)	(113,289)	13,287,833	2,212,757	15,500,590
Profit	-	-	-	-	2,298,282	-	-	-	2,298,282	94,939	2,393,221
Other comprehensive income	-	-	-	-	(5,574)	(260,632)	89,862	-	(176,344)	(47,365)	(223,709)
Comprehensive income	-	-	-	-	2,292,708	(260,632)	89,862	-	2,121,938	47,574	2,169,512
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	191,473	-	(191,473)	-	-	-	-	-	-
Special reserve	-	-	-	(12,581)	12,581	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,354,873)	-	-	-	(1,354,873)	-	(1,354,873)
Changes in shares of investment accounted for using equity method	-	10,186	-	-	-	-	-	-	10,186	6,669	16,855
Amortization expense of restricted stock	(1,750)	(6,446)	-	-	-	-	-	110,428	110,428	-	110,428
Cancellation of restricted stock	45,400	187,412	-	-	-	-	-	8,196	-	-	131,008
Issuance of restricted stock	-	-	-	-	-	-	-	(232,812)	-	-	(232,812)
<b>Balance at December 31, 2021</b>	4,552,633	1,758,780	1,769,946	1,046,360	6,492,401	(1,265,160)	48,029	(227,477)	14,175,512	2,267,000	16,442,512
Profit	-	-	-	-	2,742,609	-	-	-	2,742,609	126,352	2,868,961
Other comprehensive income	-	-	-	-	6,971	452,637	11,974	-	471,582	69,685	541,267
Comprehensive income	-	-	-	-	2,749,580	452,637	11,974	-	3,214,191	196,037	3,410,228
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	229,271	-	(229,271)	-	-	-	-	-	-
Special reserve	-	-	-	170,770	(170,770)	-	-	-	(1,411,230)	-	(1,411,230)
Cash dividends of ordinary share	-	-	-	-	(1,411,230)	-	-	-	183,738	(516,546)	(332,808)
Changes in shares of investment accounted for using equity method	-	183,738	-	-	2,741	-	(2,741)	-	184,883	-	184,883
Amortization expense of restricted stock	-	-	-	-	-	-	-	184,883	184,883	-	369,766
Cancellation of restricted stock	(5,290)	(21,683)	-	-	-	-	-	26,973	-	-	21,683
Issuance of restricted stock	35,550	209,073	-	-	-	-	-	(244,623)	-	-	199,999
Effect of the liquidation of equity instruments at fair value through other comprehensive income	-	-	-	-	(343)	(812,523)	343	-	-	-	(812,523)
<b>Balance at December 31, 2022</b>	4,582,893	2,129,908	1,999,217	1,217,130	7,433,108	(812,523)	57,605	(260,244)	16,347,094	1,946,491	18,293,585

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES

Consolidated Statement of Cash Flows  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 3,628,964	3,029,963
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,658,468	1,720,325
Amortization expense	228,854	220,634
Expected credit loss (reversal)	91,552	(11,010)
Interest expense	284,692	177,287
Interest income	(95,190)	(118,339)
Compensation cost of share-based payment	200,363	127,283
Impairment losses of intangible assets	29,198	-
Impairment losses of associates accounted for using equity method	157,740	300,274
Shares of loss of associates accounted for using equity method	42,489	61,551
Loss (gain) on disposal of property, plant and equipment	(3,510)	26,746
Impairment loss of property, plant and equipment (reversal)	6,084	(16,476)
Gain on disposal of right-of-use assets	(17,338)	(6,560)
<b>Total adjustments to reconcile profit</b>	<b>2,583,402</b>	<b>2,481,715</b>
<b>Changes in operating assets and liabilities:</b>		
Financial assets at fair value through profit or loss	(240,746)	157,520
Notes and accounts receivable	(2,065,746)	216,314
Accounts receivable from related parties	75,693	67,909
Other receivables	356,678	43,485
Inventories	3,811,097	(2,917,138)
Other current assets	339,712	522,565
Other operating assets	(8,364)	(10,290)
<b>Changes in operating assets</b>	<b>2,268,324</b>	<b>(1,919,635)</b>
Financial liabilities at fair value through profit or loss	413,607	170,883
Notes and accounts payable	(3,654,734)	(1,307,796)
Salaries payable	196,700	350,331
Other payables	1,087,725	(412,471)
Refund liabilities	212,842	278,110
Other current liabilities	863,648	(67,669)
Other operating liabilities	(74,244)	(256,961)
<b>Changes in operating liabilities</b>	<b>(954,456)</b>	<b>(1,245,573)</b>
<b>Total changes in operating assets and liabilities</b>	<b>1,313,868</b>	<b>(3,165,208)</b>
<b>Total adjustments</b>	<b>3,897,270</b>	<b>(683,493)</b>
Cash inflow generated from operations	7,526,234	2,346,470
Interest received	95,190	118,339
Interest paid	(284,614)	(177,211)
Income taxes paid	(1,142,812)	(614,122)
<b>Net cash flows from operating activities</b>	<b>6,193,998</b>	<b>1,673,476</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(108,358)	(35,097)
Proceeds from the liquidation of financial assets at fair value through other comprehensive income	8,538	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	6,234
Decrease (increase) in financial assets measured at amortized cost	1,535,721	(810,506)
Acquisition of property, plant and equipment	(1,931,157)	(3,044,488)
Proceeds from disposal of property, plant and equipment	27,574	25,738
Decrease (increase) in refundable deposits	(47,388)	36,006
Dividends received	10,744	4,858
Acquisition of unamortized expense	(33,665)	(58,083)
Proceeds from disposal of unamortized expense	4,414	1,680
<b>Net cash flows used in investing activities</b>	<b>(533,577)</b>	<b>(3,873,658)</b>
<b>Cash flows from (used in) financing activities:</b>		
(Decrease) increase in short-term borrowings	(1,541,459)	1,125,770
(Decrease) increase in long-term borrowings	(996,955)	705,496
(Decrease) increase in guarantee deposits received	(127)	28
Payment of lease liabilities	(234,706)	(249,172)
Cash dividends	(1,411,230)	(1,354,873)
Repurchase shares of employee stocks ownership plan	(348,287)	-
<b>Net cash flows from (used in) financing activities</b>	<b>(4,532,764)</b>	<b>227,249</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>317,989</b>	<b>(123,179)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,445,646</b>	<b>(2,096,112)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4,839,241</b>	<b>6,935,353</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 6,284,887</b>	<b>4,839,241</b>

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2022 and 2021**

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

**(1) Company history**

PRIMAX ELECTRONICS LTD. (the “Company”), formerly known as Hong Chuan Investments Ltd., was incorporated on March 20, 2006, and registered under the Ministry of Economic Affairs, ROC. The Company changed its name to Hong Chuan Electronics Ltd. and Primax Electronics Ltd. in October 2007 and February 2008, respectively. The address of the Company’s registered office is No. 669, Ruey Kuang Road, Neihu, Taipei.

Primax Electronics Holdings, Ltd. (Primax Holdings, formerly known as Apple Holdings Ltd.) acquired all shares of the Company from YWAN PANG Management Limited on April 2, 2007. The investment was approved by the Investment Commission, Ministry of Economic Affairs. However, all shares of the Company were sold by Primax Holdings to its stockholders in October 2009.

Based on the resolution approved by the Company’s Board of Directors on November 5, 2007, the Company resolved to acquire and merge with Primax Electronics Ltd. (“Primax”, a listed company) on December 28, 2007. The Company is the surviving company, and Primax was dissolved upon completion of the merger.

The consolidated financial statements of the Company as at and for the years ended December 31, 2022, comprised the Company and subsidiaries (together referred to as “the Group”). The major business activities of the Group were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products, shredders, amplifiers, speakers, audio systems and related parts, as well as other electronic components. Please refer to note 14 for further information.

The Company’s common shares were registered with the Financial Supervisory Commission, ROC (“FSC”) on June 22, 2012, and listed on the Taiwan Stock Exchange (“TWSE”) on October 5, 2012.

**(2) Approval date and procedures of the consolidated financial statements:**

The consolidated financial statements were authorized for issuance by the board of directors on February 24, 2023.

**(3) New standards, amendments and interpretations adopted:**

(a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

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

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.  The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Non-current Liabilities with Covenants”	<p>After reconsidering certain aspects of the 2020 amendments<sup>1</sup>, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.</p> <p>Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.</p>	January 1, 2024

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

**(a) Statement of compliance**

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (“the IFRSs endorsed by the FSC”).

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(b) Basis of preparation**

**(i) Basis of measurement**

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities are measured at fair value of plan assets, less the present value of the defined benefit obligation.

**(ii) Functional and presentation currency**

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

**(c) Basis of consolidation**

**(i) Principles of preparation of the consolidated financial statements**

The consolidated financial statements comprise the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group’s share of net assets before and after the change and any consideration received or paid are adjusted to equity attributable to stockholders of the Company.

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests at their carrying amounts at the date when control is lost. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries in the consolidated financial statements

The details of the subsidiaries included in the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding		Description
			December 31, 2022	December 31, 2021	
The Company	Primax Industries (Cayman Holding) Ltd. (Primax Cayman)	Holding company	100.00 %	100.00 %	
The Company	Primax Technology (Cayman Holding) Ltd. (Primax Tech.)	Holding company	100.00 %	100.00 %	
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI)	Holding company	100.00 %	100.00 %	
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development of and customer service for computer peripherals, mobile device components, and business devices	100.00 %	100.00 %	
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00 %	100.00 %	
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development of and customer service for computer peripherals, mobile device components, and business devices	100.00 %	100.00 %	
The Company	Primax AE (Cayman) Holdings Ltd. (Primax AE)	Holding company	100.00 %	100.00 %	
The Company	Primax Electronics (Singapore) Pte. Ltd. (Primax Singapore)	Sale of computer peripherals and mobile device components	100.00 %	100.00 %	
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Holding company and customer service	100.00 %	100.00 %	
Primax HK and Primax Tech.	Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	Manufacturing and sale of computer peripherals, mobile device components, and business devices	100.00 %	100.00 %	
Primax HK	Primax Electronics (Kun Shan) Corp., Ltd. (PKS1)	Production of computer peripheral products	100.00 %	100.00 %	

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding		Description
			December 31, 2022	December 31, 2021	
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Production of computer peripheral products	100.00 %	100.00 %	
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale and purchase of computer peripherals, mobile device components, and business devices	100.00 %	100.00 %	
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	R&D of computer peripherals and business devices	100.00 %	100.00 %	
Primax Singapore	Primax Electronics (Thailand) Co., Ltd. (Primax Thailand)	Manufacturing and sale of computer peripherals, mobile device components, and business devices	99.99 %	99.99 %	
Diamond	Tymphony Worldwide Enterprises Ltd. (TWEL)	Holding company	100.00 %	100.00 %	
TWEL	Tymphony Acoustic Technology (Huizhou) Co., Ltd (Tymphony Huizhou)	Manufacturing, R&D, design, and sales of various speaker accessories, speakers, and their components	77.01 %	71.43 %	(note 1)
Tymphony Huizhou	Tymphony Acoustic Technology HK Ltd. (TYM Acoustic HK)	R&D, design, and sales of various speaker accessories, speakers, and their components, as well as holding business	100.00 %	100.00 %	
Tymphony Huizhou	Dongguan Tymphony Acoustic Technology Co., Ltd. (Tymphony Dongguan)	Manufacturing, R&D, design and sales of various speaker accessories, speakers, and their components	100.00 %	100.00 %	
TYM Acoustic HK	TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK)	R&D and design of various speaker accessories as well as speakers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphony Acoustic Technology Europe, s.r.o (TYM Acoustic Europe)	Manufacturing, installation, and maintenance of various speaker accessories and their components	100.00 %	100.00 %	
TYM Acoustic HK	TYP Enterprise, inc. (TYP)	Market development of and customer service for speakers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphony HK Ltd. (TYM HK)	Holding company; sales of, market development of and customer service for various speaker accessories, speakers and their components	100.00 %	100.00 %	
TYM Acoustic HK	Tymphony Acoustic Technology Limited (TYM Acoustic)	R&D and design of various speaker accessories as well as speakers and their components	100.00 %	100.00 %	

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding		Description
			December 31, 2022	December 31, 2021	
TYM Acoustic HK	Tymphany Acoustic Technology (Thailand) Co., Ltd (TYTH)	Manufacturing and sales of various speaker accessories, speakers, and their components	99.99 %	99.99 %	
TYM HK	TYMPHANY LOGISTICS, INC (TYML)	Sales of various speaker accessories, speakers, and their components	100.00 %	100.00 %	
Tymphany Dongguan	Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	Manufacturing, R&D, design, and sales of various speaker accessories, speakers, and their components	100.00 %	100.00 %	

Note 1: Please refer to Note 6(i) for the changes in the percentage of shareholding.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for the differences relating to an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the consolidated financial statements, New Taiwan Dollar, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the consolidated financial statements, New Taiwan Dollar, at the average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of its investment in an associate or joint venture including a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise petty cash, cash on hand and demand deposits. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Time deposits with maturities within three months or less which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an trade receivable without a significant financing component) or financial liability is initially measured at fair value, plus transaction costs that are directly attributable to its acquisition or issue. A accounts receivable without a significant financing component is initially measured at the transaction price.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Financial assets

All regular way purchases or sales of financial assets classified as the same categories are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost; Fair value through other comprehensive income (FVOCI); or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial assets on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

5) Impairment of financial assets

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

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 61 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 361 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 361 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

6) Derecognition of financial assets

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

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences the residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-costing method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes of the Group's shareholding percentage in the associate, the Group recognizes equity changes attributable to the Group by its shareholding percentage as capital surplus.

Unrealized Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated party's interests in the associate.

When the Group's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of its associates.

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group shall discontinue the use of the equity method from the date when its investment ceases to be an associate. The Group shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposal, and the carrying amount of the investment at the date the equity method was discontinued, is recognized in profit or loss. The Group shall account for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if its associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity shall reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value, which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

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

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less its residual value, and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land has an unlimited useful life, and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings, leasehold improvement, and additional equipment: 1 ~ 51 years
- 2) Machinery and equipment: 1 ~ 10 years
- 3) Office and other equipment: 1 ~ 5 years

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner occupied to investment property.

(l) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised or penalty should be paid.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change of its assessment on purchase option; or
- 4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of machinery and other equipment that have a short-term leases and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)



**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- 4) there is no substantive change to other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term.

(m) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete the development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, technology, patents and trademarks, that are acquired by the Group and have finite useful lives, are measured at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

1) Customer relationships	10 years
2) Technology	10 years
3) Trademarks	10 years
4) Patents	2.5~10 years
5) Copyrights	15 years

Amortization methods, useful lives and residual values, are reviewed at each annual reporting date and adjusted if appropriate.

(n) Impairment of non-financial assets

At each annual reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value, less costs to sell. Value-in-use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below:

(i) Sale of goods

The Group manufactures computer peripherals and non-computer peripherals and sales them to customers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers discounts to its customers based on aggregate sales of components. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liabilities is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of components are made with a credit term of 45 days to 120 days, which is consistent with the market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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(ii) Rendering of services

The Group provides services, such as model research, development, and design to customers. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(iii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(p) Deferred grant revenue

Deferred grant revenue with additional conditions shall be recognized if the Group fulfills the conditions and the grant revenue becomes receivable.

Deferred grant revenue shall be recognized in profit or loss on a systematic basis in the periods in which the expenses it is to compensate are recognized. Grant revenue with conditions to compensate for the acquisition cost of an asset shall be deferred and recognized in profit or loss on a systematic basis over the useful life of the asset.

If the deferred grant revenue is to compensate for the Group's expenses that have been incurred or to supply immediate financial support to the Group and there is no related cost in the future, it shall be recognized in profit or loss when the grant revenue becomes receivable.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as related services are provided.

(ii) Defined benefit plans

The Group's net obligation in respect of the defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability (asset), which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as related service are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between the expected and the actual outcomes.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of shares that employees can subscribe for.

(s) Income taxes

Income taxes expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(t) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary stockholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee stock options, employee remuneration, and restricted stock.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting, estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about critical judgments made in applying the accounting policies that have significant effects on amounts recognized in the consolidated financial statements is as follows:

(a) Judgment of whether the Group has substantive control over its investees

The Group holds 37% of the outstanding voting shares of ALT International Co., Ltd. (AIC), but the Group did not obtain any director seats of AIC, and the chairman of AIC controls 45% of voting shares. Therefore, the Group does not have power of control over relevant activities of AIC, but remains significant influence.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Valuation of inventories

As inventories are measured at the lower of cost or net realizable value, the Group estimates the amount due to inventories' obsolescence and unmarketable items at the reporting date and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(g) for valuation of inventories.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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(b) Assessment of impairment of intangible assets (including goodwill) and investments accounted for using equity method

The assessment of impairment of intangible assets and investments accounted for using equity method required the Group to make subjective judgments on cash-generating units, allocate the intangible assets to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Changes in economic conditions or changes in assessment caused by business strategies could result in significant impairment charges or reversal in future years.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit and loss. The Group has established an internal control framework with respect to the measurement of fair value and regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair value, then the Group assessed the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to note 6(aa) for assumptions used in measuring fair value.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand	\$ 4,889	6,889
Demand accounts and checking deposits	5,098,742	4,075,538
Time deposits	<u>1,181,256</u>	<u>756,814</u>
Cash and cash equivalents in the consolidated statements of cash flows	<b><u>\$ 6,284,887</u></b>	<b><u>4,839,241</u></b>

Please refer to note 6(aa) for the currency risk and the interest rate risk of the Group's cash and cash equivalents.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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(b) Current financial assets and liabilities at fair value through profit or loss

(i) Details of financial instruments were as follows:

	December 31, 2022	December 31, 2021
<b>Mandatorily measured at FVTPL:</b>		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 291,210	75,563
Foreign exchange swap contracts	105,774	80,675
	<u>\$ 396,984</u>	<u>156,238</u>
<b>Financial liabilities held-for-trading:</b>		
Derivative instrument not used for hedging		
Forward exchange contracts	\$ (622,886)	(597,226)
Foreign exchange swap contracts	(393,775)	(5,828)
	<u>\$ (1,016,661)</u>	<u>(603,054)</u>

(ii) The Group held the following derivative instruments as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities, without the application of edge accounting, as of December 31, 2022 and 2021:

	December 31, 2022		
Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts – buy USD / sell TWD	USD 680,000	January 10, 2023~ July 26, 2023	28.7880~32.1450
Forward exchange contracts – buy CNY/ sell USD	USD 199,000	January 4, 2023~ July 3, 2023	6.7117~7.2580
Forward exchange contracts – buy USD/ sell THB	USD 32,000	January 9, 2023~ February 24, 2023	34.390~35.000
Forward exchange contracts – buy HKD/ sell EUR	EUR 7,500	February 13, 2023	8.320
Forward exchange swap contracts – swap in TWD/ swap out USD	USD 585,000	January 10, 2023~ July 26, 2023	29.0950~31.9350

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December 31, 2021

Derivative financial instruments	Nominal amount (in thousands)	Maturity date	Predetermined rate
Forward exchange contracts – buy USD / sell TWD	USD 715,000	January 5, 2022~ July 29, 2022	26.890~27.946
Forward exchange contracts – buy CNY/ sell USD	USD 150,500	January 4, 2022~ April 1, 2022	6.3832~6.4773
Forward exchange contracts – buy CNY/ sell EUR	EUR 1,900	January 6, 2022	7.215
Forward exchange contracts – buy USD/ sell THB	USD 25,000	January 24, 2022	33.480
Forward exchange contracts – buy THB/ sell USD	USD 9,000	January 12, 2022~ June 1, 2022	33.630~33.730
Forward exchange contracts – buy CZK/ sell EUR	EUR 1,000	January 25, 2022	25.485
Forward exchange swap contracts – swap in TWD/ swap out USD	USD 585,000	January 5, 2022~ July 28, 2022	27.574~28.092

(iii) Please refer to note 6(aa) for the liquidity risk of the Group's financial instruments.

(c) Financial assets at FVOCI

	December 31, 2022	December 31, 2021
<b>Equity investments at FVOCI</b>		
Stocks unlisted in domestic markets–WK Technology Fund IV Ltd.	\$ -	60
Stocks unlisted in domestic markets–Changing Information Technology Inc.	7,535	8,201
Stocks unlisted in domestic markets–Syntronix Corp.	250	350
Equities unlisted in foreign markets–Grove Ventures L.P.	183,766	155,618
Equities unlisted in foreign markets–Grove Ventures II, L.P.	85,267	57,318
Stocks unlisted in foreign markets–WK Global Investment III Ltd.	-	18,850
Equities unlisted in foreign markets–Grove Ventures III, L.P.	11,853	-
Stocks unlisted in foreign markets–Shenzhen Mees Hi-Tech Co., Ltd.	62,117	-
Total	<u>\$ 350,788</u>	<u>240,397</u>

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- (i) The Group designated the investments above as equity securities as at FVOCI because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes and not for sale.
- (ii) During the years ended December 31, 2022 and 2021, the dividends of \$10,744 and \$4,858, related to equity investments at FVOCI held were recognized as other income.
- (iii) WK Technology Fund IV Ltd. refunded the amount of \$60 and \$1,210 to the Group due to its liquidation and capital reduction in May 2022 and March 2021, respectively.
- (iv) Grove Venture, L.P. executed capital increases, where the Group had participated and invested the amounts of \$5,340 and \$10,967 in the years ended December 31, 2022 and 2021, respectively.
- (v) Grove Ventures II, L.P. executed capital increases, where the Group had participated and invested the amounts of \$26,415 and \$24,130 in the years ended December 31, 2022 and 2021, respectively.
- (vi) WK Global Investment III Ltd. refunded the amount of \$8,478 and \$5,024 to the Group due to its liquidation and capital reduction in November 2022 and June 2021, respectively.
- (vii) The Group invested the amount of \$7,756 in an unlisted company, Grove Ventures III, L.P. in January 2022. In August 2022, Grove Ventures III, L.P. executed capital increase, where the Group had participated and invested the amount of \$5,328.
- (viii) The Group invested \$63,519 in an unlisted company, Shenzhen Mees Hi-Tech Co., Ltd. in January 2022.
- (ix) The Group did not provide any of the aforementioned financial assets as collateral.
- (d) Financial assets at amortized cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposits	\$ <u>130,023</u>	<u>1,665,744</u>
Annual interest rates	<u>0.88%~0.98%</u>	<u>1.20%~1.75%</u>
Maturity date	<u>2023.01.16~2023.02.20</u>	<u>2022.01.17~2022.03.31</u>

- (i) The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.
- (ii) For credit risk, please refer to note (aa).
- (iii) Please refer to note 8 for further information on financial assets as collateral.

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- (e) Notes and accounts receivable (including related parties)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ -	1,284
Accounts receivable	14,442,722	13,403,026
Accounts receivable – related parties	54,587	130,280
Less: allowance for doubtful accounts	<u>(104,638)</u>	<u>(29,635)</u>
Total	<u>\$ 14,392,671</u>	<u>13,504,955</u>

- (i) The Group did not provide any of the aforementioned notes and accounts receivable (including related parties) as collateral.
- (ii) The Group applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivables. To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer's ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information, including macroeconomic and relevant industry information. The ECL allowance provision analysis was as follows:

	<u>December 31, 2022</u>		
	<u>Carrying amounts of notes and accounts receivable (including related parties)</u>	<u>Lifetime ECL rate</u>	<u>Loss allowance provision of lifetime ECL</u>
Current	\$ 12,459,350	0%~0.02%	2,244
0 to 30 days past due	1,460,646	0%~3%	27,161
31 to 60 days past due	320,558	0%~5%	15,060
61 to 90 days past due	28,285	0%~10%	2,829
91 to 180 days past due	228,022	0%~25%	56,985
181 to 360 days past due	444	0%~80%	355
More than 361 days past due	4	0%~100%	4
	<u>\$ 14,497,309</u>		<u>104,638</u>

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December 31, 2021			
	Carrying amounts of notes and accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 12,439,211	0%~0.03%	4,072
0 to 30 days past due	953,704	0%~3%	14,476
31 to 60 days past due	101,393	0%~5.34%	5,413
61 to 90 days past due	25,164	0%~10%	1,625
91 to 180 days past due	9,412	0%~25%	1,356
181 to 360 days past due	4,768	0%~80%	2,408
More than 361 days past due	938	0%~100%	285
	<u>\$ 13,534,590</u>		<u>29,635</u>

- (iii) The movement in the allowance for notes and accounts receivable (including related parties) was as follows:

	2022	2021
Balance on January 1, 2022 and 2021	\$ 29,635	42,155
Impairment losses recognized (reversed)	73,093	(11,010)
Amounts written off	-	(374)
Effect of exchange rate changes	1,910	(1,136)
Balance on December 31, 2022 and 2021	<u>\$ 104,638</u>	<u>29,635</u>

- (iv) The Group entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Group does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Group receives partial advances upon sales of accounts receivable and pays interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the accounts receivable, and are recorded as other receivables. In addition, the Group shall pay handling charges based on a fixed rate. The Group derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership and it does not have any continuing involvement in them. As of December 31, 2022 and 2021, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

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December 31, 2022						
	Amount Derecognized	Amount Advanced		Amount Recognized in Other Receivables	Range of Interest Rate	Guarantee (Promissory note)
Purchaser		Unpaid	Paid			
HSBC Bank	\$ 686,846	387,560	299,286	387,560	4.34%~4.86%	-
DBS Bank	2,199,261	891,005	1,088,331	1,110,930	4.79%~5.32%	US\$ 56,940
Bank of Taiwan	-	-	-	-	-	NT\$ 297,000
Mega International Commercial Bank	-	-	-	-	-	US\$ 3,750
	<u>\$ 2,886,107</u>	<u>1,278,565</u>	<u>1,387,617</u>	<u>1,498,490</u>		

December 31, 2021						
	Amount Derecognized	Amount Advanced		Amount Recognized in Other Receivables	Range of Interest Rate	Guarantee (Promissory note)
Purchaser		Unpaid	Paid			
HSBC Bank	\$ 3,490,836	28,802	3,261,631	229,205	0.580%~0.760%	US\$ 56,940
EnTie Bank	54,818	-	-	54,818	-	-
DBS Bank	1,693,596	1,570	1,522,665	170,931	0.944%~0.960%	-
Bank of Taiwan	162,034	-	145,830	16,204	0.741%~0.997%	NT\$ 135,000
Mega International Commercial Bank	-	-	-	-	-	US\$ 3,750
	<u>\$ 5,401,284</u>	<u>30,372</u>	<u>4,930,126</u>	<u>471,158</u>		

- (v) Please refer to note 9 for guarantee notes provided by the Group to sell its accounts receivable.

- (f) Other receivables

	December 31, 2022	December 31, 2021
Other receivables - factoring of accounts receivable	\$ 1,498,490	471,158
Other receivables - tax refund receivable	381,800	759,243
Other receivables - others	80,641	70,618
Less: allowance for doubtful accounts	(16,540)	-
	<u>\$ 1,944,391</u>	<u>1,301,019</u>

- (i) The movement in the allowance for other receivables was as follows:

	2022	2021
Balance on January 1, 2022 and 2021	\$ -	-
Impairment losses recognized	18,459	-
Amounts written off	(1,879)	-
Effect of exchange rate changes	(40)	-
Balance on December 31, 2022 and 2021	<u>\$ 16,540</u>	-

(Continued)

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (g) Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$ 3,724,911	5,596,206
Semi-finished goods and work in process	1,956,621	2,360,593
Finished goods and merchandise	<u>3,671,972</u>	<u>5,207,802</u>
	<u>\$ 9,353,504</u>	<u>13,164,601</u>

The Group did not provide any of the aforementioned inventories as collateral. Except for cost of inventories sold, the Group recognized the following items as cost of goods sold:

	<u>2022</u>	<u>2021</u>
Losses on inventory valuation and disposal of inventories	\$ (440,359)	(63,612)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(62,079)	(105,368)
Gains (losses) on physical inventories	<u>(4,834)</u>	<u>7,375</u>
	<u>\$ (507,272)</u>	<u>(161,605)</u>

## (h) Investments accounted for using equity method

The Group's investments accounted for using the equity method are individually insignificant. The related information included in the consolidated financial statements was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of individually insignificant associates' equity	\$ -	<u>171,567</u>
	<u>2022</u>	<u>2021</u>
Attributable to the Group:		
Loss	\$ (42,489)	(61,551)
Other comprehensive income	<u>28,662</u>	<u>(2,911)</u>
Comprehensive loss	<u>\$ (13,827)</u>	<u>(64,462)</u>

(i) The Group did not provide any investment accounted for using equity method as collateral.

(ii) The revenue of AIC did not turn out as expected due to intensive industrial competition, resulting in the impairment of the intangible assets and carrying amounts related to this equity investment after the Group's evaluation. The Group evaluated the recoverable amounts of its investments accounted for using equity method, which is based on its value-in-use, for impairment testing at each reporting date. Value-in-use is based on five years of the estimated future cash flow of the Group, discounted to their present value using the yearly discount rate, which reflects the risks specific to cash generating units, by 21.70%, 12.82% and 21.04% on June 30 2022, June 30 2021 and December 31 2021 and recognized impairment loss of \$157,740 and \$300,274 under other gains and losses for the years ended December 31, 2022 and 2021, respectively.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (i) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

Name of subsidiaries	Main operation place Business/Registered Country	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31, 2022	December 31, 2021
Tymphany Huizhou and its subsidiaries	Hong Kong and China/Cayman Is.	22.99 %	28.57 %

The following information on the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustments made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

(i) Tymphany Huizhou and its subsidiaries's collective financial information:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 12,433,413	13,429,241
Non-current assets	6,358,816	6,152,529
Current liabilities	(9,618,839)	(10,206,489)
Non-current liabilities	<u>(706,703)</u>	<u>(1,439,803)</u>
Net assets	<u>\$ 8,466,687</u>	<u>7,935,478</u>
Non-controlling interests	<u>\$ 1,946,491</u>	<u>2,267,000</u>
	<u>2022</u>	<u>2021</u>
Operating revenue	<u>\$ 31,445,453</u>	<u>24,546,301</u>
Profit	\$ 529,308	332,327
Other comprehensive income (loss)	<u>279,563</u>	<u>(165,707)</u>
Comprehensive income	<u>\$ 808,871</u>	<u>166,620</u>
Profit attributable to non-controlling interests	<u>\$ 126,352</u>	<u>94,939</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 196,037</u>	<u>47,574</u>
	<u>2022</u>	<u>2021</u>
Cash flows from (used in) operating activities	\$ 2,436,507	(212,774)
Cash flows from (used in) investing activities	743,188	(1,716,818)
Cash flows from (used in) financing activities	(2,979,658)	810,465
Effect of exchange rate changes	<u>90,864</u>	<u>(158,700)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 290,901</u>	<u>(1,277,827)</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>

(Continued)



**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (ii) Tymphony Huizhou repurchased shares from the employee stocks ownership plans in cash and cancelled such shares for a capital reduction in May 2022, resulting in a decrease in the proportion of ownership held by non-controlling interests from 28.57% to 22.99%. Please note 6(t) and (u) for details.

The impact of the change in the Group's ownership interest in Tymphony Huizhou on equity attributable to owners of parent was as follows:

Decrease in carrying amount of non-controlling interests	\$ 534,606
Consideration paid to non-controlling interests	<u>(348,287)</u>
Capital surplus – Long-term equity investments	<u>\$ 186,319</u>

- (j) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the years ended December 31, 2022 and 2021, were as follows:

	Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Total
<b>Cost or deemed cost:</b>						
Balance on January 1, 2022	\$ 1,065,753	3,979,270	6,666,371	1,181,926	2,372,934	15,266,254
Additions	-	60,949	257,965	71,927	1,499,329	1,890,170
Disposals	-	(95,921)	(460,983)	(59,612)	(1,905)	(618,421)
Reclassifications	-	2,672,074	815,301	(44,126)	(3,463,129)	(19,880)
Effect of changes in exchange rate	11,684	98,363	129,247	26,164	51,935	317,393
Balance on December 31, 2022	<u>\$ 1,077,437</u>	<u>6,714,735</u>	<u>7,407,901</u>	<u>1,176,279</u>	<u>459,164</u>	<u>16,835,516</u>
Balance on January 1, 2021	\$ 320,069	4,062,652	7,145,610	1,161,191	1,860,752	14,550,274
Additions	769,580	149,594	244,209	113,782	1,710,021	2,987,186
Disposals	-	(308,010)	(1,376,265)	(143,723)	(8,541)	(1,836,539)
Reclassifications	-	102,739	719,760	72,909	(1,107,564)	(212,156)
Effect of changes in exchange rate	(23,896)	(27,705)	(66,943)	(22,233)	(81,734)	(222,511)
Balance on December 31, 2021	<u>\$ 1,065,753</u>	<u>3,979,270</u>	<u>6,666,371</u>	<u>1,181,926</u>	<u>2,372,934</u>	<u>15,266,254</u>
<b>Depreciation and impairments loss:</b>						
Balance on January 1, 2022	\$ -	2,191,333	4,780,194	689,904	-	7,661,431
Depreciation	-	214,316	991,872	171,292	-	1,377,480
Impairment loss	-	4,685	1,399	-	-	6,084
Disposals	-	(95,154)	(433,857)	(56,175)	-	(585,186)
Reclassifications	-	(651)	76,246	(71,485)	-	4,110
Effect of changes in exchange rate	-	30,835	80,412	13,527	-	124,774
Balance on December 31, 2022	<u>\$ -</u>	<u>2,345,364</u>	<u>5,496,266</u>	<u>747,063</u>	<u>-</u>	<u>8,588,693</u>

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Total
Balance on January 1, 2021	\$ -	2,271,799	5,084,215	652,245	-	8,008,259
Depreciation	-	233,940	1,021,840	165,874	-	1,421,654
Impairment loss (reversal)	-	(7,691)	(2,452)	(6,333)	-	(16,476)
Disposals	-	(287,684)	(1,157,478)	(102,289)	-	(1,547,451)
Reclassifications	-	(4,150)	(135,917)	(10,042)	-	(150,109)
Effect of changes in exchange rate	-	(14,881)	(30,014)	(9,551)	-	(54,446)
Balance on December 31, 2021	<u>\$ -</u>	<u>2,191,333</u>	<u>4,780,194</u>	<u>689,904</u>	<u>-</u>	<u>7,661,431</u>
<b>Carrying amounts:</b>						
Balance on December 31, 2022	<u>\$ 1,077,437</u>	<u>4,369,371</u>	<u>1,911,635</u>	<u>429,216</u>	<u>459,164</u>	<u>8,246,823</u>
Balance on December 31, 2021	<u>\$ 1,065,753</u>	<u>1,787,937</u>	<u>1,886,177</u>	<u>492,022</u>	<u>2,372,934</u>	<u>7,604,823</u>
Balance on January 1, 2021	<u>\$ 320,069</u>	<u>1,790,853</u>	<u>2,061,395</u>	<u>508,946</u>	<u>1,860,752</u>	<u>6,542,015</u>

- (i) The unamortized deferred revenue of equipment subsidy amounted to \$723,418 and \$922,320 as of December 31, 2022 and 2021, respectively.

- (ii) Due to the relocation of the new factory, the Group's subsidiary in China adjusted the carrying amount according to the recoverable amount and recognized an impairment loss of \$6,084 and a reversal benefit of impairment loss of \$16,476, under other gains and losses for the years ended December 31, 2022 and 2021, respectively.

- (iii) The Group provided the aforementioned property, plant and equipment as collateral; please refer to note 8.

- (k) Right-of-use assets

The Group leases many assets including land, buildings and vehicles. Information about leases for which the Group as a lessee is presented below:

	Land	Buildings	Vehicles	Other equipment	Total
<b>Cost:</b>					
Balance on January 1, 2022	\$ 401,900	2,689,447	20,124	2,106	3,113,577
Additions	-	215,751	23,600	-	239,351
Disposals	(17,305)	(436,885)	(4,086)	-	(458,276)
Lease modification	(18,911)	8,504	-	-	(10,407)
Effect of changes in exchange rates	5,932	46,681	1,118	-	53,731
Balance on December 31, 2022	<u>\$ 371,616</u>	<u>2,523,498</u>	<u>40,756</u>	<u>2,106</u>	<u>2,937,976</u>
Balance on January 1, 2021	\$ 406,195	1,773,581	30,703	5,349	2,215,828
Additions	-	148,470	5,897	-	154,367
Disposals	-	(261,402)	(16,138)	(3,243)	(280,783)
Lease modification	-	1,066,315	-	-	1,066,315
Effect of changes in exchange rates	(4,295)	(37,517)	(338)	-	(42,150)
Balance on December 31, 2021	<u>\$ 401,900</u>	<u>2,689,447</u>	<u>20,124</u>	<u>2,106</u>	<u>3,113,577</u>

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Other equipment</u>	<u>Total</u>
<b>Depreciation:</b>					
Balance on January 1, 2022	\$ 39,013	678,513	13,747	1,934	733,207
Depreciation	9,284	260,657	10,412	172	280,525
Disposals	(12,747)	(212,364)	(3,182)	-	(228,293)
Lease modification	(1,423)	-	-	-	(1,423)
Effect of changes in exchange rates	718	18,440	485	-	19,643
Balance on December 31, 2022	<u>\$ 34,845</u>	<u>745,246</u>	<u>21,462</u>	<u>2,106</u>	<u>803,659</u>
Balance on January 1, 2021	\$ 25,790	596,500	21,645	3,841	647,776
Depreciation	14,670	273,781	8,421	1,336	298,208
Disposals	-	(174,074)	(16,138)	(3,243)	(193,455)
Lease modification	-	(4,703)	-	-	(4,703)
Effect of changes in exchange rates	(1,447)	(12,991)	(181)	-	(14,619)
Balance on December 31, 2021	<u>\$ 39,013</u>	<u>678,513</u>	<u>13,747</u>	<u>1,934</u>	<u>733,207</u>
<b>Carrying amounts:</b>					
Balance on December 31, 2022	<u>\$ 336,771</u>	<u>1,778,252</u>	<u>19,294</u>	<u>-</u>	<u>2,134,317</u>
Balance on December 31, 2021	<u>\$ 362,887</u>	<u>2,010,934</u>	<u>6,377</u>	<u>172</u>	<u>2,380,370</u>
Balance on January 1, 2021	<u>\$ 380,405</u>	<u>1,177,081</u>	<u>9,058</u>	<u>1,508</u>	<u>1,568,052</u>

## (l) Investment property

	<u>Land</u>	<u>Buildings and other equipment</u>	<u>Total</u>
<b>Cost or deemed cost:</b>			
Balance on January 1, 2022	\$ 50,190	31,735	81,925
Additions	-	-	-
Balance on December 31, 2022	<u>\$ 50,190</u>	<u>31,735</u>	<u>81,925</u>
Balance on January 1, 2021	\$ 50,190	31,735	81,925
Additions	-	-	-
Balance on December 31, 2021	<u>\$ 50,190</u>	<u>31,735</u>	<u>81,925</u>
<b>Depreciation and impairment losses:</b>			
Balance on January 1, 2022	\$ 33,941	14,621	48,562
Depreciation	-	463	463
Balance on December 31, 2022	<u>\$ 33,941</u>	<u>15,084</u>	<u>49,025</u>
Balance on January 1, 2021	\$ 33,941	14,158	48,099
Depreciation	-	463	463
Balance on December 31, 2021	<u>\$ 33,941</u>	<u>14,621</u>	<u>48,562</u>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Land</u>	<u>Buildings and other equipment</u>	<u>Total</u>
<b>Carrying amounts:</b>			
Balance on December 31, 2022	<u>\$ 16,249</u>	<u>16,651</u>	<u>32,900</u>
Balance on December 31, 2021	<u>\$ 16,249</u>	<u>17,114</u>	<u>33,363</u>
Balance on January 1, 2021	<u>\$ 16,249</u>	<u>17,577</u>	<u>33,826</u>
<b>Fair value:</b>			
Balance on December 31, 2022			<u>\$ 117,774</u>
Balance on December 31, 2021			<u>\$ 102,412</u>
Balance on January 1, 2021			<u>\$ 93,195</u>

- (i) The fair value of the investment property is based on the quotation from parties, which is categorized within Level 3.
- (ii) Investment property comprises a number of commercial properties which are leased to third parties. Each of the leases contains an initial non-cancellable period between 1 and 2 years. Subsequent renewals are negotiated with the lessee, and no contingent rents are charged. Please refer to note 6(q) for further information.
- (iii) The Group did not provide any of the aforementioned investment property as collateral.
- (m) Intangible assets

The carrying amounts of the intangible assets of the Group for the years ended December 31, 2022 and 2021, were as follows:

	<u>Goodwill</u>	<u>Customer Relationships</u>	<u>Technology</u>	<u>Trademarks, Patents and Copyrights</u>	<u>Total</u>
<b>Cost or deemed cost:</b>					
Balance on January 1, 2022	\$ 2,020,049	718,800	357,271	122,708	3,218,828
Acquisition	-	-	-	1,609	1,609
Effect of changes in exchange rate	18,525	-	-	142	18,667
Balance on December 31, 2022	<u>\$ 2,038,574</u>	<u>718,800</u>	<u>357,271</u>	<u>124,459</u>	<u>3,239,104</u>
Balance on January 1, 2021	\$ 2,026,084	718,800	357,271	112,441	3,214,596
Reclassifications	-	-	-	15,244	15,244
Effect of changes in exchange rate	(6,035)	-	-	(4,977)	(11,012)
Balance on December 31, 2021	<u>\$ 2,020,049</u>	<u>718,800</u>	<u>357,271</u>	<u>122,708</u>	<u>3,218,828</u>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Goodwill</u>	<u>Customer Relationships</u>	<u>Technology</u>	<u>Trademarks, Patents and Copyrights</u>	<u>Total</u>
<b>Amortization and impairment loss:</b>					
Balance on January 1, 2022	\$ -	573,300	272,398	116,541	962,239
Amortization	-	71,880	41,930	2,295	116,105
Impairment loss	29,198	-	-	-	29,198
Effect of changes in exchange rate	1,241	-	-	62	1,303
Balance on December 31, 2022	<u>\$ 30,439</u>	<u>645,180</u>	<u>314,328</u>	<u>118,898</u>	<u>1,108,845</u>
Balance on January 1, 2021	\$ -	501,420	230,468	112,130	844,018
Amortization	-	71,880	41,930	2,202	116,012
Reclassifications	-	-	-	3,591	3,591
Effect of changes in exchange rate	-	-	-	(1,382)	(1,382)
Balance on December 31, 2021	<u>\$ -</u>	<u>573,300</u>	<u>272,398</u>	<u>116,541</u>	<u>962,239</u>
<b>Carrying amounts:</b>					
Balance on December 31, 2022	<u>\$ 2,008,135</u>	<u>73,620</u>	<u>42,943</u>	<u>5,561</u>	<u>2,130,259</u>
Balance on December 31, 2021	<u>\$ 2,020,049</u>	<u>145,500</u>	<u>84,873</u>	<u>6,167</u>	<u>2,256,589</u>
Balance on January 1, 2021	<u>\$ 2,026,084</u>	<u>217,380</u>	<u>126,803</u>	<u>311</u>	<u>2,370,578</u>

- (i) In 2022 and 2021, the amortizations of intangible assets amounted to \$116,105 and \$116,012, respectively, recorded as operating expenses.
- (ii) The Group evaluated the recoverable amounts of its goodwill arising from the acquisition of TWEL, which is based on its value-in-use, for impairment testing at each annual reporting date. Value-in-use is based on five years of the estimated future cash flow of the Group, and discounted to their present value using the yearly discount rate, which reflects the risks specific to CGU, by 16.78% and 16.21% for the years ended December 31, 2022 and 2021, respectively. There were no impairment losses of goodwill in 2022 and 2021.
- (iii) The Group evaluated the recoverable amounts of its goodwill arising from the acquisition of TYM Acoustic Europe, which is based on its value-in-use, for impairment testing at each annual reporting date. Value-in-use is based on five years of the estimated future cash flow of the Group, and discounted to their present value using the yearly discount rate, which reflects the risks specific to CGU, by 15.80% for the year ended December 31, 2022. Since TYM Acoustic Europe's operating performance and profit growth did not turn out as expected, the recoverable amount was assessed to be less than the book value, the Group recognized impairment loss of goodwill of \$29,198 under other gains and losses for the year ended December 31, 2022.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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- (n) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loans	\$ <u>489,370</u>	<u>2,030,829</u>
Unused credit lines	\$ <u>27,873,579</u>	<u>22,607,988</u>
Annual interest rates	<u>1.95%~4.98%</u>	<u>0.67%~4.45%</u>

- (o) Long-term borrowings

	<u>December 31, 2022</u>			
	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	TWD	1.03%~1.40%	2026	\$ 464,000
Less: current portion				-
				<u>\$ 464,000</u>
Unused credit lines				<u>\$ 1,950,166</u>
	<u>December 31, 2021</u>			
	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	USD	1.37%~1.60%	2023	\$ 1,031,455
Secured bank loans	TWD	0.40%~0.85%	2026	\$ 429,500
Less: current portion				(435,435)
				<u>\$ 1,025,520</u>
Unused credit lines				<u>\$ 2,754,254</u>

- (i) Please refer to note 8 for further information on assets provided as collateral.
- (ii) Please refer to note 9 for the details of the outstanding guarantee notes.

- (p) Lease liabilities

The carrying amounts of lease liabilities of the Group were as follow:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	\$ <u>193,405</u>	<u>228,720</u>
Non-current	\$ <u>1,704,857</u>	<u>1,879,350</u>

For the maturity analysis, please refer to note 6(aa).

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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The amounts recognized in profit or loss were as follows:

	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>68,016</u>	<u>68,893</u>
Expenses relating to short-term leases and leases of low-value assets	\$ <u>105,866</u>	<u>122,194</u>

The amounts recognized in the statement of cash flows for the Group were as follows:

	<u>2022</u>	<u>2021</u>
Rental paid in operating activities	\$ (105,866)	(122,194)
Interest on lease liabilities paid in operating activities	(68,016)	(68,893)
Payment made on lease liabilities in financing activities	<u>(234,706)</u>	<u>(249,172)</u>
Total cash outflow for leases	\$ <u>(408,588)</u>	<u>(440,259)</u>

(i) Real estate leases

The Group leases lands and buildings for its office, staff dormitory, factory facilities and warehouses. The leases typically run for a period of one to fifty years. Some leases require additional rental payments depending on the changes in fair value of the lease assets.

(ii) Other leases

The Group leases vehicles and some of other equipment with lease terms of one to four years.

The Group also leases machineries and some of other equipment with lease terms of one to four years. These leases are short-term or leases of low-value items. The Group decided to apply recognition exemptions, and had elected not to recognize its right-of-use assets and lease liabilities for these leases.

(q) Operating lease

The Group leases out its investment property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(l) sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date, was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Less than one year	\$ 1,497	1,672
One to five years	<u>417</u>	<u>69</u>
Total undiscounted lease payments	\$ <u>1,914</u>	<u>1,741</u>

Rental income from investment property amounted to \$1,370 and \$1,286 in 2022 and 2021, respectively.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 125,391	134,375
Fair value of plan assets	<u>70,037</u>	<u>69,942</u>
Deficit in the plan	55,354	64,433
Asset ceiling	-	-
Net defined benefit liability (recorded as other non-current liabilities)	\$ <u>55,354</u>	<u>64,433</u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$70,037 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Group for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligation at January 1	\$ 134,375	150,927
Benefits paid	(9,099)	(24,093)
Current service costs and interest cost	1,195	708
Remeasurement of net defined liabilities	<u>(1,080)</u>	<u>6,833</u>
Defined benefit obligation at December 31	\$ <u>125,391</u>	<u>134,375</u>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 69,942	82,982
Interest income	530	286
Remeasurement of net defined liabilities	5,891	1,259
Contribution paid	2,773	2,800
Benefits paid	<u>(9,099)</u>	<u>(17,385)</u>
Fair value of plan assets at December 31	<u>\$ 70,037</u>	<u>69,942</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 192	189
Net interest of net liabilities for defined benefit	473	233
Expenses	<u>\$ 665</u>	<u>422</u>

5) Remeasurements of net defined benefit liability (asset) recognized in other comprehensive income.

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2022 and 2021, was as follows:

	<u>2022</u>	<u>2021</u>
Balance on January 1	\$ 23,056	17,482
Recognized during the period	<u>(6,971)</u>	<u>5,574</u>
Balance on December 31	<u>\$ 16,085</u>	<u>23,056</u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.400 %	0.750 %
Future salary increase rate	2.750 %	2.750 %

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date was \$2,777.

The weighted-average duration of the defined benefit plans is 9 years.

7) Sensitivity analysis

When computing the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<b>Influences of defined benefit obligations</b>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
<b>December 31, 2022</b>		
Discount rate	\$ (2,198)	2,261
Future salary increase rate	\$ 2,169	(2,119)
<b>December 31, 2021</b>		
Discount rate	\$ (2,528)	2,604
Future salary increase rate	\$ 2,482	(2,423)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no changes in the method and assumptions used in the preparation of the sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The continuing operations allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group contribute a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company's foreign subsidiaries have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries. Contributions to these plans are expensed as incurred without additional legal or constructive obligation.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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The Group recognized pension costs under the defined contribution method amounting to \$455,196 and \$390,804 for the years ended December 31, 2022 and 2021, respectively, recorded as operating cost and operating expenses in the statement of comprehensive income.

(s) Income taxes

(i) The details of the Group's income tax expenses were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense	\$ 852,771	792,314
Deferred tax benefit	(92,768)	(155,572)
Income tax expense	<u>\$ 760,003</u>	<u>636,742</u>

(ii) The Group has no income tax directly recognized in equity or other comprehensive income in 2022 and 2021.

(iii) Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Profit before income tax	\$ 3,628,964	3,029,963
Income tax calculated based on domestic tax rate of individual entity of the Group	1,098,069	837,755
Overseas investment gains recognized under the equity method	(313,077)	(184,335)
Non-taxable income	-	(5,268)
Prior year's income tax adjustment	20,337	91,135
Surtax on unappropriated earnings	22,425	18,374
Investment tax credits accrued	(146,968)	(160,357)
Other	79,217	39,438
Income tax expense	<u>\$ 760,003</u>	<u>636,742</u>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Group is able to control the timing of the reversal of the temporary differences associated with subsidiaries' earnings. Also, the management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 1,339,438</u>	<u>1,122,704</u>

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences	<u>\$ 207,558</u>	<u>178,800</u>

The deductible temporary differences and losses cannot be realized, or there may not be sufficient taxable profit to utilize after the Group's evaluation. Therefore, they were not recognized as deferred tax assets.

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2022 and 2021, were as follows:

	<u>Investment income recognized under the equity method (overseas)</u>	<u>Unrealized foreign exchange gains</u>	<u>Amortization of appraised value adjustment of intangible assets</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax liabilities:</b>					
Balance on January 1, 2022	\$ 222,385	48,701	21,219	15,295	307,600
Recognized in profit or loss	31,252	(48,701)	(10,483)	(10,370)	(38,302)
Balance on December 31, 2022	<u>\$ 253,637</u>	<u>-</u>	<u>10,736</u>	<u>4,925</u>	<u>269,298</u>
Balance on January 1, 2021	\$ 286,350	95,620	31,701	14,967	428,638
Recognized in profit or loss	(63,965)	(46,919)	(10,482)	328	(121,038)
Balance on December 31, 2021	<u>\$ 222,385</u>	<u>48,701</u>	<u>21,219</u>	<u>15,295</u>	<u>307,600</u>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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	Bad debt in excess of tax limit	Loss carryforward	Unfunded pension fund contribution	Refund liabilities	Loss on inventory valuation	Unrealized foreign exchange loss	Deferred granted revenue	Unrealized revenue from disposal of assets	Gain on valuation of financial assets / liabilities	Others	Total
<b>Deferred tax assets:</b>											
Balance on January 1, 2022	\$ 39,958	13,523	13,235	227,235	94,321	-	160,509	21,116	89,860	33,066	692,823
Recognized in profit or loss	(39,958)	(10,342)	(421)	16,597	24,730	43,802	(24,639)	(3,090)	39,531	8,256	54,466
Balance on December 31, 2022	\$ -	<u>3,181</u>	<u>12,814</u>	<u>243,832</u>	<u>119,051</u>	<u>43,802</u>	<u>135,870</u>	<u>18,026</u>	<u>129,391</u>	<u>41,322</u>	<u>747,289</u>
Balance on January 1, 2021	\$ 39,958	10,735	15,052	193,039	104,388	-	194,259	24,206	34,237	42,415	658,289
Recognized in profit or loss	-	2,788	(1,817)	34,196	(10,067)	-	(33,750)	(3,090)	55,623	(9,349)	34,534
Balance on December 31, 2021	\$ <u>39,958</u>	<u>13,523</u>	<u>13,235</u>	<u>227,235</u>	<u>94,321</u>	<u>-</u>	<u>160,509</u>	<u>21,116</u>	<u>89,860</u>	<u>33,066</u>	<u>692,823</u>

(v) The Company's income tax returns have been examined by the tax authority through the years to 2020.

(t) Capital and other equity

(i) Ordinary shares

As of December 31, 2022 and 2021, the nominal ordinary shares both amounted to \$5,500,000. Par value of each share is \$10 (dollars), which means in total there were 550,000 thousand authorized common shares, of which 458,289 and 455,263 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding were as follows:

	<b>Ordinary shares (in thousands of shares)</b>	
	<u>2022</u>	<u>2021</u>
Balance on January 1	455,263	450,898
Issuance of restricted stock	3,555	4,540
Cancellation of restricted stock	(529)	(175)
Balance on December 31	<u>458,289</u>	<u>455,263</u>

(ii) Capital surplus

The balances of capital surplus were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Additional paid-in capital	\$ 945,508	846,187
Employee stock options	259,401	259,401
Restricted employee stock options	351,458	263,389
Long-term investments	573,541	389,803
	<u>\$ 2,129,908</u>	<u>1,758,780</u>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the ordinary shares or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital increase via transferring of the paid-in capital, in excess of par value, should not exceed 10% of the total common stock outstanding.

Tymphony Huizhou, a subsidiary of the Company, repurchased shares from the employee stock ownership plan in cash and cancelled such shares for a capital reduction in May 2022, resulting in an increase of the shareholding of the Company from 71.43% to 77.01%. The Company recognized the change in its ownership interest in the subsidiary as capital surplus—long-term equity investments. Please refer to notes 6(i) and (u) for details.

(iii) Retained earnings

According to the articles of the Company, when allocating the earnings for each year, the Company shall first offset its losses in previous year and set aside a legal capital reserve at 10% of the earing left over, until the accumulated legal capital reserve has equaled the total capital of the Company; then set aside a special capital reserve in accordance with relevant laws, the balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed according to the distribution plan proposed by the board of directors and submitted to the stockholders' meeting for resolution.

The Company is at the growth stage and considers its future cash demand, long-term financial plans, benefits to stockholders, and balanced dividends. Earnings distribution is made by stock dividend and cash dividend. The cash dividend shall not be less than 10 percent of the total dividends and could be adjusted depending on the Company's operating condition.

1) Legal reserve

If the Company experiences profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the stockholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by \$97,300 by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with the FSC, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve, shall be reversed as distributable earnings proportionately. As of December 31, 2022 and 2021, the carrying amount of special reserve both amounted to \$97,300.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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In accordance with the FSC, a portion of earnings shall be allocated as special earnings reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

3) Earnings distribution

On May 26, 2022, the shareholders' meeting resolved to distribute the 2021 earnings. The appropriation of earnings for 2020 reached legal requirement through the electronic voting on May 25, 2021, and was resolved during the shareholders' meeting on July 13, 2021.

The distributions for 2022 and 2021 were NT\$3.1(dollars) and NT\$3(dollars) per share, which amounted to \$1,411,230 and \$1,354,873, respectively.

(u) Share-based payment

(i) Employee stock options and share-based payment

1) As of December 31, 2022, the Group had share-based payment arrangements as follows:

	<b>Employee stocks ownership plans September 2017</b>
Grant date	September 29, 2017
Exercise price	CNY\$1.1952
Granted units (thousand)	40,310
Service period	15 years
Vesting period	12 months after Tymphony Huizhou listed

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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The Group measured the fair value of the aforementioned share-based payment. The measurement basis of the fair value was as follows:

	<b>Issnance of ordinary shares for employee stocks September 2017</b>
Exercise price	CNY\$1.1952
Expected time until expiration (years)	-
Stock price per share	CNY\$1.7784
Expected volatility of stock price	37.53%
Expected dividend yield	-
Risk-free interest rate	3.17%

On February 14 and March 1, 2022, the Group resolved through the board of directors' and shareholders' meeting of Tymphony Huizhou to adjust the share incentive plan. As of December 31, 2022, all the shares from the employee ownership plan were repurchase and cancelled.

As of the beginning and the end of 2021, total stock options outstanding were both 33,591 thousand shares.

(ii) Restricted stock

1) As of December 31, 2022, the outstanding restricted stock of the Group was as follows:

	Plan 4 (note 1)		Plan 5 (note 1)		Plan 6 (note 1)		Plan 7 (note 1)		Plan 8 (note 1)
Grant date	February 8, 2018	September 13, 2018	November 21, 2019	February 20, 2020	July 30, 2020	January 25, 2021	October 18, 2021	February 9, 2022	August 9, 2022
Fair value on grant date (per share)	76.70	46.85	64.30	53.20	41.75	55.80	50.40	53.90	69.70
Exercise price	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants
Granted units (thousand shares)	1,100	900	1,820	180	2,260	740	3,800	200	3,355
Vesting period	1-3 years (note 2)	1-3 years (note 2)	1-3 years (notes 2 and 4)	1-3 years (note 2)	1-5 years (notes 2, 3, 4 and 5)	1-3 years (notes 2, 3 and 4)	1-3 years (note 2)	1-3 years (note 2)	1-3 years (note 2)

Note 1: Plan 4 was resolved by the stockholders' meeting held on May 25, 2017, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,100 thousand shares and 900 thousand shares on January 31 and August 10, 2018, respectively.

Plan 5 was resolved by the stockholders' meeting held on June 18, 2019, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,820 thousand shares and 180 thousand shares on November 12, 2019 and February 18, 2020, respectively.

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Plan 6 was resolved by the stockholders' meeting held on June 23, 2020, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 2,260 thousand and 740 thousand shares on July 30, 2020 and January 22, 2021, respectively.

Plan 7 was resolved by the stockholders' meeting held on July 13, 2021, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 3,800 thousand and 200 thousand shares on August 24, 2021 and January 21, 2022, respectively.

Plan 8 was resolved by the stockholders' meeting held on May 26, 2022, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 3,355 thousand shares on August 5, 2022.

Note 2: If the employees continue to provide service to the employer company and meet the prior year's performance indicator, 30%, 30% and 40% shall be vested in the first year, second year and third year, respectively, after the grant date.

Note 3: If the employees continue to provide service to the employer company and meet the prior year's performance indicator, 50% of the restricted stock shall be vested in the first year after the grant date, and the remaining 50% shall be vested in second year after the grant date.

Note 4: If the employees continue to provide service to the employer company and meet the prior year's performance indicator, the restricted stock shall be vested in the first year after the grant date.

Note 5: If the employees continue to provide service to the employer company and meet the prior year's performance indicator, 15%, 15%, 20%, 20% and 30% shall be vested in the first year, second year, third year, fourth year and fifth year, respectively, after the grant date.

The restricted stock is kept by a trust, which is appointed by the Group, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or, by any other means, disposed of to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian will act based on law and regulations. If the shares remain unvested after the vesting period, the Group will cancel the unvested shares thereafter.

2) The related information on restricted stock of the Group was as follows:

(Thousand shares)	<u>2022</u>	<u>2021</u>
Outstanding on January 1	6,487	4,103
Granted during the year	3,555	4,540
Vesting during the year	(2,365)	(1,995)
Expired during the year	(529)	(161)
Outstanding on December 31	<u>7,148</u>	<u>6,487</u>

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(iii) Expenses attributable to share-based payment were as follows:

	<u>2022</u>	<u>2021</u>
Employee stock options	\$ 15,480	16,855
Restricted stock	184,883	110,428
Total	<u>\$ 200,363</u>	<u>127,283</u>

(v) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2022 and 2021, based on the profit attributable to owners of parent of the Company and the weighted-average number of ordinary shares outstanding was as follows:

	<u>2022</u>	<u>2021</u>
Profit attributable to owners of parent	\$ 2,742,609	2,298,282
Weighted-average number of ordinary shares (thousand shares)	449,522	447,640
Basic earnings per share (NT dollars)	<u>\$ 6.10</u>	<u>5.13</u>

	<u>2022</u>	<u>2021</u>
Ordinary shares at January 1	448,777	446,782
Vesting of restricted stock	745	858
Ordinary shares at December 31	<u>449,522</u>	<u>447,640</u>

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2022 and 2021, based on the profit attributable to owners of parent of the Company and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	<u>2022</u>	<u>2021</u>
Profit attributable to owners of parent	\$ 2,742,609	2,298,282
Weighted-average number of ordinary shares (diluted) (thousand shares)	455,337	451,819
Diluted earnings per share (NT dollars)	<u>\$ 6.02</u>	<u>5.09</u>

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Weighted-average number of ordinary shares (diluted) (thousand shares)

	<u>2022</u>	<u>2021</u>
Weighted-average number of ordinary shares on December 31 (basic)	449,522	447,640
Estimated effect of employee stock bonuses	2,074	1,702
Effect of restricted stock	<u>3,741</u>	<u>2,477</u>
Weighted-average number of ordinary shares on December 31 (diluted)	<u><u>455,337</u></u>	<u><u>451,819</u></u>

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2022</u>		
	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
Goods sold	\$ 27,128,373	50,208,222	77,336,595
Service rendered	<u>153,541</u>	<u>1,750,629</u>	<u>1,904,170</u>
	<u><u>\$ 27,281,914</u></u>	<u><u>51,958,851</u></u>	<u><u>79,240,765</u></u>
	<u>2021</u>		
	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
Goods sold	\$ 32,751,833	36,863,876	69,615,709
Service rendered	<u>174,662</u>	<u>1,859,478</u>	<u>2,034,140</u>
	<u><u>\$ 32,926,495</u></u>	<u><u>38,723,354</u></u>	<u><u>71,649,849</u></u>
	<u>2022</u>	<u>2021</u>	
Mainland China	\$ 28,212,456	33,587,191	
Europe	20,771,566	16,606,343	
America	21,964,066	16,701,890	
Other	<u>8,292,677</u>	<u>4,754,425</u>	
	<u><u>\$ 79,240,765</u></u>	<u><u>71,649,849</u></u>	

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(ii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Notes and accounts receivable (including related parties)	\$ 14,497,309	13,534,590	13,819,185
Less: allowance for impairment	<u>(104,638)</u>	<u>(29,635)</u>	<u>(42,155)</u>
	<u><u>\$ 14,392,671</u></u>	<u><u>13,504,955</u></u>	<u><u>13,777,030</u></u>
Contract liabilities (classified as other current liabilities)	<u><u>\$ 889,320</u></u>	<u><u>196,113</u></u>	<u><u>226,063</u></u>

For details on notes and accounts receivable (including related parties) and allowance for impairment, please refer to note 6(e).

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$196,113 and \$224,610, respectively.

The contract liabilities primarily relate to the advance consideration received from contracts with goods sold, for which revenue is recognized when products are delivered to customers.

(x) Employee's and directors' and supervisors' remuneration

In accordance with the Articles of incorporation, the Company should contribute 2 to 10 percent of the profit as employee remuneration and less than 2 percent as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

Details of remuneration to employees and directors for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Employee remuneration	\$ 99,830	85,799
Directors' remuneration	<u>49,915</u>	<u>42,899</u>
	<u><u>\$ 149,745</u></u>	<u><u>128,698</u></u>

The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during each period. The differences between the amounts distributed and those accrued in the financial statements, if any, are accounted for as changes in accounting estimate and recognized as profit or loss in the distribution year.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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The differences between the amounts approved in the directors' meeting and those recognized in the financial statements for the distributions of earnings for 2021 and 2020 were as follows:

	<b>2021</b>		
	<b>Actual earnings distributed</b>	<b>Accrued in the financial statement</b>	<b>Difference</b>
Employee remuneration–Cash	\$ 85,798	85,799	1
Director's remuneration	42,899	42,899	-
	<b>2020</b>		
	<b>Actual earnings distributed</b>	<b>Accrued in the financial statement</b>	<b>Difference</b>
Employee remuneration–Cash	\$ 72,645	72,645	-
Director's remuneration	36,322	36,323	1

The aforementioned differences were accounted for as changes in accounting estimates and recognized as profit or loss in the years 2022 and 2021. Information on the remuneration to employees and directors, approved in the Board of Directors' meetings, can be accessed in the Market Observation Post System website.

(y) Other income

The details of other income were as follows:

	<b>2022</b>	<b>2021</b>
Government grants	\$ 45,289	97,660
Rent income	6,731	8,373
Dividend income	10,744	4,858
Other	945	1,431
	<b>\$ 63,709</b>	<b>112,322</b>

(z) Other gains and losses

The details of other gains and losses were as follows:

	<b>2022</b>	<b>2021</b>
Net losses on financial assets/liabilities measured at FVTPL	\$ (619,677)	(446,216)
Reversal of impairment losses/(impairment losses) of property, plant and equipment	(6,084)	16,476
Foreign currency exchange gains, net	1,255,089	971,984
Net income (losses) on disposal of property, plant and equipment	3,510	(26,746)
Impairment losses of investments accounted for using equity method	(157,740)	(300,274)
Impairment losses of intangible assets	(29,198)	-
Net gains on disposal of right-of-use assets	17,338	6,560
Other	(5,940)	8,016
	<b>\$ 457,298</b>	<b>229,800</b>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(aa) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

For information on the Group's concentration of credit risk, please refer to note 6(ab).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments:

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1–2 years</b>	<b>2–5 years</b>	<b>Over 5 years</b>
<b>December 31, 2022</b>						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 489,370	502,282	502,282	-	-	-
Notes and accounts payable	14,038,527	14,038,527	14,038,527	-	-	-
Other payables	3,365,325	3,365,325	3,365,325	-	-	-
Salaries payable	1,678,657	1,678,657	1,678,657	-	-	-
Lease liabilities	1,898,262	2,213,790	246,684	223,907	587,179	1,156,020
Refund liabilities	1,912,359	1,912,359	1,912,359	-	-	-
Long-term borrowings	464,000	482,562	6,256	22,923	453,383	-
Guarantee deposits	12,126	12,126	-	-	-	12,126
Derivative financial liabilities:	1,016,661	-	-	-	-	-
Outflow	-	16,739,065	16,739,065	-	-	-
Inflow	-	(15,722,404)	(15,722,404)	-	-	-
	<b>\$ 24,875,287</b>	<b>25,222,289</b>	<b>22,766,751</b>	<b>246,830</b>	<b>1,040,562</b>	<b>1,168,146</b>
<b>December 31, 2021</b>						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 2,030,829	2,042,224	2,042,224	-	-	-
Notes and accounts payable	17,693,261	17,693,261	17,693,261	-	-	-
Other payables	2,463,296	2,463,296	2,463,296	-	-	-
Salaries payable	1,481,957	1,481,957	1,481,957	-	-	-
Lease liabilities	2,108,070	2,576,992	289,193	224,087	575,004	1,488,708
Refund liabilities	1,699,517	1,699,517	1,699,517	-	-	-
Long-term borrowings	1,460,955	1,494,676	451,504	606,773	436,399	-
Guarantee deposits	12,253	12,253	-	-	-	12,253
Derivative financial liabilities:	603,054	-	-	-	-	-
Outflow	-	3,950,961	3,950,961	-	-	-
Inflow	-	(3,347,907)	(3,347,907)	-	-	-
	<b>\$ 29,553,192</b>	<b>30,067,230</b>	<b>26,724,006</b>	<b>830,860</b>	<b>1,011,403</b>	<b>1,500,961</b>

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

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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## (iii) Currency risk

## 1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2022			December 31, 2021			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
<b>Financial assets</b>							
<b>Monetary items</b>							
USD:CNY	\$	484,442	6.9646	14,876,249	582,084	6.3674	16,117,906
USD:HKD		278,389	7.7967	8,548,784	277,722	7.7981	7,690,109
USD:TWD		345,280	30.7080	10,602,846	360,652	27.6900	9,986,444
EUR:CZK		5,063	24.2078	165,707	9,709	25.2143	305,028
USD:CZK		16,806	22.7180	516,079	5,347	22.2250	148,058
USD:THB		19,139	34.6530	587,708	29,420	33.5060	814,647
EUR:HKD		11,806	8.3098	386,399	10,778	8.8476	338,612
CZK:HKD		135,484	0.3433	183,174	156,010	0.3509	194,388
<b>Financial liabilities</b>							
<b>Monetary items</b>							
USD:CNY	\$	291,417	6.9646	8,948,836	458,414	6.3674	12,693,487
USD:HKD		214,250	7.7967	6,579,182	213,774	7.7981	5,919,412
USD:TWD		421,099	30.7080	12,931,116	453,829	27.6900	12,566,531
EUR:CZK		5,871	24.2078	192,152	6,386	25.2143	200,629
USD:THB		63,027	34.6530	1,935,447	71,455	33.5060	1,978,583
EUR:HKD		2,646	8.3098	86,601	7,912	8.8476	248,571
USD:CZK		10,461	22.7180	321,236	3,062	22.2250	84,787

## 2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, derivative financial instruments, loans and borrowings, notes and accounts payable, and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the TWD, CNY, HKD, CZK and THB against the USD; the HKD against CZK; as well as HKD and CZK against the EUR, as of December 31, 2022 and 2021, would have increased or decreased the net profit before tax by \$243,619 and \$99,399, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021, foreign exchange gain (including realized and unrealized portions) amounted to \$1,255,089 and \$971,984, respectively.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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## (iv) Interest rate analysis

Please refer to the note on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets and liabilities with variable interest rates, the analysis is based on the assumption that the amounts of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, and assumed all other variables remain constant, the profit before tax would have increased or decreased by \$10,434 and \$3,586 for the years ended December 31, 2022 and 2021, respectively. This is mainly due to borrowings and demand deposits with variable interest rates.

## (v) Other price risk

If the market price of the equity securities had changed on the reporting date, the influence on other comprehensive income is as follows (The analysis is performed on the same basis for both periods, and assumes all other variable remain constant):

	2022	2021
	Other comprehensive income before tax	Other comprehensive income before tax
<b>Price of securities at the reporting date</b>		
Increasing 10%	\$ 35,079	24,040
Decreasing 10%	\$ (35,079)	(24,040)

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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## (vi) Fair value

## 1) Kinds of financial instruments and fair value

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2022				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL – current</b>	<b>\$ 396,984</b>	-	-	396,984	396,984
<b>Financial assets at FVOCI – non-current</b>	<b>\$ 350,788</b>	-	-	350,788	350,788
<b>Financial assets measured at amortized cost:</b>					
Cash and cash equivalents	\$ 6,284,887				
Financial assets at amortized cost – current	130,023				
Notes and accounts receivable (including related parties)	14,392,671				
Other receivables	1,944,391				
Refundable deposits	130,474				
Total	<b>\$ 22,882,446</b>				
<b>Financial liabilities at FVTPL – current</b>	<b>\$ 1,016,661</b>	-	-	1,016,661	1,016,661
<b>Financial liabilities measured at amortized cost:</b>					
Borrowings	\$ 953,370				
Notes and accounts payable	14,038,527				
Other payables	3,365,325				
Salaries payable	1,678,657				
Lease liabilities	1,898,262				
Refund liabilities	1,912,359				
Guarantee deposits	12,126				
Total	<b>\$ 23,858,626</b>				

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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	Carrying amounts	December 31, 2021			
		Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL – current</b>	<b>\$ 156,238</b>	-	-	156,238	156,238
<b>Financial assets at FVOCI – non-current</b>	<b>\$ 240,397</b>	-	-	240,397	240,397
<b>Financial assets measured at amortized cost:</b>					
Cash and cash equivalents	\$ 4,839,241				
Financial assets at amortized cost – current	1,665,744				
Notes and accounts receivable (including related parties)	13,504,955				
Other receivables	1,301,019				
Refundable deposits	83,086				
Total	<b>\$ 21,394,045</b>				
<b>Financial liabilities at FVTPL – current</b>	<b>\$ 603,054</b>	-	-	603,054	603,054
<b>Financial liabilities measured at amortized cost :</b>					
Borrowings	\$ 3,491,784				
Notes and accounts payable	17,693,261				
Other payables	2,463,296				
Salaries payable	1,481,957				
Lease liabilities	2,108,070				
Refund liabilities	1,699,517				
Guarantee deposits	12,253				
Total	<b>\$ 28,950,138</b>				

## 2) Fair value valuation techniques for financial instruments measured at fair value

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. The quoted price of a financial instrument obtained from major exchanges and over-the-counter markets are the basis used to determine the fair value of a listed company's stock and the quoted prices in an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If these conditions can not be reached, then the market is non-active. In general, a market with low trading volume or high bid-ask spreads is an indication of a non-active market.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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The Group uses the following methods in determining the fair value of its financial instruments without a quoted price in an active market:

- a) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated on the basis of the contract's spot exchange rate and swap point.
  - b) Financial assets at FVOCI – non-current are investments in domestic or foreign non-listed stock. The estimated fair value is based on the market approach of comparable business and adjusted for the lack of liquidity. When prices are unavailable, the fair value is estimated on the basis of unadjusted prior trade prices.
- 3) In 2022 and 2021, there were no transfers between Levels.
  - 4) Reconciliation of Level 3 fair values

	2022			2021		
	FVTPL	FVOCI	Total	FVTPL	FVOCI	Total
<b>Balance on January 1</b>	\$ (446,816)	240,397	(206,419)	(118,413)	121,672	3,259
Recognized in profit or loss	(619,677)	-	(619,677)	(446,216)	-	(446,216)
Recognized in other comprehensive income	-	11,974	11,974	-	89,862	89,862
Acquisition /disposal	446,816	99,820	546,636	117,813	28,863	146,676
Effect of changes on exchange rate	-	(1,403)	(1,403)	-	-	-
<b>Balance on December 31</b>	<b>\$ (619,677)</b>	<b>350,788</b>	<b>(268,889)</b>	<b>(446,816)</b>	<b>240,397</b>	<b>(206,419)</b>

- 5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The fair value measurements of the Group which are categorized within level 3 are classified as financial assets and liabilities at FVTPL – derivative instruments not used for hedging and financial assets at FVOCI – equity investment without an active market. The quantitative information about significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value</u>
Financial assets at FVOCI – equity investment without an active market	(note 1)	(note 1)	(note 1)
Financial assets and liabilities at FVTPL – derivative instruments not used for hedging	(note 2)	(note 2)	(note 2)

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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note 1: The fair value is based on the market value, and it has considered the recent financing activities, comparable business, market and other economic conditions etc., to determine the assumptions. Also, the significant unobservable inputs are marketability discount, but any changes of marketability discount would not result in significant potential financial impact, therefore there is no need to show the quantified information on it.

note 2: The fair value is based on the quotation of a third party, therefore there is no need to show the sensitivity analysis of unobservable inputs.

(ab) Financial risk management

(i) Briefings

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

(ii) Structure of risk management

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's board of directors oversees the management's monitoring of the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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## (iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents; notes and accounts receivables (including related parties), and other receivables; and derivative instruments.

## 1) Cash and cash equivalents

The Group had deposited \$6,120,011 (including restricted deposits) in HSBC Bank and 16 other financial institutions, and \$4,485,534 (including restricted deposits) in HSBC Bank and 15 other financial institutions, representing 13% and 9% of total assets, as of December 31, 2022 and 2021, respectively. The Group believes that there is no significant credit risk from the above-mentioned financial institutions.

## 2) Notes and accounts receivable

Sales to individual customers constituting over 10% of total revenue for the years ended December 31, 2022 and 2021, totaled 25% and 23%, respectively; also 34% and 37%, respectively, of the ending balance of notes and accounts receivable (including related parties) were accounted for by those customers. In order to reduce credit risk, the Group assesses the financial status of each customer and the possibility of collection of receivables on a regular basis. The above-mentioned customers are profitable and have a good credit record; hence, the Group did not suffer any significant credit loss from those customers during the financial reporting period.

## 3) Derivative instruments

The Group entered into derivative instrument contracts with reputable and creditworthy financial institutions. The Group believes that the risk that these financial institutions may default on these contracts is relatively low and anticipates no significant credit loss.

## (iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group had unused credit line of \$29,823,745 and \$25,362,242 as of December 31, 2022 and 2021, respectively.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

## 1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the TWD, USD, HKD, CNY, CZK and THB. These transactions are denominated in USD.

The Group uses forward exchange contracts and foreign exchange swap contracts to hedge its currency risk. The Group makes performance reports and reviews operating strategy regularly, and believes that there is no significant risk because the gains or losses from exchange rate fluctuation will mostly be offset by the hedged item.

## 2) Interest rate risk

The Group's main assets and liabilities with a floating-interest-rate basis are deposits and borrowings. The Group believes that cash flow risk arising from interest rate fluctuation is insignificant.

## (ac) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, other equity, and non-controlling interests.

The Group sets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to stockholders, to safeguard the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

The Group's debt ratios as of December 31, 2022 and 2021, were 61% and 67%, respectively.

## (ad) Changes of liabilities from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Effect of changes in exchange rate</b>	<b>Changes in lease payments</b>	<b>December 31, 2022</b>
Short-term borrowings	\$ 2,030,829	(1,541,459)	-	-	489,370
Long-term borrowings	1,460,955	(996,955)	-	-	464,000
Lease liabilities	<u>2,108,070</u>	<u>(234,706)</u>	<u>41,852</u>	<u>(16,954)</u>	<u>1,898,262</u>
Total liabilities from financing activities	<u>\$ 5,599,854</u>	<u>(2,773,120)</u>	<u>41,852</u>	<u>(16,954)</u>	<u>2,851,632</u>

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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	January 1, 2021	Cash flows	Effect of changes in exchange rate	Changes in lease payments	December 31, 2021
Short-term borrowings	\$ 905,059	1,125,770	-	-	2,030,829
Long-term borrowings	755,459	705,496	-	-	1,460,955
Lease liabilities	1,252,919	(249,172)	(27,174)	1,131,497	2,108,070
Total liabilities from financing activities	<u>\$ 2,913,437</u>	<u>1,582,094</u>	<u>(27,174)</u>	<u>1,131,497</u>	<u>5,599,854</u>

(ae) Supplementary information of cash flow

- (i) The Group acquired property, plant and equipment amounting to \$1,890,170 and \$2,987,186, respectively, and the payables on equipment decreased \$40,987 and \$57,302, respectively, generating cash outflow of \$1,931,157 and \$3,044,488 for the years ended December 31, 2022 and 2021, respectively.
- (ii) For the years ended December 31, 2022 and 2021, the Group's disposal of property, plant and equipment included the write-off of the unamortized deferred revenue of equipment subsidy amounting to \$9,171 and \$236,604, respectively.

**(7) Related-party transactions:**

(a) Names and relationship of the related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name	Relationship
Specialty Technologies, LLC (Specialty)	Substantive related party

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to related parties and the outstanding balances were as follows:

	Sales		Notes and accounts receivable	
	2022	2021	December 31, 2022	December 31, 2021
Other related parties	<u>\$ 288,746</u>	<u>867,061</u>	<u>54,587</u>	<u>130,280</u>

There were no significant differences in the selling prices between the related parties and other customers. The trading terms offered to other related parties were 60 days, and the trading terms to other customers were 45 days to 120 days.

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(c) Key management personnel compensation

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	\$ 183,890	158,643
Post-employment benefits	1,315	1,397
Share-based payments	87,379	65,318
	<u>\$ 272,584</u>	<u>225,358</u>

Please refer to note 6(u) for information related to share-based payments.

**(8) Pledged assets:**

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2022	December 31, 2021
Financial assets at amortized cost – current	Guarantee letters issued by bank	\$ -	4,349
Other non-current assets – restricted assets	Guarantee letters issued by bank	3,414	3,414
Property, plant and equipment	Loan collateral	769,580	769,580

**(9) Commitments and contingencies:**

- (a) For the detail of the Group's guarantee, please refer to note 13.
- (b) The following are guarantee letters issued by the bank to customs, business partner and Power Supply Bureau as guarantee deposits and power supply guarantee, respectively.

	December 31, 2022	December 31, 2021
Guarantee letters	\$ 57,333	27,078

- (c) Guarantee notes provided as part of agreements with banks to sell accounts receivable and to acquire long-term borrowings were as follows:

	December 31, 2022	December 31, 2021
Sales of accounts receivable	\$ 2,160,669	1,815,507
Long-term borrowings	1,800,400	4,846,300

- (d) The aggregate unpaid amounts of contracts pertaining to the purchase of equipment were as follows:

	December 31, 2022	December 31, 2021
Property, plant and equipment	\$ 965,744	360,673

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

A summary of employee benefit, depreciation, and amortization expenses by function, was as follows:

By item	By function	2022			2021		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits							
Salaries		4,105,848	4,501,966	8,607,814	3,991,483	3,819,237	
Labor and health insurance		157,678	226,982	384,660	130,666	198,896	
Pension		256,244	199,617	455,861	231,379	159,847	
Others		107,306	236,613	343,919	55,457	202,702	
Depreciation		1,329,460	328,545	1,658,005	1,429,885	289,977	
Amortization		23,066	205,788	228,854	17,142	203,492	

(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions required by the Regulations for the Group:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	PKS1	The Company	Other receivables	Y	327,475	327,475	327,475	0	Short-term loan to other parties	-	Operating capital	-	-	-	795,945	795,945
2	TYM Acoustic Europe	Tymphony Dongguan	"	"	14,490	-	-	0	"	-	"	-	-	-	151,542	303,084

Note 1: After the approval from the Board of directors, the loan provided to an individual entity shall not exceed the net worth of PKS1 in the latest financial statements to its parent company, and also to subsidiaries wherein its parent owns 100%, directly and indirectly, of its voting shares. Also, the criterion for the amount available for financing is the same as that offered to an individual entity mentioned above.

Note 2: Due to the short term financing need, the loan provided to an individual entity shall not exceed 20% of the net worth of TYM Acoustic Europe in its latest financial statements. However, the amount available for financing shall not exceed 40% of the net worth of TYM Acoustic Europe in its latest financial statements.

Note 3: The above transactions have been eliminated during the preparation of the consolidated financial statements.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	PCH2	The subsidiary of Primax HK and Primax Tech.	4,904,128	322,100	307,080	4,446	-	1.88 %	13,077,675	Y	N	Y
"	"	Primax Electronics (Singapore) Pte. Ltd.	Subsidiary	4,904,128	2,700,000	2,700,000	393,209	-	16.52 %	13,077,675	Y	N	N
1	Tymphony Huizhou	TYM Acoustic HK	"	1,953,125	4,832	4,606	-	-	0.07 %	3,255,209	N	N	N

Note 1: The amount of the guarantee to a company shall not exceed 30% of the Company's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the Company's net worth in the latest financial statements.

Note 2: The amount of the guarantee to a company shall not exceed 30% of the Tymphony Huizhou's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 50% of the Tymphony Huizhou's net worth in the latest financial statements.

Note 3: The above counter-parties of guarantee and endorsement are subsidiaries included in the consolidated financial statements.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Company Ending balance holding securities	Security type and name	Relationship with company	Account	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
The Company	Stocks (equities):									
	Green Rich Technology Co., Ltd.	-	Financial assets at FVOCI	359	-	3.59	-	359	3.59	
	Changing Information Technology Inc.	-	"	223	7,535	1.34	7,535	223	1.42	
	Formosoft International Inc.	-	"	11	-	0.41	-	11	0.41	
	Syntronix Corp.	-	"	7	250	0.02	250	7	0.02	
	Ricavision International Inc.	-	"	917	-	2.04	-	917	2.04	
	Grove Ventures L.P.	-	"	-	183,766	2.73	183,766	-	2.73	
	Grove Ventures II, L.P.	-	"	-	85,267	3.29	85,267	-	3.31	
	Grove Ventures III, L.P.	-	"	-	11,853	2.23	11,853	-	2.23	
	Storm Ventures Fund VII, L.P.	-	Other non-current asset	-	2,662	0.49	2,662	-	0.49	
					<u>291,333</u>					
Primax Tech.	Stocks:									
	Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-	400	11.90	
Tymphony Huizhou	Stocks:									
	Shenzhen Mees Hi-Tech Co., Ltd.	-	"	556	<u>62,117</u>	10.00	62,117	556	10.00	

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the Company's paid-in capital: None
- (v) Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the Company's issued capital: None
- (vi) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the Company's issued capital: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the Company's issued capital:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Primax Singapore	Subsidiary	(Sale)	(12,661,309)	(30) %	60 days	Price agreed by both side	The same as general selling	2,354,802	30%	Note 1
"	PCH2	The subsidiary of Primax HK	Purchase	25,431,704	69 %	"	"	The same as general purchasing	(5,972,525)	(64)%	Note 1
"	PKS1	"	Purchase	1,814,952	5 %	"	"	"	(525,179)	(6)%	Note 1
"	PCQ1	"	Purchase	7,499,967	20 %	"	"	"	(2,488,994)	(27)%	Note 1
"	Polaris	The subsidiary of Primax Tech.	(Sale)	(3,915,475)	(9) %	90 days	"	The same as general selling	309,736	4%	Note 1
"	Primax Thailand	The subsidiary of Primax Singapore.	Purchase	1,218,267	3 %	60 days	"	The same as general purchasing	(63,738)	(1)%	Note 1
"	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(217,966)	(1) %	"	"	The same as general selling	16,657	-%	Note 1
Primax Singapore	The Company	Parent	Purchase	12,661,309	95 %	"	"	The same as general purchasing	(2,354,802)	(94)%	Note 1
"	PCH2	The subsidiary of Primax HK	Purchase	588,797	4 %	"	"	"	(56,440)	(2)%	Note 1
PCH2	The Company	The parent of Primax Cayman	(Sale)	(25,431,704)	(83) %	"	"	The same as general selling	5,972,525	85%	Note 1
"	Primax Singapore	The subsidiary of the Company	(Sale)	(588,797)	(2) %	"	"	"	56,440	1%	Note 1
"	PCQ1	The subsidiary of Primax HK	(Sale)	(100,528)	- %	"	"	"	14,034	-%	Note 1
PKS1	The Company	The parent of Primax Cayman	(Sale)	(1,814,952)	(100) %	"	"	"	525,179	100%	Note 1
PCQ1	"	"	(Sale)	(7,499,967)	(76) %	"	"	"	2,488,994	84%	Note 1
"	PCH2	The subsidiary of Primax HK	Purchase	100,528	1 %	"	"	The same as general purchasing	(14,034)	(1)%	Note 1
Primax Thailand	The Company	The parent of Primax Singapore.	(Sale)	(1,218,267)	(96) %	"	"	The same as general selling	63,738	72%	Note 1
Polaris	"	The parent of Primax Tech.	Purchase	3,915,475	100 %	90 days	"	The same as general purchasing	(309,736)	(100)%	Note 1
Tymphony Huizhou	TYM Acoustic HK	Subsidiary	(Sale)	(4,464,306)	(44) %	60 days	"	The same as general selling	980,016	44%	Note 1
"	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(4,863,608)	(48) %	"	"	"	1,076,351	48%	Note 1
"	"	"	Purchase	182,344	2 %	"	"	The same as general purchasing	(25,454)	(1)%	Note 1

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Tymphony Huizhou	TYM Acoustic Europe	The subsidiary of TYM Acoustic HK	(Sale)	(329,505)	(3) %	60 days	Price agreed by both side	The same as general selling	82,247	4%	Note 1
"	Tymphony Dongguan	Subsidiary	Purchase	150,055	2 %	"	"	The same as general purchasing	(64,973)	(3)%	Note 1
Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	546,468	8 %	"	"	"	(196,895)	(14)%	Note 1
"	"	"	(Sale)	(6,468,924)	(77) %	"	"	The same as general selling	1,048,412	65%	Note 1
"	Tymphony Huizhou	Parent	(Sale)	(150,055)	(2) %	"	"	"	64,973	4%	Note 1
"	TYM Acoustic Europe	The subsidiary of TYM Acoustic HK	(Sale)	(474,264)	(6) %	"	"	"	220,812	14%	Note 1
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(725,264)	(9) %	"	"	"	88,439	6%	Note 1
"	TYTH	The subsidiary of TYM Acoustic HK	(Sale)	(210,927)	(3) %	"	"	"	37,544	2%	Note 1
"	TYDC	Subsidiary	(Sale)	(179,483)	(2) %	"	"	"	88,866	6%	Note 1
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(1,767,682)	(37) %	"	"	"	740,747	43%	Note 1
"	"	"	Purchase	304,285	7 %	"	"	The same as general purchasing	(80,264)	(5)%	Note 1
"	Tymphony Dongguan	Parent	Purchase	179,483	4 %	"	"	"	(88,866)	(6)%	Note 1
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(2,714,098)	(58) %	"	"	The same as general selling	899,008	52%	Note 1
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	2,851,454	26 %	"	"	The same as general purchasing	(537,326)	(20)%	Note 1
"	Tymphony Huizhou	Parent	Purchase	4,464,306	41 %	"	"	"	(980,016)	(36)%	Note 1
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	725,264	7 %	"	"	"	(88,439)	(3)%	Note 1
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	2,714,098	25 %	"	"	"	(899,008)	(33)%	Note 1
"	Specialty	Other related party	(Sale)	(151,367)	(1) %	"	"	The same as general selling	54,587	2%	Note 1
TYM Acoustic Europe	TYM Acoustic HK	Parent	(Sale)	(2,851,454)	(86) %	"	"	"	537,326	98%	Note 1
"	Tymphony Huizhou	The parent of TYM Acoustic HK	Purchase	329,505	12 %	"	"	The same as general purchasing	(82,247)	(11)%	Note 1
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	474,264	18 %	"	"	"	(220,812)	(30)%	Note 1
TYM HK	Tymphony Huizhou	The parent of TYM Acoustic HK	Purchase	4,863,608	25 %	"	"	"	(1,076,351)	(31)%	Note 1
"	"	"	(Sale)	(182,344)	(1) %	"	"	The same as general selling	25,454	1%	Note 1
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	6,468,924	34 %	"	"	The same as general purchasing	(1,048,412)	(31)%	Note 1
"	"	"	(Sale)	(546,468)	(3) %	"	"	The same as general selling	196,895	6%	Note 1

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
TYM HK	TYDC	The subsidiary of Tymphony Dongguan	Purchase	1,767,682	9 %	60 days	Price agreed by both side	The same as general purchasing	(740,747)	(22)%	Note 1
"	"	"	(Sale)	(304,285)	(1) %	"	"	The same as general selling	80,264	3%	Note 1
"	TYTH	The subsidiary of TYM Acoustic HK	Purchase	5,762,869	30 %	"	"	The same as general purchasing	(467,746)	(14)%	Note 1
"	The Company	The parent of Daimond Holdings Ltd.	Purchase	217,966	1 %	"	"	"	(16,657)	-%	Note 1
"	Specialty	Other related party	(Sale)	(137,379)	(1) %	"	"	The same as general selling	-	-%	
TYTH	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(5,762,869)	(100) %	"	"	"	467,746	100%	Note 1
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	210,927	4 %	"	"	The same as general purchasing	(37,544)	(3)%	Note 1

Note 1: Related transactions have been eliminated during the preparation of the consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding the lower of TWDS\$100 million or 20% of the Company's paid-in capital:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Primax Singapore	Subsidiary	2,354,802 (note 5)	5.97	-	-	1,510,043	-
"	Polaris	The subsidiary of Primax Tech.	309,736 (note 5)	10.73	-	-	357,960	-
"	PCH2	The subsidiary of Primax HK	299,571 (note 2)	5.79	-	-	117,000	-
"	"	"	3,760 (note 5)	(note 3)	-	-	2,279	-
PCH2	The Company	The parent of Primax Cayman	5,972,525 (note 5)	4.29	-	-	1,638,861	-
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	110,868 (note 5)	(note 3)	-	-	33,252	-
"	PBK1	The subsidiary of Primax Singapore	191,401 (note 5)	(note 3)	-	-	18,703	-
PKS1	The Company	The parent of Primax Cayman	525,179 (note 5)	2.38	-	-	323,607	-
"	"	"	327,475 (note 5)	(note 4)	-	-	-	-
PCQ1	"	"	2,488,994 (note 5)	2.85	-	-	685,151	-
Tymphony Huizhou	TYM Acoustic HK	Subsidiary	980,016 (note 5)	5.39	-	-	460,620	-
"	TYM HK	The subsidiary of TYM Acoustic HK	1,076,351 (note 5)	4.93	-	-	153,540	-
Tymphony Dongguan	"	"	1,048,412 (note 5)	5.59	-	-	214,956	-
"	"	"	1,970 (note 5)	(note 3)	-	-	-	-
"	TYM Acoustic Europe	"	220,812 (note 5)	3.12	-	-	73,867	-

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
Tymphony Dongguan	TYDC	Subsidiary	88,866 (note 5)	2.11	-	-	31,635	-
"	"	"	25,554 (note 5)	(note 3)	-	-	-	-
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	740,747 (note 5)	2.48	-	-	154,807	-
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	899,008 (note 5)	5.04	-	-	425,146	-
TYM Acoustic Europe	"	Parent	537,326 (note 5)	5.90	-	-	353,371	-
TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	196,895 (note 5)	3.79	-	-	49,133	-
"	"	"	645,771 (note 5)	(note 3)	-	-	-	-
"	TYDC	The subsidiary of Tymphony Dongguan	80,264 (note 5)	4.72	-	-	23,684	-
"	"	"	298,219 (note 5)	(note 3)	-	-	296,802	-
"	Tymphony Huizhou	The parent of TYM Acoustic HK	25,454 (note 5)	1.90	-	-	25,454	-
"	"	"	293,158 (note 5)	(note 3)	-	-	121,309	-
"	TYM Acoustic HK	Parent	192,098 (note 5)	(note 3)	-	-	192,098	-
TYTH	TYM HK	The subsidiary of TYM Acoustic HK	467,746 (note 5)	10.96	-	-	461,953	-

Note 1: Amounts collected as of February 10, 2023.

Note 2: The Company sells semi-finished products to its subsidiaries for processing and production. The finished products are then repurchased back by the Company and sold to the customers. The amount of semi-finished products sold in the year ended December 31, 2022 was \$1,289,967, which was written off with related cost of goods sold, and not regarded as sales for the Company.

Note 3: The receivables arise from service rendering for intercompany or material purchasing on behalf of intercompany or related parties.

Note 4: The other receivables arise from intercompany loans.

Note 5: Related transactions have been eliminated during the preparation of the consolidated financial statements.

(ix) Trading in derivative instruments: Please refer to note 6(b).

(x) Business relationships and significant intercompany transactions:

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of consolidated total operating revenues or total assets
				Account name	Amount	Trading terms	
0	The Company	Primax Singapore	Subsidiary	Sale	12,661,309	Price agreed by both sides	15.98 %
"	"	"	"	Accounts Receivable	2,354,802	60 days	4.98 %
"	"	PCH2	The Subsidiary of Primax HK	Purchase	25,431,704	Price agreed by both sides	32.09 %
"	"	"	"	Accounts Payable	5,972,525	60 days	12.64 %
"	"	"	"	Accounts Receivable	299,571	"	0.63 %
"	"	"	"	Other Receivable	3,760	(note 2)	0.01 %
"	"	PKS1	"	Purchase	1,814,952	Price agreed by both sides	2.29 %
"	"	"	"	Accounts Payable	525,179	60 days	1.11 %
"	"	"	"	Other Payable	327,475	(note 3)	0.69 %

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of consolidated total operating revenues or total assets
				Account name	Amount	Trading terms	
0	The Company	PCQ1	The Subsidiary of Primax HK	Purchase	7,499,967	Price agreed by both sides	9.46 %
"	"	"	"	Accounts Payable	2,488,994	60 days	5.27 %
"	"	Polaris	The subsidiary of Primax Tech.	Sale	3,915,475	Price agreed by both sides	4.94 %
"	"	"	"	Accounts Receivable	309,736	90 days	0.66 %
"	"	Primax Thailand	The subsidiary of Primax Singapore.	Purchase	1,218,267	Price agreed by both sides	1.54 %
"	"	TYM HK	The subsidiary of TYM Acoustic HK	Sale	217,966	"	0.28 %
1	PCH2	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Service Revenue	348,181	"	0.44 %
"	"	"	"	Other Receivable	110,868	(note 2)	0.23 %
"	"	Primax Thailand	The subsidiary of Primax Singapore	Other Receivable	191,401	(note 2)	0.40 %
"	"	Primax Singapore	The subsidiary of the Company	Sale	588,797	Price agreed by both sides	0.74 %
"	"	PCQ1	The subsidiary of Primax HK	Sale	100,528	"	0.13 %
"	"	UTD3	The subsidiary of Destiny Tech.	Service Expense	120,221	"	0.15 %
2	Tymphony Huizhou	TYM Acoustic HK	Subsidiary	Sale	4,464,306	"	5.63 %
"	"	"	"	Accounts Receivable	980,016	60 days	2.07 %
"	"	TYM HK	The subsidiary of TYM Acoustic HK	Sale	4,863,608	Price agreed by both sides	6.14 %
"	"	"	"	Purchase	182,344	"	0.23 %
"	"	"	"	Accounts Receivable	1,076,351	60 days	2.28 %
"	"	"	"	Other Payable	293,158	(note 2)	0.62 %
"	"	TYM Acoustic Europe	"	Sale	329,505	Price agreed by both sides	0.42 %
"	"	Tymphony Dongguan	Subsidiary	Purchase	150,055	"	0.19 %
3	Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	546,468	"	0.69 %
"	"	"	"	Sale	6,468,924	"	8.16 %
"	"	"	"	Accounts Receivable	1,048,412	60 days	2.22 %
"	"	"	"	Other Receivable	1,970	(note 2)	- %
"	"	"	"	Other payable	645,771	(note 2)	1.37 %
"	"	"	"	Accounts Payable	196,895	60 days	0.42 %
"	"	TYM Acoustic Europe	"	Sale	474,264	Price agreed by both sides	0.60 %
"	"	"	"	Accounts Receivable	220,812	60 days	0.47 %
"	"	TYTH	"	Sale	210,927	Price agreed by both sides	0.27 %

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

No	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of consolidated total operating revenues or total assets
				Account name	Amount	Trading terms	
3	Tymphony Dongguan	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	Sale	725,264	Price agreed by both sides	0.92 %
"	"	TYDC	Subsidiary	Sale	179,483	"	0.23 %
"	"	"	"	Accounts Receivable	88,866	60 days	0.19 %
"	"	"	"	Other Receivable	25,554	(note 2)	0.05 %
4	TYDC	TYM HK	The subsidiary of TYM Acoustic HK	Sale	1,767,682	Price agreed by both sides	2.23 %
"	"	"	"	Purchase	304,285	"	0.38 %
"	"	"	"	Accounts Receivable	740,747	60 days	1.57 %
"	"	"	"	Accounts Payable	80,264	"	0.17 %
"	"	"	"	Other Payable	298,219	(note 2)	0.63 %
"	"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	Sale	2,714,098	Price agreed by both sides	3.43 %
"	"	"	"	Accounts Receivable	899,008	60 days	1.90 %
5	TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	2,851,454	Price agreed by both sides	3.60 %
"	"	"	"	Accounts Payable	537,326	60 days	1.14 %
"	"	"	"	Service Expense	384,870	Price agreed by both sides	0.49 %
"	"	TYM HK	"	Service Expense	563,570	"	0.71 %
"	"	"	"	Other Payable	192,098	(note 2)	0.41 %
6	TYM HK	TYAT	The subsidiary of TYM Acoustic HK	Service Expense	1,282,740	Price agreed by both sides	1.62 %
"	"	TYP	"	Service Expense	169,239	"	0.21 %
"	"	TYTH	"	Purchase	5,762,869	"	7.27 %
"	"	"	"	Accounts Payable	467,746	60 days	0.99 %

Note 1: Disclosure of the amounts was exceeding of NTD\$100 million.

Note 2: The receivables arises from service rendering for intercompany or material purchasing on behalf of intercompany or related party.

Note 3: The other receivables arise from intercompany loans.

Note 4: Related transactions have been eliminated during the preparation of the consolidated financial statements.

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**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
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(b) Information on investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value	Shares (thousands)	Percentage of ownership			
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	7,688,347	8,147,636	100.00	715,354	777,426	Note 3
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,850,752	285,067	100.00	195,433	191,092	Note 3
"	Destiny BVL	Virgin Island	Holding company	30,939	30,939	1,050	100.00	(2,169)	1,050	100.00	4,010	4,010	Note 3
"	Destiny Japan	Japan	Market development of and customer service for computer peripherals, mobile device components, and business devices	7,032	7,032	0.50	100.00	15,816	0.5	100.00	321	321	Note 3
"	Diamond	Cayman Islands	Holding company	3,889,798	3,889,798	129,050	100.00	6,477,691	129,050	100.00	402,038	399,582	Note 3
"	Gratus Tech.	USA	Market development of and customer service for computer peripherals, mobile device components, and business devices	9,330	9,330	300	100.00	15,564	300	100.00	1,188	1,188	Note 3
"	Primax AE	Cayman Islands	Holding company	1,431,540	1,431,540	48,200	100.00	61,809	48,200	100.00	(194,309)	(194,309)	Note 3
"	Primax Singapore	Singapore	Sale of computer peripherals and mobile device components	1,181,150	904,150	40,100	100.00	722,673	40,100	100.00	(60,299)	(60,479)	Note 3
	Total			9,987,798	9,710,798	17,830,483		1,063,736	1,118,831				
Primax Singapore	Primax Thailand	Thailand	Manufacturing and sale of computer peripherals, mobile device components, and business devices	1,162,928	872,151	1,244	99.99	735,534	1,244	99.99	(57,021)	(57,021)	Note 3
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	7,752,703	602,817	100.00	714,663	714,663	Note 3
Primax Tech.	Polaris	USA	Sale and purchase of computer peripherals, mobile device components, and business devices	52,680	52,680	1,600	100.00	432,254	1,600	100.00	10,272	10,272	Note 3
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	4,083,950	192,251	100.00	6,549,715	192,251	100.00	479,177	402,006	Note 3
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	1,356,995	30	37.00	-	30	37.00	(158,601)	(42,489)	Note 4
Tymphony Huizhou	TYM Acoustic HK	Hong Kong	R&D, design, and sales of various speaker accessories, speakers, and their components, as well as holding business	1,592,954	1,592,954	418,090	100.00	2,777,643	418,090	100.00	(16,298)	(16,298)	Note 3

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value	Shares (thousands)	Percentage of ownership			
TYM Acoustic HK	TYM HK	Hong Kong	Holding company; sales of, market development of and customer service for various speaker accessories, speakers and their components	76,280 (note 1)	76,280 (note 1)	144,395	100.00	1,229,728	144,395	100.00	(416,840)	(416,840)	Note 3
"	TYP	USA	Market development of and customer service for speakers and their components	15 (note 1)	15 (note 1)	0.50	100.00	35,305	0.5	100.00	5,420	5,420	Note 3
"	TYM UK	United Kingdom	R&D and design of various speaker accessories as well as speakers and their components	15,631	15,631	400	100.00	35,298	400	100.00	4,093	4,093	Note 3
"	TYM Acoustic Europe	Czech	Manufacturing, installation, and maintenance of various speaker accessories and their components	653,796	653,796	187,800	100.00	915,463	187,800	100.00	72,432	72,432	Note 3
"	TYAT	Taiwan	R&D and design of various speaker accessories as well as speakers and their components	48,318	48,318	5,000	100.00	296,672	5,000	100.00	73,454	73,454	Note 3
"	TYTH	Thailand	Manufacturing and sales of various speaker accessories, speakers, and their components	725,091	725,091	7,789	99.99	591,681	7,789	99.99	67,646	67,646	Note 3
TYM HK	TYML	USA	Sales of various speaker accessories, speakers, and their components	6,628	6,628	200	100.00	9,321	200	100.00	(1,360)	(1,360)	Note 3

Note 1: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Diamond.  
Note 2: Related investments (except for AIC) have been eliminated during the preparation of the consolidated financial statements.  
Note 3: The subsidiary of the Company.  
Note 4: The associate of the Company.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of Investment	Accumulated outflow of investment from Taiwan as of January 1, 2022 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022 (note 2)	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership during the year	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
PCH2	Manufacturing and sale of computer peripherals, mobile device components, and business devices	1,966,235	Indirect investment through Primax Cayman and Primax Tech.	1,519,324	-	-	1,685,001	526,046	100%	100%	526,046	7,083,084	-
Destiny Beijing	R&D of computer peripheral and business devices	38,950	Indirect investment through Destiny BVL	29,075	-	-	32,243	4,010	100%	100%	4,010	(2,173)	-

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of Investment	Accumulated outflow of investment from Taiwan as of January 1, 2022 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022 (note 2)	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership during the year	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
PKS1	Production of computer peripheral products	860,949	Indirect investment through Primax Cayman	609,180	-	-	675,576	(9,858)	100%	100%	(9,858)	795,945	-
PCQ1	Production of computer peripheral products	841,404	"	553,800	-	-	614,160	371,216	100%	100%	371,216	2,155,259	-
Tymphony Huizhou	Manufacturing, R&D, design and sale of various speaker accessories, speakers, and their components	1,668,961	Indirect investment through Diamond	3,572,010	-	-	3,961,332	632,488	77.01%	77.01%	480,008	5,013,732	-
Tymphony Dongguan	"	153,540	"	13,845	-	-	15,354	26,814	77.01%	77.01%	17,377	636,992	-
TYDC	"	88,184	"	-	-	-	-	39,234	77.01%	77.01%	29,130	165,954	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.9386; USD:TWD 30.7080; CNY:TWD 4.4092.

Note 2: The differences between the accumulated out flow of investments and paid in capital was derived from the currency exchange on translation, capital increase from retained earning and working capital.

Note 3: Related investments have been eliminated during the preparation of the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	7,437,387	8,706,005	None (note)

Note: The Company has received the Certificate issued by the Industrial Development Bureau, Ministry of Economic Affairs, allowing it to start the operating of its headquarters.

The above investment income (losses) in mainland China, except for PCH2, Destiny Beijing, PKS1 and PCQ1 which were based on financial statements audited by the Company's auditors, others were based on the audited results of other auditors.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of the consolidated financial statements for the year ended December 31, 2022, are disclosed in "Information on significant transactions", and "Business relationships and significant intercompany transactions".

(d) Major shareholders: No shareholders represented more than 5% of the total shares outstanding.

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(14) Segment information:

(a) General information

The Group's reported segments are the divisions for computer peripherals and non-computer peripherals. The division for computer peripherals specializes in the manufacture and sale of computer mice, keyboards, track pads, etc. The division for non-computer peripherals specializes in the manufacture and sale of digital camera modules, mobile phone accessories, multi-function printers, scanners, shredders, amplifiers, speakers and audio systems, etc.

The Group's reported segments consist of strategic business units which provide essentially different products and services. These units have to be separately managed as a result of the different technology and marketing strategies. Most of the business units were acquired, and the original management teams are still operating.

The Group's segment financial information was as follows:

	2022		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 27,281,914	51,958,851	79,240,765
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 27,281,914</u>	<u>51,958,851</u>	<u>79,240,765</u>
Profit before tax from segments reported	<u>\$ 1,900,472</u>	<u>1,728,492</u>	<u>3,628,964</u>
	2021		
	Computer Peripherals	Non-computer Peripherals	Total
Revenue			
External revenue	\$ 32,926,495	38,723,354	71,649,849
Intra-group revenue	-	-	-
Total segment revenue	<u>\$ 32,926,495</u>	<u>38,723,354</u>	<u>71,649,849</u>
Profit before tax from segments reported	<u>\$ 2,261,208</u>	<u>768,755</u>	<u>3,029,963</u>

(Continued)

**PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (b) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and non-current assets are based on the geographical location of the assets. Details were as follows:

<b><u>Geographic Information</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Revenues from external customers:		
China	\$ 28,212,456	33,587,191
Europe	20,771,566	16,606,343
America	21,964,066	16,701,890
Other	8,292,677	4,754,425
Total	<b><u>\$ 79,240,765</u></b>	<b><u>71,649,849</u></b>
	<b><u>December 31,</u></b>	<b><u>December 31,</u></b>
	<b><u>2022</u></b>	<b><u>2021</u></b>
Non-current assets:		
China	\$ 5,944,116	6,219,648
Taiwan	2,616,075	2,625,600
Thailand	1,819,730	1,273,240
Other	2,296,205	2,347,766
Total	<b><u>\$ 12,676,126</u></b>	<b><u>12,466,254</u></b>

## (c) Major customer information

	<b><u>2022</u></b>	<b><u>2021</u></b>
A company – Non-computer Peripherals	<b><u>\$ 11,850,853</u></b>	<b><u>7,709,391</u></b>
B company – Computer Peripherals	\$ 8,001,352	5,621,193
– Non-computer Peripherals	54,124	500,157
	<b><u>\$ 8,055,476</u></b>	<b><u>6,121,350</u></b>
C company – Computer Peripherals	\$ 5,359,500	8,818,167
– Non-computer Peripherals	34,393	63,836
	<b><u>\$ 5,393,893</u></b>	<b><u>8,882,003</u></b>

**VI.2022 Individual Financial Statements and Notes Audited  
and Certified by CPAs**

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**PRIMAX ELECTRONICS LTD.**  
**Parent Company Only Financial Statements**  
**With Independent Auditors' Report**  
**For the Years Ended December 31, 2022 and 2021**

Address: No. 669, Ruey Kuang Road, Neihu, Taipei  
 Telephone: (02)2798-9008

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



## Independent Auditors' Report

To the board of directors of PRIMAX ELECTRONICS LTD.:

### Opinion

We have audited the parent company only financial statements of PRIMAX ELECTRONICS LTD. ("the Company"), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of PRIMAX ELECTRONICS LTD. as at 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 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 Parent Company Only Financial Statements section of our report. We are independent of PRIMAX ELECTRONICS LTD. 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. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

We did not audit the financial statements of certain investments accounted for using equity method. Those financial statements were audited by another auditor, and our opinion, insofar as it relates to the amounts included for those investments, is based solely on the report of another auditor. The Company's investment in these companies constituting 14% and 13% of the total assets, as of December 31, 2022 and 2021, respectively. The related share of profit of subsidiaries and associates accounted for using the equity method amounted constituting 17% and 12% of the profit after tax, for the years ended December 31, 2022 and 2021, respectively.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of PRIMAX ELECTRONICS LTD. only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our professional judgments, key audit matters to be communicated in the independent auditors' report are listed below:

#### 1. Evaluation of inventories

Please refer to note 4(g) "Inventories", note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and note 6(e) "Inventories" of the financial statements.

Description of key audit matter:

Inventories of PRIMAX ELECTRONICS LTD. are measured at the lower of cost and net realizable value. Due to the fast high-tech revolution, as well as the advancement of production technologies that may lead the dramatic change in customers' demand, the net realizable value of inventories requires subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, the evaluation of inventories is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the inventories of PRIMAX ELECTRONICS LTD.; inspecting whether existing inventory policies are applied; examining the accuracy of the aging of inventories by sampling and analyzing the changes of the aging of inventories; inspecting the reasonableness of the allowance provided for inventory valuation in the past and comparing it to the current year to ensure that the measurements and assumptions are appropriate.

#### 2. Investments accounted for using equity method

Please refer to note 4(h) "Investments in subsidiaries", and note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the financial statements.

Description of key audit matter:

Based on the scope and nature of their businesses of PRIMAX ELECTRONICS LTD.'s subsidiaries accounted for using equity method, the net realizable value of inventories in certain subsidiaries required the managements to make subjective judgments, which is the major source of estimation uncertainty and may influence the outcome of their operations. Therefore, the valuation of inventories of the subsidiaries accounted for using equity method is one of the key audit matters for our audit.

In 2014, PRIMAX ELECTRONICS LTD. acquired Tymphony Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd., the transaction resulted in the Company to recognize its goodwill, technologies, and customer relations, as intangible assets. Due to intensive industrial competition, there is a probability that the abovementioned subsidiary is under the risk of impairment. Therefore, the management decided to perform an impairment assessment of investment accounted for using equity method which contain a significant estimation uncertainty; thus, the assessment of impairment of investment accounted for using equity method is one of the key audit matters for our audit.

How the matter was addressed in our audit:

For the principal audit procedures on the valuation of inventories of the investments accounted for using equity method, please refer to key audit matters 1. "Evaluation of inventories". In addition, the consolidated financial statements of Tymphony Worldwide Enterprises Ltd. and its subsidiaries were audited by other auditors; therefore, we issued audit instructions to their auditors as guidelines to communicate the key audit matters with them and obtained the feedbacks required in the audit instructions.

The principal audit procedures on the assessment of recoverable amount of the investments accounted for using equity method included: evaluating the identification of cash generating units and any indication of impairment made by management; acquiring impairment assessment reports from external expert engaged by the Company; reviewing the impairment assessment reports and assessing the reasonability of measurements, parameters, and assumptions; evaluating the operation outcomes and comparing them to the past forecasts; making sensitivity analysis for evaluation of impairment losses and evaluating the completeness of disclosure in the financial reports.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing PRIMAX ELECTRONICS LTD.'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 PRIMAX ELECTRONICS LTD. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing PRIMAX ELECTRONICS LTD.'s financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 parent company only 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. We also:

1. Identify and assess the risks of material misstatement of the parent company only 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 PRIMAX ELECTRONICS LTD.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only 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 auditor's report. However, future events or conditions may cause PRIMAX ELECTRONICS LTD. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 the investments in other entities accounted for using the equity method to express an opinion on this parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion of PRIMAX ELECTRONICS LTD..

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 PRIMAX ELECTRONICS LTD. only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 audit resulting in this independent auditors' report are MEI-PIN WU and SHYH-GANG HORNG.

KPMG

Taipei, Taiwan (Republic of China)  
February 24, 2023

#### **Notes to Readers**

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 2,961,693	8	1,945,651	6
1110 Current financial assets at fair value through profit or loss (note 6(b))	367,032	1	153,676	-
1170 Accounts receivable, net (notes 6(d) and (t))	4,830,467	14	5,171,793	16
1180 Accounts receivable from related parties, net (notes 6(d), (t) and 7)	2,980,766	9	2,542,289	8
1200 Other receivables (notes 6(d) and 7)	90,840	-	152,352	-
1310 Inventories (note 6(c))	2,772,215	8	3,831,953	12
1470 Other current assets	101,964	-	67,249	-
	<u>14,104,977</u>	<u>40</u>	<u>13,864,963</u>	<u>42</u>
<b>Non-current assets:</b>				
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	288,671	1	221,547	-
1550 Investments accounted for using equity method, net (note 6(f))	17,830,483	50	15,732,110	48
1600 Property, plant and equipment (notes 6(g) and 8)	983,581	3	863,616	3
1755 Right-of-use assets (note 6(h))	1,139,985	3	1,227,541	4
1760 Investment property (note 6(i))	233,788	1	237,348	1
1780 Intangible assets (note 6(j))	3,598	-	5,653	-
1840 Deferred tax assets (note 6(p))	580,948	2	547,273	2
1990 Other non-current assets	141,923	-	153,492	-
	<u>21,202,977</u>	<u>60</u>	<u>18,988,580</u>	<u>58</u>
<b>Total assets</b>	<u>\$ 35,307,954</u>	<u>100</u>	<u>32,853,543</u>	<u>100</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
2100 Short-term borrowings (note 6(k))	\$ -	-	332,000	1
2170 Notes and accounts payable	301,600	1	61,240	-
2180 Accounts payable to related parties (note 7)	9,050,436	26	9,799,684	30
2120 Current financial liabilities at fair value through profit or loss (note 6(b))	1,013,985	3	602,978	2
2200 Other payables (note 7)	2,258,638	7	2,043,086	6
2201 Salaries payable	493,350	1	440,409	1
2280 Current lease liabilities (note 6(m))	72,294	-	68,501	-
2300 Other current liabilities (note 6(t))	727,384	2	579,993	2
2365 Current refund liabilities	1,851,815	5	1,612,963	5
	<u>15,769,502</u>	<u>45</u>	<u>15,540,854</u>	<u>47</u>
<b>Non-Current liabilities:</b>				
2540 Long-term borrowings (notes 6(l) and 8)	464,000	1	429,500	1
2580 Non-current lease liabilities (note 6(m))	1,121,079	3	1,190,212	4
2630 Long-term deferred revenue (note 6(g))	586,567	2	709,599	2
2600 Other non-current liabilities (notes 6(o) and (p))	1,019,712	3	807,866	3
	<u>3,191,358</u>	<u>9</u>	<u>3,137,177</u>	<u>10</u>
<b>Total liabilities</b>	<u>18,960,860</u>	<u>54</u>	<u>18,678,031</u>	<u>57</u>
3110 Ordinary shares (note 6(q))	4,582,893	13	4,552,633	14
3200 Capital surplus (notes 6 (f) and (q))	2,129,908	6	1,758,780	5
3310 Legal reserve (note 6(q))	1,999,217	6	1,769,946	5
3320 Special reserve (note 6(q))	1,217,130	3	1,046,360	3
3350 Unappropriated retained earnings (note 6(q))	7,433,108	21	6,492,401	20
3400 Other equity interest	(1,015,162)	(3)	(1,444,608)	(4)
	<u>16,347,094</u>	<u>46</u>	<u>14,175,512</u>	<u>43</u>
<b>Total equity</b>	<u>35,307,954</u>	<u>100</u>	<u>32,853,543</u>	<u>100</u>
<b>Total liabilities and equity</b>	<u>\$ 35,307,954</u>	<u>100</u>	<u>32,853,543</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.  
Statements of Comprehensive Income  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
4000 <b>Operating revenue (notes 6(t) and 7)</b>	\$ 42,694,520	100	42,506,020	100
5000 <b>Operating costs (notes 6(e), (m), (o), (u), 7 and 12)</b>	<u>38,065,836</u>	<u>89</u>	<u>38,356,406</u>	<u>90</u>
<b>Gross profit from operations</b>	<u>4,628,684</u>	<u>11</u>	<u>4,149,614</u>	<u>10</u>
<b>Operating expenses (notes 6(j), (m), (o), (r), (u), 7 and 12):</b>				
6100 Selling expenses	698,879	2	550,942	1
6200 Administrative expenses	586,822	2	573,196	2
6300 Research and development expenses	1,411,652	3	1,243,420	3
6450 Expected credit loss (gain on reversal) (note 6(d))	<u>52,213</u>	<u>-</u>	<u>(11,010)</u>	<u>-</u>
<b>Total operating expenses</b>	<u>2,749,566</u>	<u>7</u>	<u>2,356,548</u>	<u>6</u>
<b>Net operating income</b>	<u>1,879,118</u>	<u>4</u>	<u>1,793,066</u>	<u>4</u>
<b>Non-operating income and expenses:</b>				
7100 Interest income	11,347	-	1,397	-
7010 Other income (notes 6 (c), (n), (v) and 7)	20,344	-	12,334	-
7020 Other gains and losses (note 6(w))	200,516	-	710,139	2
7070 Share of profit of subsidiaries and associates accounted for using equity method	1,118,831	3	213,447	-
7050 Finance costs (note 6(m))	<u>(64,321)</u>	<u>-</u>	<u>(52,852)</u>	<u>-</u>
<b>Total non-operating income and expenses</b>	<u>1,286,717</u>	<u>3</u>	<u>884,465</u>	<u>2</u>
<b>Profit before income tax</b>	<u>3,165,835</u>	<u>7</u>	<u>2,677,531</u>	<u>6</u>
7950 <b>Less: Income tax expenses (note 6(p))</b>	<u>423,226</u>	<u>1</u>	<u>379,249</u>	<u>1</u>
<b>Profit</b>	<u>2,742,609</u>	<u>6</u>	<u>2,298,282</u>	<u>5</u>
8300 <b>Other comprehensive income (loss):</b>				
8310 <b>Items that may not be reclassified subsequently to profit or loss</b>				
8311 Losses on remeasurements of defined benefit plans (note 6(o))	6,971	-	(5,574)	-
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	22,345	-	93,397	-
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(10,371)	-	(3,535)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<u>18,945</u>	<u>-</u>	<u>84,288</u>	<u>-</u>
8360 <b>Items that may be reclassified subsequently to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	452,637	1	(260,632)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	<u>452,637</u>	<u>1</u>	<u>(260,632)</u>	<u>-</u>
8300 <b>Other comprehensive income</b>	<u>471,582</u>	<u>1</u>	<u>(176,344)</u>	<u>-</u>
<b>Comprehensive income (after tax)</b>	<u>\$ 3,214,191</u>	<u>7</u>	<u>2,121,938</u>	<u>5</u>
<b>Earnings per share (note 6(s))</b>				
9710 <b>Basic earnings per share (NT dollars)</b>	<u>\$ 6.10</u>		<u>5.13</u>	
9810 <b>Diluted earnings per share (NT dollars)</b>	<u>\$ 6.02</u>		<u>5.09</u>	

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Other equity interest (losses) from financial assets at fair value through other comprehensive income	Unearned employee compensation	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings					
<b>Balance on January 1, 2021</b>	4,508,983	1,567,628	1,578,473	1,058,941	5,733,458	(1,004,528)	(41,833)	-	(113,289)	13,287,833
Profit	-	-	-	-	2,298,282	-	-	-	-	2,298,282
Other comprehensive income	-	-	-	-	(5,574)	(260,632)	-	89,862	-	(176,344)
Comprehensive income	-	-	-	-	2,292,708	(260,632)	-	89,862	-	2,121,938
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	191,473	(12,581)	(191,473)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	12,581	-	-	-	-	(1,354,873)
Changes in investment accounted for using equity method	-	-	-	-	(1,354,873)	-	-	-	-	10,186
Amortization expense of restricted stock	-	10,186	-	-	-	-	-	-	-	110,428
Cancellation of restricted stock	(1,750)	(6,446)	-	-	-	-	-	-	8,196	-
Issuance of restricted stock	45,400	187,412	-	-	-	-	-	-	(232,812)	-
<b>Balance on December 31, 2021</b>	4,552,633	1,758,780	1,769,946	1,046,360	6,492,401	(1,265,160)	48,029	-	(227,477)	14,175,512
Profit	-	-	-	-	2,742,609	-	-	-	-	2,742,609
Other comprehensive income	-	-	-	-	6,971	452,637	11,974	-	-	471,582
Comprehensive income	-	-	-	-	2,749,580	452,637	11,974	-	-	3,214,191
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	229,271	-	(229,271)	-	-	-	-	-
Special reserve	-	-	-	170,770	(170,770)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,411,230)	-	-	-	-	(1,411,230)
Changes in investment accounted for using equity method	-	-	-	-	2,741	-	(2,741)	-	-	183,738
Amortization expense of restricted stock	-	183,738	-	-	-	-	-	-	-	184,883
Cancellation of restricted stock	(5,290)	(21,683)	-	-	-	-	-	-	184,883	-
Issuance of restricted stock	35,550	209,073	-	-	-	-	-	-	(244,623)	-
Effect of the liquidation of equity instruments at fair value through other comprehensive income	-	-	-	-	(343)	(812,523)	343	-	-	-
<b>Balance on December 31, 2022</b>	4,582,893	2,129,908	1,999,217	1,217,130	7,433,108	(812,523)	57,605	-	(260,244)	16,347,094

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
PRIMAX ELECTRONICS LTD.

Statements of Cash Flows  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 3,165,835	2,677,531
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	123,267	121,554
Amortization expense	28,739	25,973
Amortization of long-term deferred revenue	(199,573)	(221,370)
Expected credit loss (reversal)	52,213	(11,010)
Interest expense	60,992	48,744
Interest income	(11,347)	(1,397)
Compensation cost of share-based payment	123,795	103,813
Share of profit of subsidiaries and associates accounted for using equity method	(1,118,831)	(213,447)
Loss on disposal of property, plant and equipment	-	261
Gain on disposal of right-of-use assets	-	-
Amortization of unrealized revenue of patents disposed	(15,450)	(15,450)
<b>Total adjustments to reconcile profit (loss)</b>	<b>(956,200)</b>	<b>(162,329)</b>
<b>Changes in operating assets and liabilities:</b>		
Financial assets at fair value through profit or loss	(213,356)	107,311
Accounts receivable, including related parties	(149,364)	(563,790)
Other receivable	53,175	67,556
Inventories	1,059,738	301,747
Other current assets	(34,715)	(29,687)
Other operating assets	(8,365)	(68,051)
<b>Changes in operating assets</b>	<b>707,113</b>	<b>(184,914)</b>
Financial liabilities at fair value through profit or loss	411,007	170,807
Notes and accounts payable, including related parties	(508,888)	(1,827,097)
Salaries payable	52,941	183,559
Other payables	592,809	(175,989)
Refund liabilities	238,852	221,921
Other current liabilities	147,391	38,716
Long-term deferred revenue	76,541	54,502
Other operating liabilities	235,254	195,852
<b>Changes in operating liabilities</b>	<b>1,245,907</b>	<b>(1,137,729)</b>
<b>Total changes in operating assets and liabilities</b>	<b>1,953,020</b>	<b>(1,322,643)</b>
<b>Total adjustments</b>	<b>996,820</b>	<b>(1,484,972)</b>
Cash inflow generated from operations	4,162,655	1,192,559
Interest received	11,347	1,397
Interest paid	(60,915)	(48,669)
Income taxes paid	(850,773)	(487,759)
<b>Net cash flows from operating activities</b>	<b>3,262,314</b>	<b>657,528</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(44,839)	(35,097)
Proceeds from the liquidation of financial assets at fair value through other comprehensive income	60	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	1,210
Acquisition of investments accounted for using equity method	(277,000)	(285,000)
Acquisition of property, plant and equipment	(149,664)	(798,904)
Proceeds from disposal of property, plant and equipment	-	520
Acquisition of unamortized expense	(7,091)	(15,351)
Increase (decrease) in refundable deposits	1,099	(4,059)
Dividends received	8,337	304
<b>Net cash flows used in investing activities</b>	<b>(469,098)</b>	<b>(1,136,377)</b>
<b>Cash flows from (used in) financing activities:</b>		
Decrease (increase) in short-term borrowings	(332,000)	52,000
Increase in long-term borrowings	34,500	429,500
Increase in guarantee deposits received	100	-
Payment of lease liabilities	(68,544)	(72,381)
Cash dividends paid	(1,411,230)	(1,354,873)
<b>Net cash flows used in financing activities</b>	<b>(1,777,174)</b>	<b>(945,754)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,016,042</b>	<b>(1,424,603)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,945,651</b>	<b>3,370,254</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,961,693</b>	<b>1,945,651</b>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**PRIMAX ELECTRONICS LTD.**

**Notes to the Parent Company Only Financial Statements**

**For the years ended December 31, 2022 and 2021**

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

**(1) Company history**

PRIMAX ELECTRONICS LTD. (the “Company”), formerly known as Hong Chuan Investments Ltd., was incorporated on March 20, 2006, and registered under the Ministry of Economic Affairs, ROC. The Company changed its name to Hong Chuan Electronics Ltd. and Primax Electronics Ltd. in October 2007 and February 2008, respectively. The address of the Company’s registered office is No. 669, Ruey Kuang Road, Neihu, Taipei.

Primax Electronics Holdings, Ltd. (Primax Holdings, formerly known as Apple Holdings Ltd.) acquired all shares of the Company from YWAN PANG Management Limited on April 2, 2007. The investment was approved by the Investment Commission, Ministry of Economic Affairs. However, all shares of the Company were sold by Primax Holdings to its stockholders in October 2009.

Based on the resolution approved by the Company’s board of directors on November 5, 2007, the Company resolved to acquire and merge with Primax Electronics Ltd. (“Primax”, a listed company) on December 28, 2007. The Company is the surviving company, and Primax was dissolved upon completion of the merger.

The major business activities of the Company were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products and shredders.

The Company’s common shares were registered with the Financial Supervisory Commission, ROC (“FSC”) on June 22, 2012, and listed on the Taiwan Stock Exchange (“TWSE”) on October 5, 2012.

**(2) Approval date and procedures of the parent company only financial statements:**

The parent company only financial statements were authorized for issuance by the board of directors on February 24, 2023.

**(3) New standards, amendments and interpretations adopted:**

(a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from January 1, 2022:

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

(Continued)

**PRIMAX ELECTRONICS LTD.**

**Notes to the Parent Company Only Financial Statements**

(b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its parent company only financial statements:

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

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.  The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Non-current Liabilities with Covenants”	<p>After reconsidering certain aspects of the 2020 amendments<sup>1</sup>, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.</p> <p>Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.</p>	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent company only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(a) Statement of compliance

These annual parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

- (b) Basis of preparation
- (i) Basis of measurement
- Except for the following significant accounts, the parent company only financial statements have been prepared on a historical cost basis:
- 1) Financial instruments at fair value through profit or loss are measured at fair value;
  - 2) Financial assets at fair value through other comprehensive income are measured at fair value; and
  - 3) The defined benefit liabilities are measured at fair value of the plan assets, less the present value of the defined benefit obligation.
- (ii) Functional and presentation currency
- The functional currency is determined based on the primary economic environment in which the Company operates. The Company’s parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.
- (c) Foreign currencies
- (i) Foreign currency transactions
- Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currency using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.
- Exchange differences are generally recognized in profit or loss, except for the difference relating to an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.
- (ii) Foreign operations
- The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company’s functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Company’s functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of its investment in an associate or joint venture, including a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash and cash equivalents comprise petty cash, cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Time deposits with maturities within three months or less which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(f) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value, plus transaction costs that are directly attributable to its acquisition or issue. A accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets classified as the same categories are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost; fair value through other comprehensive income (FVOCI) ; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI )

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

(Continued)

**PRIMAX ELECTRONICS LTD.**

**Notes to the Parent Company Only Financial Statements**

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial assets on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers :

- contingent events that would change the amount or timing of cash flows ;
- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, other receivables, guarantee deposit paid and other financial assets, etc).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

**PRIMAX ELECTRONICS LTD.**

**Notes to the Parent Company Only Financial Statements**

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 61 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 361 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 361 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

(Continued)



**PRIMAX ELECTRONICS LTD.****Notes to the Parent Company Only Financial Statements**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

## 6) Derecognition of financial assets

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

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

## (ii) Financial liabilities and equity instruments

## 1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

## 2) Equity instrument

An equity instrument is any contract that evidences the residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

## 3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value; and net gains and losses, including any interest expense, are recognized in profit or loss.

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

(Continued)

**PRIMAX ELECTRONICS LTD.****Notes to the Parent Company Only Financial Statements**

## 4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

## 5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

## (iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

## (g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-costing method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## (h) Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method. There is no difference between net income and comprehensive income in the Company's parent company only financial statements and net income and comprehensive income attributable to stockholders of the parent. The equity in the Company's parent company only financial statements and the equity attributable to stockholders of the parent in the Company's consolidated financial statements are also the same.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. When the Company loses control over its subsidiaries, the Company derecognizes the investment by the book value on the date of loss of control and remeasures the rest of the investments at fair value on the same date.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(i) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value, which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

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

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land has an unlimited useful life, and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings and additional equipment: 1 ~ 51 years
- 2) Machinery and equipment: 1 ~4 years
- 3) Other equipment: 1 ~5 years

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner occupied to investment property.

(k) Lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised or penalty should be paid.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change of its assessment on purchase option; or
- 4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment property and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of machinery and other equipment that have short-term leases and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term.

(l) Intangible assets

(i) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete the development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including trademarks, patents and copyrights, that are acquired by the Company and have finite useful lives are measured at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

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

- 1) Trademarks 10 years
- 2) Patents 2.5~10 years
- 3) Copyrights 15 years

Amortization methods, useful lives and residual values, are reviewed at each annual reporting date and adjusted if appropriate.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(m) Impairment of non-financial assets

At each annual reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value, less costs to sell. Value-in-use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods

The Company sales computer peripherals and non-computer peripherals to customers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company often offers volume discounts to its customers based on aggregate sales of components. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of components are made with a credit term of 45 days to 120 days, which is consistent with the market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(ii) Rendering of services

The Company provides services, such as model research, development, and design to customers. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(iii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(o) Deferred grant service

Deferred grant revenue with additional conditions shall be recognized if the Company fulfills the conditions and the grant revenue becomes receivable.

Deferred grant revenue shall be recognized in profit or loss on a systematic basis in the periods in which the expenses it is to compensate are recognized. Grant revenue with conditions to compensate for the acquisition cost of an asset shall be deferred and recognized in profit or loss on a systematic basis over the useful life of the asset.

If the deferred grant revenue is to compensate for the Company's expenses that have been incurred or to supply immediate financial support to the Company and there is no related cost in the future, it shall be recognized in profit or loss when the grant revenue becomes receivable.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as related services are provided.

(ii) Defined benefit plans

The Company's net obligation in respect of the defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability (asset), which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as related services are provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Grant date of a share-based payment award is the date which the board of directors authorized the price and the number of shares that employees can subscribe for.

(r) Income taxes

Income taxes expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. Dilutive potential ordinary shares comprise accrued employee remuneration, employee stock options, and restricted stock.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(t) Operating segments

Please refer to the Company's consolidated financial statements for the years ended December 31, 2022 and 2021, for further details.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the parent company only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of the changes in accounting estimates in the next period.

Information about critical judgments made in applying the accounting policies that have significant effects on amounts recognized in the parent company only financial statements is as follows:

Please refer to consolidated financial statements for judgment of whether the Company has substantive control over its investees.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Valuation of inventories

As inventories are measured at the lower of cost or net realizable value, the Company estimates the amount due to inventories' obsolescence and unmarketable items at the reporting date and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for valuation of inventories.

(b) Valuation of inventories and impairment assessment of intangible assets and investments of investments accounted for using equity method

Please refer to above for inventories valuation. The assessment of impairment of intangible assets and investments accounted for using equity method required the Company to make subjective judgments on cash-generating units, allocate the intangible assets to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Changes in economic conditions or changes in assessment caused by business strategies could result in significant impairment charges or reversal in future years.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company has established an internal control framework with respect to the measurement of fair value and regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair value, then the Company assessed the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the impact of transfer is recognized on the reporting date. Please refer to note 6(x) for assumptions used in measuring fair value.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand	\$ 1,163	1,150
Checking accounts and demand deposits	2,806,990	1,944,501
Time deposits	153,540	-
	<u>\$ 2,961,693</u>	<u>1,945,651</u>

Please refer to note 6(x) for the currency risk and the interest rate risk of the Company's cash and cash equivalents.

(b) Current financial assets and liabilities at fair value through profit or loss

(i) The derivative financial instruments were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Mandatorily measured at FVTPL:</b>		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 261,258	73,001
Foreign exchange swap contracts	105,774	80,675
	<u>\$ 367,032</u>	<u>153,676</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Financial liabilities held-for-trading:</b>		
Derivative instrument not used for hedging		
Forward exchange contracts	\$ (620,211)	(597,150)
Foreign exchange swap contracts	<u>(393,774)</u>	<u>(5,828)</u>
	<u>\$ (1,013,985)</u>	<u>(602,978)</u>

- (ii) The Company held the following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities as of December 31, 2022 and 2021:

<u>December 31, 2022</u>			
<u>Derivative financial instruments</u>	<u>Nominal amount (in thousands)</u>	<u>Maturity date</u>	<u>Predetermined rate</u>
Forward exchange contracts – buy USD / sell TWD	USD 680,000	January 10, 2023~ July 26, 2023	28.788~32.145
Forward exchange contracts – buy CNY/ sell USD	USD 149,000	January 4, 2023~ July 3, 2023	6.7117~7.2535
Forward exchange contracts – buy USD/ sell THB	USD 8,000	January 13, 2023~ February 23, 2023	34.460~35.000
Foreign exchange swap contracts– swap in TWD/ swap out USD	USD 585,000	January 10, 2023~ July 26, 2023	29.095~31.935

<u>December 31, 2021</u>			
<u>Derivative financial instruments</u>	<u>Nominal amount (in thousands)</u>	<u>Maturity date</u>	<u>Predetermined rate</u>
Forward exchange contracts – buy USD / sell TWD	USD 715,000	January 5, 2022~ July 29, 2022	26.890~27.946
Forward exchange contracts – buy CNY / sell USD	USD 146,000	January 4, 2022~ April 1, 2022	6.3980~6.4773
Foreign exchange swap contracts– swap in TWD/ swap out USD	USD 585,000	January 5, 2022~ July 28, 2022	25.574~28.092

- (iii) Please refer to note 6(x) for the liquidity risk of the Company's financial instruments.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

- (c) Financial assets at FVOCI

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Equity investments at FVOCI</b>		
Stocks unlisted in domestic markets–WK Technology Fund IV Ltd.	\$ -	60
Stocks unlisted in domestic markets–Changing Information Technology Inc.	7,535	8,201
Stocks unlisted in domestic markets–Syntronix Corp.	250	350
Equities unlisted in foreign markets–Grove Ventures L.P.	183,766	155,618
Equities unlisted in foreign markets–Grove Ventures II, L.P.	85,267	57,318
Equities unlisted in foreign markets–Grove Ventures III, L.P.	11,853	-
Total	<u>\$ 288,671</u>	<u>221,547</u>

- (i) The Company designated the investments above as equity securities at FVOCI because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes and not for sale.
- (ii) During the years ended December 31, 2022 and 2021, the dividends of \$8,337 and \$304, respectively, related to equity investments at FVOCI held were recognized as other income.
- (iii) WK Technology Fund IV Ltd. refunded the amount of \$60 and \$1,210 to the Company due to its liquidation and capital reduction in May 2022 and March 2021, respectively.
- (iv) Grove Venture, L.P. executed capital increases, wherein the Company had participated and invested the amounts of \$5,340 and \$10,967 in the years ended December 31, 2022 and 2021, respectively.
- (v) Grove Venture II, L.P. executed capital increases, wherein the Company had participated and invested the amounts of \$26,415 and \$24,130 in the years ended December 31, 2022 and 2021, respectively.
- (vi) The Company invested the amount of \$7,756 in unlisted company, Grove Ventures III, L.P. in January 2022, In August 2022, Grove Ventures III, L.P. executed capital increase, where the Group had participated and invested the amount of \$5,328.
- (vii) The Company did not provide any of the aforementioned financial assets as collateral.

(Continued)

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## (d) Accounts receivable (including related parties)

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 4,896,691	5,184,929
Accounts receivable – related parties	2,980,766	2,542,289
Less: allowance for doubtful accounts	(66,224)	(13,136)
<b>Total</b>	<b>\$ 7,811,233</b>	<b>7,714,082</b>

- (i) The Company did not provide any of the aforementioned accounts receivable (including related parties) as collateral.
- (ii) The Company applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all accounts receivables. To measure the ECL, accounts receivable have been grouped based on shared credit risk characteristics and customer's ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information, including macroeconomic and relevant industry information. The ECL allowance provision analysis was as follows:

	December 31, 2022		
	Carrying amounts of accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 6,819,338	0%	-
0 to 30 days past due	717,776	0%~3%	20,649
31 to 60 days past due	197,556	0%~5%	9,878
61 to 90 days past due	-	0%~10%	-
91 to 180 days past due	142,787	0%~25%	35,697
181 to 360 days past due	-	0%~80%	-
More than 361 days past due	-	0%~100%	-
	<b>\$ 7,877,457</b>		<b>66,224</b>

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**PRIMAX ELECTRONICS LTD.**  
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	December 31, 2021		
	Carrying amounts of accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 7,319,493	0%	-
0 to 30 days past due	367,240	0%~3%	8,864
31 to 60 days past due	25,675	0%~5%	1,284
61 to 90 days past due	9,135	0%~10%	548
91 to 180 days past due	969	0%~25%	78
181 to 360 days past due	4,687	0%~80%	2,343
More than 361 days past due	19	0%~100%	19
	<b>\$ 7,727,218</b>		<b>13,136</b>

- (iii) The movement in the allowance for accounts receivable was as follows:

	2022	2021
Balance on January 1, 2022 and 2021	\$ 13,136	24,844
Impairment losses recognized (reversed)	52,213	(11,010)
Effect of exchange rate changes	875	(698)
Balance on December 31, 2022 and 2021	<b>\$ 66,224</b>	<b>13,136</b>

- (iv) The Company entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Company does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Company receives partial advances upon sales of accounts receivable and pays interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the accounts receivable, and are recorded as other receivables. In addition, the Company shall pay handling charges based on a fixed rate. The Company derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership and it does not have any continuing involvement in them. As of December 31, 2022 and 2021, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

	December 31, 2022					
Buyer	Amount derecognized	Amount advanced		Amount Recognized in Other Receivables	Range of Interest rate	Guarantee (promissory note)
		Unpaid	Paid			
Mega International Commercial Bank	\$ -	-	-	-	-	US\$ 3,750
Bank of Taiwan	-	-	-	-	-	NT\$ 297,000
	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>		

(Continued)



**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

December 31, 2021						
Buyer	Amount derecognized	Amount advanced		Amount Recognized in Other Receivables	Range of Interest rate	Guarantee (promissory note)
		Unpaid	Paid			
EnTie Bank	\$ 54,818	-	-	54,818	-	-
Mega International Commercial Bank	-	-	-	-	-	US\$ 3,750
Bank of Taiwan	162,034	-	145,830	16,204	0.741%~0.997%	NT\$ 135,000
	<u>\$ 216,852</u>	<u>-</u>	<u>145,830</u>	<u>71,022</u>		

(v) Please refer to note 9 for guarantee notes provided by the Company to sell its accounts receivable.

(e) Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$ 335,485	298,444
Semi-finished goods	55,200	33,980
Finished goods and merchandise	2,381,530	3,499,529
	<u>\$ 2,772,215</u>	<u>3,831,953</u>

The Company did not provide any of the aforementioned inventories as collateral. Except for cost of inventories sold, the Company recognized the following items as cost of goods sold:

	2022	2021
Losses on inventory valuation and disposal of inventories	\$ (13,140)	(41,831)
Losses on physical inventories	(381)	(195)
	<u>\$ (13,521)</u>	<u>(42,026)</u>

(f) Investments accounted for using equity method

The Company's investments accounted for using the equity method at the reporting dates were as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	<u>\$ 17,830,483</u>	<u>15,732,110</u>

(i) Please refer to the Company's consolidated financial statements for the year ended December 31, 2022, for details of subsidiaries.

(ii) The Company did not provide investments accounted for using the equity method as collateral.

(iii) In 2022 and 2021, the Company both invested the amounts of US\$10,000 in Primax Electronics (Singapore) Pte. Ltd.

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**PRIMAX ELECTRONICS LTD.**  
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(iv) The revenue of ALT International Co., Ltd (Cayman) ("AIC") held by the Company through its subsidiary, Primax AE (Cayman) Holding Ltd. did not turn out as expected due to intensive industrial competition. Therefore, there is an impairment of the intangible assets and carrying amounts related to this equity investment after the Company's evaluation. Please refer to note 6(h) of the Company's consolidated financial statements for the year ended December 31, 2022.

(v) Tymphany Huizhou held by the Company through its subsidiary, Diamond (Cayman) Holding Ltd., repurchased shares from the employee stock ownership plan in May 2022. The Company recognized the equity change as capital surplus. Please refer to note 6(i) of the Company's consolidated financial statements for the year ended December 31, 2022.

(g) Property, plant and equipment

The cost, and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows:

	Land	Buildings and additional equipment	Machinery and equipment	Other equipment	Testing equipment	Total
<b>Cost or deemed cost:</b>						
Balance on January 1, 2022	\$ 792,459	141,673	132,387	64,221	15,170	1,145,910
Additions	-	-	9,980	8,692	130,992	149,664
Disposals	-	(584)	(1,677)	(529)	-	(2,790)
Reclassifications	-	53,981	9,968	-	(64,706)	(757)
Balance on December 31, 2022	<u>\$ 792,459</u>	<u>195,070</u>	<u>150,658</u>	<u>72,384</u>	<u>81,456</u>	<u>1,292,027</u>
Balance on January 1, 2021	\$ 22,879	141,673	122,470	64,894	9,628	361,544
Additions	769,580	-	7,076	956	21,292	798,904
Disposals	-	-	(1,233)	(1,919)	-	(3,152)
Reclassifications	-	-	4,074	290	(15,750)	(11,386)
Balance on December 31, 2021	<u>\$ 792,459</u>	<u>141,673</u>	<u>132,387</u>	<u>64,221</u>	<u>15,170</u>	<u>1,145,910</u>
<b>Depreciation:</b>						
Balance on January 1, 2022	\$ -	133,560	95,413	53,321	-	282,294
Depreciation	-	2,596	20,799	5,547	-	28,942
Disposals	-	(584)	(1,677)	(529)	-	(2,790)
Balance on December 31, 2022	<u>\$ -</u>	<u>135,572</u>	<u>114,535</u>	<u>58,339</u>	<u>-</u>	<u>308,446</u>
Balance on January 1, 2021	\$ -	133,213	78,112	49,328	-	260,653
Depreciation	-	347	17,754	5,911	-	24,012
Disposals	-	-	(453)	(1,918)	-	(2,371)
Balance on December 31, 2021	<u>\$ -</u>	<u>133,560</u>	<u>95,413</u>	<u>53,321</u>	<u>-</u>	<u>282,294</u>
<b>Carrying amounts:</b>						
Balance on December 31, 2022	<u>\$ 792,459</u>	<u>59,498</u>	<u>36,123</u>	<u>14,045</u>	<u>81,456</u>	<u>983,581</u>
Balance on December 31, 2021	<u>\$ 792,459</u>	<u>8,113</u>	<u>36,974</u>	<u>10,900</u>	<u>15,170</u>	<u>863,616</u>
Balance on January 1, 2021	<u>\$ 22,879</u>	<u>8,460</u>	<u>44,358</u>	<u>15,566</u>	<u>9,628</u>	<u>100,891</u>

(i) The unamortized deferred revenue of equipment subsidy amounted to \$586,567 and \$709,599 as of December 31, 2022 and 2021, respectively.

(ii) The Company provided the aforementioned property, plant and equipment as collateral; please refer to note 8.

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## (h) Right-of-use assets

The Company leases many assets including land, buildings and vehicles. Information about leases for which the Company as a lessee is presented below:

	Land	Buildings	Vehicles	Other equipments	Total
<b>Cost:</b>					
Balance on January 1, 2022	\$ -	1,482,800	13,125	2,106	1,498,031
Additions	-	1,229	2,884	-	4,113
Disposals	-	-	(2,196)	-	(2,196)
Balance on December 31, 2022	<u>\$ -</u>	<u>1,484,029</u>	<u>13,813</u>	<u>2,106</u>	<u>1,499,948</u>
Balance on January 1, 2021	\$ -	422,937	12,009	4,224	439,170
Additions	-	531	5,897	-	6,428
Disposals	-	-	(4,781)	(2,118)	(6,899)
Lease modification	-	1,059,332	-	-	1,059,332
Balance on December 31, 2021	<u>\$ -</u>	<u>1,482,800</u>	<u>13,125</u>	<u>2,106</u>	<u>1,498,031</u>
<b>Depreciation:</b>					
Balance on January 1, 2022	\$ -	260,119	8,436	1,935	270,490
Depreciation	-	87,962	2,632	171	90,765
Disposals	-	-	(1,292)	-	(1,292)
Balance on December 31, 2022	<u>\$ -</u>	<u>348,081</u>	<u>9,776</u>	<u>2,106</u>	<u>359,963</u>
Balance on January 1, 2021	\$ -	172,392	8,212	2,803	183,407
Depreciation	-	87,727	5,005	1,250	93,982
Disposals	-	-	(4,781)	(2,118)	(6,899)
Balance on December 31, 2021	<u>\$ -</u>	<u>260,119</u>	<u>8,436</u>	<u>1,935</u>	<u>270,490</u>
<b>Carrying amounts:</b>					
Balance on December 31, 2022	<u>\$ -</u>	<u>1,135,948</u>	<u>4,037</u>	<u>-</u>	<u>1,139,985</u>
Balance on December 31, 2021	<u>\$ -</u>	<u>1,222,681</u>	<u>4,689</u>	<u>171</u>	<u>1,227,541</u>
Balance on January 1, 2021	<u>\$ -</u>	<u>250,545</u>	<u>3,797</u>	<u>1,421</u>	<u>255,763</u>

## (i) Investment property

	Land	Buildings and other equipments	Total
<b>Cost or deemed cost:</b>			
Balance on January 1, 2022	\$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2022	<u>\$ 162,012</u>	<u>172,167</u>	<u>334,179</u>
Balance on January 1, 2021	\$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2021	<u>\$ 162,012</u>	<u>172,167</u>	<u>334,179</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
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	Land	Buildings and other equipments	Total
<b>Depreciation and impairment losses:</b>			
Balance on January 1, 2022	\$ 33,941	62,890	96,831
Depreciation	-	3,560	3,560
Balance on December 31, 2022	<u>\$ 33,941</u>	<u>66,450</u>	<u>100,391</u>
Balance on January 1, 2021	\$ 33,941	59,330	93,271
Depreciation	-	3,560	3,560
Balance on December 31, 2021	<u>\$ 33,941</u>	<u>62,890</u>	<u>96,831</u>
<b>Carrying amounts:</b>			
Balance on December 31, 2022	<u>\$ 128,071</u>	<u>105,717</u>	<u>233,788</u>
Balance on December 31, 2021	<u>\$ 128,071</u>	<u>109,277</u>	<u>237,348</u>
Balance on January 1, 2021	<u>\$ 128,071</u>	<u>112,837</u>	<u>240,908</u>
<b>Fair value:</b>			
Balance on December 31, 2022			<u>\$ 748,616</u>
Balance on December 31, 2021			<u>\$ 711,098</u>
Balance on January 1, 2021			<u>\$ 643,812</u>

- (i) The fair value of investment property is based on the quotation from third parties, which is categorized within Level 3.
- (ii) Investment property comprises a number of commercial properties which are leased to third parties. Each of the leases contains an initial non-cancellable period between 1 and 15 years. Subsequent renewals are negotiated with the lessee, and no contingent rents are charged. Please refer to note 6(n) for further information.
- (iii) The Company did not provide any of the aforementioned investment property as collateral.

## (j) Intangible assets

The cost and amortization of the intangible assets of the Company for the years ended December 31, 2022 and 2021, were as follows:

	Trademarks	Patents	Copyrights	Total
<b>Cost:</b>				
Balance on January 1, 2022	\$ 25,584	64,271	30,832	120,687
Acquisition	-	-	-	-
Balance on December 31, 2022	<u>\$ 25,584</u>	<u>64,271</u>	<u>30,832</u>	<u>120,687</u>
Balance on January 1, 2021	\$ 25,584	64,271	30,832	120,687
Acquisition	-	-	-	-
Balance on December 31, 2021	<u>\$ 25,584</u>	<u>64,271</u>	<u>30,832</u>	<u>120,687</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

	<u>Trademarks</u>	<u>Patents</u>	<u>Copyrights</u>	<u>Total</u>
<b>Amortization:</b>				
Balance on January 1, 2022	\$ 25,584	64,271	25,179	115,034
Amortization	-	-	2,055	2,055
Balance on December 31, 2022	<u>\$ 25,584</u>	<u>64,271</u>	<u>27,234</u>	<u>117,089</u>
Balance on January 1, 2021	\$ 25,584	64,271	23,124	112,979
Amortization	-	-	2,055	2,055
Balance on December 31, 2021	<u>\$ 25,584</u>	<u>64,271</u>	<u>25,179</u>	<u>115,034</u>
<b>Carrying amount:</b>				
Balance on December 31, 2022	<u>\$ -</u>	<u>-</u>	<u>3,598</u>	<u>3,598</u>
Balance on December 31, 2021	<u>\$ -</u>	<u>-</u>	<u>5,653</u>	<u>5,653</u>
Balance on January 1, 2021	<u>\$ -</u>	<u>-</u>	<u>7,708</u>	<u>7,708</u>

(i) In 2022 and 2021, the amortizations of intangible assets both amounted to \$2,055 were recorded as operating expenses.

(ii) The Company did not provide any of the aforementioned intangible assets as collateral.

(k) Short-term borrowings

The details were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loans	<u>\$ -</u>	<u>332,000</u>
Unused credit lines	<u>\$ 12,043,228</u>	<u>9,233,990</u>
Annual interest rates	<u>-</u>	<u>0.67%~0.70%</u>

(l) Long-term borrowings

<u>December 31, 2022</u>				
	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	TWD	1.03%~1.40%	2026	<u>\$ 464,000</u>
Unused credit lines				<u>\$ 1,336,000</u>
<u>December 31, 2021</u>				
	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	TWD	0.40%~0.85%	2026	<u>\$ 429,500</u>
Unused credit lines				<u>\$ 1,570,500</u>

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(i) Please refer to note 8 for further information on assets provided as collateral.

(ii) Please refer to note 9 for the details of the outstanding guarantee notes.

(m) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	<u>\$ 72,294</u>	<u>68,501</u>
Non-current	<u>\$ 1,121,079</u>	<u>1,190,212</u>

For the maturity analysis, please refer to note 6(x).

The amounts recognized in profit or loss were as follows:

	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	<u>\$ 25,908</u>	<u>25,443</u>
Expenses relating to short-term leases and leases of low-value assets	<u>\$ 4,338</u>	<u>1,120</u>

The amounts recognized in the statement of cash flows for the Company were as follows:

	<u>2022</u>	<u>2021</u>
Rental paid in operating activities	<u>\$ (4,338)</u>	<u>(1,120)</u>
Interest on lease liabilities paid in operating activities	<u>(25,908)</u>	<u>(25,443)</u>
Payment made on lease liabilities in financing activities	<u>(68,544)</u>	<u>(72,381)</u>
Total cash outflow for leases	<u>\$ (98,790)</u>	<u>(98,944)</u>

(i) Real estate leases

The Company leases buildings for its office and staff dormitory. The leases typically run for a period of one to fifteen years. Some leases require additional rental payments depending on the changes in fair value of the lease assets.

(ii) Other leases

The Company leases vehicles and other equipments with lease terms of one to four years.

The Company also leases vehicles with lease terms of one to two years. These leases are short-term or leases of low-value items. The Company decided to apply recognition exemptions, and had elected not to recognize its right-of-use assets and lease liabilities for these leases.

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (n) Operating lease

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(i).

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date was as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Less than one year	\$ 11,395	11,570
Between two and five years	40,006	39,657
More than five years	31,341	41,238
Total undiscounted lease payments	<u>\$ 82,742</u>	<u>92,465</u>

Rental income from investment properties amounted to \$11,290 and \$11,196 in 2022 and 2021, respectively.

## (o) Employee benefits

## (i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Present value of defined benefit obligations	\$ 125,391	134,375
Fair value of plan assets	70,037	69,942
Deficit in the plan	55,354	64,433
Asset ceiling	-	-
Net defined benefit liability (recorded as other non-current liabilities)	<u>\$ 55,354</u>	<u>64,433</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

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**PRIMAX ELECTRONICS LTD.**  
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## 1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$70,037 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

## 2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Company for the years ended December 31, 2022 and 2021, were as follows:

	<b>2022</b>	<b>2021</b>
Defined benefit obligation on January 1	\$ 134,375	150,927
Benefits paid	(9,099)	(24,093)
Current service costs and interest cost	1,195	708
Remeasurement of net defined benefit liabilities	(1,080)	6,833
Defined benefit obligation on December 31	<u>\$ 125,391</u>	<u>134,375</u>

## 3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company for the years ended December 31, 2022 and 2021, were as follows:

	<b>2022</b>	<b>2021</b>
Fair value of plan assets on January 1	\$ 69,942	82,982
Interest income	530	286
Remeasurement of net defined liabilities	5,891	1,259
Contributions paid	2,773	2,800
Benefits paid	(9,099)	(17,385)
Fair value of plan assets on December 31	<u>\$ 70,037</u>	<u>69,942</u>

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**PRIMAX ELECTRONICS LTD.**

**Notes to the Parent Company Only Financial Statements**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 192	189
Net interest of net liabilities for defined benefit	473	233
Expenses	<u>\$ 665</u>	<u>422</u>

5) Remeasurement of net defined liability (asset) recognized in other comprehensive income

The Company's remeasurement of net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2022 and 2021, was as follows:

	<u>2022</u>	<u>2021</u>
Balance on January 1	\$ 23,056	17,482
Recognized during the period	(6,971)	5,574
Balance on December 31	<u>\$ 16,085</u>	<u>23,056</u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	1.400 %	0.750 %
Future salary increase rate	2.750 %	2.750 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date was \$2,777.

The weighted-average lifetime of the defined benefit plans is 9 years.

7) Sensitivity analysis

When computing the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

(Continued)

**PRIMAX ELECTRONICS LTD.**

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If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<b>Influences of defined benefit obligations</b>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
<b>December 31, 2022</b>		
Discount rate	\$ (2,198)	2,261
Future salary increase rate	\$ 2,169	(2,119)
<b>December 31, 2021</b>		
Discount rate	\$ (2,528)	2,604
Future salary increase rate	\$ 2,482	(2,423)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no change in the method and assumptions used in the preparation of the sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company recognized pension costs under the defined contribution method amounting to \$56,922 and \$51,205 for the years ended December 31, 2022 and 2021, respectively, recorded as operating expenses and operating cost in the statement of comprehensive income.

(p) Income taxes

(i) The components of income tax expenses for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense	\$ 473,516	543,777
Deferred tax benefit	(50,290)	(164,528)
Income tax expense	<u>\$ 423,226</u>	<u>379,249</u>

(ii) The Company had no income tax recognized directly in equity or other comprehensive income for the years ended December 31, 2022 and 2021.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
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- (iii) Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Profit before tax	\$ 3,165,835	2,677,531
Income tax calculated based on the Company's domestic tax rate	633,167	535,506
Overseas investment gains recognized under the equity method	(192,515)	(106,654)
Investment tax credits accrued	(90,614)	(101,490)
Prior year's income tax adjustment	25,674	27,752
Surtax on unappropriated earnings	20,572	17,090
Others	26,942	7,045
Income taxes expense	<u>\$ 423,226</u>	<u>379,249</u>

- (iv) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with subsidiaries' earnings. Also, the management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 1,339,438</u>	<u>1,122,704</u>

- 2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences	<u>\$ 207,558</u>	<u>178,800</u>

The deductible temporary differences cannot be realized. Therefore, they were not recognized as deferred tax assets.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

- 3) Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2022 and 2021, were as follows:

	<u>Investment income recognized under the equity method (overseas)</u>	<u>Unrealized foreign exchange gains</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax liabilities:</b>				
Balance on January 1, 2022	\$ 222,385	47,867	1,247	271,499
Recognized in profit or loss	31,252	(47,867)	-	(16,615)
Balance on December 31, 2022	<u>\$ 253,637</u>	<u>-</u>	<u>1,247</u>	<u>254,884</u>
Balance on January 1, 2021	\$ 286,350	94,178	1,247	381,775
Recognized in profit or loss	(63,965)	(46,311)	-	(110,276)
Balance on December 31, 2021	<u>\$ 222,385</u>	<u>47,867</u>	<u>1,247</u>	<u>271,499</u>

	<u>Bad debt in excess of tax limit</u>	<u>Unfunded pension fund contribution</u>	<u>Refund liabilities</u>	<u>Loss on inventory valuation</u>	<u>Deferred granted revenue</u>	<u>Unrealized revenue from disposal of assets</u>	<u>Unrealized foreign exchange loss</u>	<u>Gain on valuation of financial assets / liabilities</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax assets:</b>										
Balance on January 1, 2022	\$ 39,958	13,235	227,235	11,527	141,920	21,116	-	89,860	2,422	547,273
Recognized in profit or loss	(39,958)	(421)	16,597	(2,052)	(24,607)	(3,090)	41,559	39,531	6,116	33,675
Balance on December 31, 2022	<u>\$ -</u>	<u>12,814</u>	<u>243,832</u>	<u>9,475</u>	<u>117,313</u>	<u>18,026</u>	<u>41,559</u>	<u>129,391</u>	<u>8,538</u>	<u>580,948</u>
Balance on January 1, 2021	\$ 39,958	15,052	193,039	10,441	175,293	24,206	-	34,237	795	493,021
Recognized in profit or loss	-	(1,817)	34,196	1,086	(33,373)	(3,090)	-	55,623	1,627	54,252
Balance on December 31, 2021	<u>\$ 39,958</u>	<u>13,235</u>	<u>227,235</u>	<u>11,527</u>	<u>141,920</u>	<u>21,116</u>	<u>-</u>	<u>89,860</u>	<u>2,422</u>	<u>547,273</u>

- (v) The Company's income tax returns have been examined by the tax authority through the years to 2020.

- (q) Capital and other equity

- (i) Ordinary Shares

As of December 31, 2022 and 2021, the nominal ordinary shares both amounted to \$5,500,000. Par value of each share is \$10 (dollars), which means in total there were 550,000 thousand authorized ordinary shares, of which 458,289 thousand and 455,263 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
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Reconciliation of shares outstanding for the years ended December 31, 2022 and 2021, were as follows:

	<b>Ordinary shares (in thousands of shares)</b>	
	<b>2022</b>	<b>2021</b>
Balance on January 1	455,263	450,898
Issuance of restricted stock	3,555	4,540
Cancellation of restricted stock	(529)	(175)
Balance on December 31	<u>458,289</u>	<u>455,263</u>

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Additional paid-in capital	\$ 945,508	846,187
Employee stock options	259,401	259,401
Restricted employee stock options	351,458	263,389
Long-term stock investment	573,541	389,803
	<u>\$ 2,129,908</u>	<u>1,758,780</u>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital increase via transferring of the paid-in capital, in excess of par value, should not exceed 10% of the total common stock outstanding.

Tymphany Huizhou, a subsidiary of Company, repurchased shares from employee stock ownership plan in cash and cancelled such shares for a capital reduction in May 2022, resulting in an increase of the shareholding of the Company from 71.43% to 77.01%. The Company recognized the change in its ownership interest in the subsidiary as capital surplus-long-term equity investments. Please refer to note 6(t) of the Company's consolidated financial statements for the year ended December 31, 2022.

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(iii) Retained earnings

According to the articles of the Company, when allocating the earnings for each year, the Company shall first offset its losses in previous year and set aside a legal capital reserve at 10% of the earing left over, until the accumulated legal capital reserve has equaled the total capital of the Company; then set aside a special capital reserve in accordance with relevant laws, the balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed according to the distribution plan proposed by the board of directors and submitted to the stockholders' meeting for resolution.

The Company is at the growth stage and considers its future cash demand, long-term financial plans, benefits to stockholders, and balanced dividends. Earnings distribution is made by stock dividend and cash dividend. The cash dividend shall not be less than 10 percent of the total dividends and could be adjusted depending on the Company's operating condition.

1) Legal reserve

If the Company experiences profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by \$97,300 by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with the FSC, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. As of December 31, 2022 and 2021, the carrying amount of special reserve both amounted to \$97,300.

In accordance with the FSC, a portion of earnings shall be allocated as special earnings reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

3) Earnings distribution

On May 26, 2022, the shareholders' meeting resolved to distribute the 2021 earnings. The appropriation of earnings for 2020 reached legal requirement through the electronic voting on May 25, 2021, and was resolved during the shareholders' meeting on July 13, 2021.

The distributions for 2021 and 2020 were NT\$3.1(dollars) and NT\$3(dollars) per share, which amounted to \$1,411,230 and \$1,354,873, respectively.

(r) Share-based payment

(i) As of December 31, 2022, the outstanding restricted stock of the Company was as follows:

	Plan 4 (note 1)		Plan 5 (note 1)		Plan 6 (note 1)		Plan 7 (note 1)		Plan 8 (note 1)
Grant date	February 8, 2018	September 13, 2018	November 21, 2019	February 20, 2020	July 30, 2020	January 25, 2021	October 18, 2021	February 9, 2022	August 9, 2022
Fair value on grant date (per share)	76.70	46.85	64.30	53.20	41.75	55.80	50.40	53.90	69.70
Exercise price	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants
Granted units (thousand shares)	1,100	900	1,820	180	2,260	740	3,800	200	3,355
Vesting period	1-3 years (note 2)	1-3 years (note 2)	1-3 years (notes 2 and 4)	1-3 years (note 2)	1-5 years (notes 2, 3, 4 and 5)	1-3 years (notes 2, 3 and 4)	1-3 years (note 2)	1-3 years (note 2)	1-3 years (note 2)

Note 1: Plan 4 was resolved by the stockholders' meeting held on May 25, 2017, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,100 thousand shares and 900 thousand shares on January 31 and August 10, 2018, respectively.

Plan 5 was resolved by the stockholders' meeting held on June 18, 2019, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,820 thousand shares and 180 thousand shares on November 12, 2019 and February 18, 2020, respectively.

Plan 6 was resolved by the stockholders' meeting held on June 23, 2020, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 2,260 thousand shares and 740 thousand shares on July 30, 2020 and January 22, 2021, respectively.

Plan 7 was resolved by the stockholders' meeting held on July 13, 2021, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 3,800 thousand and 200 thousand shares on August 24, 2021 and January 21, 2022, respectively.

Plan 8 was resolved by the stockholders' meeting held on May 26, 2022, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 3,355 thousand shares on August 5, 2022.

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**PRIMAX ELECTRONICS LTD.**  
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Note 2: If the employees continue to provide service to the employer company and meet the prior year's performance indicator, 30%, 30% and 40% shall be vested in the first year, second year and third year, respectively, after the grant date.

Note 3: If the employees continue to provide service to the employer company and meet the prior year's performance indicator, 50% of the restricted stock shall be vested in the first year after the grant date, and the remaining 50% shall be vested in second year after the grant date.

Note 4: If the employees continue to provide service to the employer company and meet the prior year's performance indicator, the restricted stock shall be vested in the first year after the grant date.

Note 5: If the employees continue to provide service to the employer company and meet the prior year's performance indicator, 15%, 15%, 20%, 20% and 30% shall be vested in the first year, second year, third year, fourth year and fifth year, respectively, after the grant date.

The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or, by any other means, disposed of to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian will act based on law and regulations. If the shares remain unvested after the vesting period, the Company will cancel the unvested shares thereafter.

1) The related information on restricted stock of the Company was as follows:

(Thousand shares)	2022	2021
Outstanding on January 1	6,487	4,103
Granted during the year	3,555	4,540
Vesting during the year	(2,365)	(1,995)
Expired during the year	(529)	(161)
Outstanding on December 31	<u>7,148</u>	<u>6,487</u>

(ii) Expenses attributable to share-based payment were as follows:

	2022	2021
Restricted stock	<u>\$ 123,795</u>	<u>103,813</u>

(Continued)



**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (s) Earnings per share

## (i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2022 and 2021, based on the profit and the weighted-average number of ordinary shares outstanding was as follows:

	<u>2022</u>	<u>2021</u>
Profit of the Company for the year	\$ <u>2,742,609</u>	<u>2,298,282</u>
Weighted-average number of ordinary shares (thousand shares)	<u>449,522</u>	<u>447,640</u>
Basic earnings per share (NT dollars)	\$ <u>6.10</u>	<u>5.13</u>
Weighted-average number of ordinary shares (thousand shares)		
	<u>2022</u>	<u>2021</u>
Ordinary shares on January 1	448,777	446,782
Vesting of restricted stock	745	858
Ordinary shares on December 31	<u>449,522</u>	<u>447,640</u>

## (ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2022 and 2021, based on the profit and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	<u>2022</u>	<u>2021</u>
Profit of the Company for the year	\$ <u>2,742,609</u>	<u>2,298,282</u>
Weighted-average number of ordinary shares (diluted / thousand shares)	<u>455,337</u>	<u>451,819</u>
Diluted earnings per share (NT dollars)	\$ <u>6.02</u>	<u>5.09</u>
Weighted-average number of ordinary shares (diluted) (thousand shares)		
	<u>2022</u>	<u>2021</u>
Weighted-average number of ordinary shares on December 31 (basic)	449,522	447,640
Estimated effect of employee stock bonuses	2,074	1,702
Effect of restricted stock	3,741	2,477
Weighted-average number of ordinary shares on December 31 (diluted)	<u>455,337</u>	<u>451,819</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (t) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<u>2022</u>		
	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
Goods sold	\$ 24,672,245	17,356,247	42,028,492
Service rendered	115,890	550,138	666,028
	<u>\$ 24,788,135</u>	<u>17,906,385</u>	<u>42,694,520</u>
	<u>2021</u>		
	<u>Computer Peripherals</u>	<u>Non-computer Peripherals</u>	<u>Total</u>
Goods sold	\$ 30,167,473	11,723,435	41,890,908
Service rendered	152,334	462,778	615,112
	<u>\$ 30,319,807</u>	<u>12,186,213</u>	<u>42,506,020</u>
		<u>2022</u>	<u>2021</u>
Mainland China	\$ 22,671,715		26,728,170
Europe		4,625,836	4,246,417
America		9,307,917	8,930,804
Other		6,089,052	2,600,629
	<u>\$ 42,694,520</u>		<u>42,506,020</u>

## (ii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Accounts receivable (including related parties)	\$ 7,877,457	7,727,218	7,164,126
Less: allowance for impairment	(66,224)	(13,136)	(24,844)
	<u>\$ 7,811,233</u>	<u>7,714,082</u>	<u>7,139,282</u>
Contract liabilities (recorded as other current liabilities)	<u>\$ 123,253</u>	<u>118,882</u>	<u>121,554</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$118,882 and \$121,554, respectively.

The contract liabilities primarily relate to the advance consideration received from contracts with goods sold, for which revenue is recognized when products are delivered to customers.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (u) Employee's, directors' and supervisors' remuneration

In accordance with the Articles of incorporation, the Company should contribute 2 to 10 percent of the profit as employee remuneration and less than 2 percent as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

Details of remuneration to employees and directors for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Employee remuneration	\$ 99,830	85,799
Directors' remuneration	49,915	42,899
	<u>\$ 149,745</u>	<u>128,698</u>

The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during each period. The differences between the amounts distributed and those accrued in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year.

The differences between the amounts approved in the directors' meeting and those recognized in the financial statements for the distributions of earnings for 2021 and 2020 were as follows:

	<u>2021</u>		
	<u>Actual earnings distributed</u>	<u>Accrued in the financial statements</u>	<u>Difference</u>
Employee remuneration – Cash	\$ 85,798	85,799	1
Directors' remuneration	42,899	42,899	-
	<u>2020</u>		
	<u>Actual earnings distributed</u>	<u>Accrued in the financial statements</u>	<u>Difference</u>
Employee remuneration – Cash	\$ 72,645	72,645	-
Directors' remuneration	36,322	36,323	1

The aforementioned differences were accounted for as changes in accounting estimates and recognized as profit or loss in the years 2022 and 2021. Information on the remuneration to employees and directors, approved in the board of directors' meetings, can be accessed in the Market Observation Post System website.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
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## (v) Other income

The details of other income for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Rent income	\$ 12,007	12,030
Cash dividend income	8,337	304
	<u>\$ 20,344</u>	<u>12,334</u>

## (w) Other gains and losses

The details of other gains and losses for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Net losses on financial assets/liabilities measured at FVTPL	\$ (646,954)	(449,302)
Foreign currency exchange gains, net	741,692	1,095,482
Other	105,778	63,959
	<u>\$ 200,516</u>	<u>710,139</u>

## (x) Financial instruments

## (i) Credit risk

## 1) Credit risk exposure

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

## 2) Concentration of credit risk

For information on the Company's concentration of credit risk, please refer to note 6(y).

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years	Over 5 years
<b>December 31, 2022</b>						
Non-derivative financial liabilities:						
Notes and accounts payable	\$ 301,600	301,600	301,600	-	-	-
Accounts payable to related parties	9,050,436	9,050,436	9,050,436	-	-	-
Other payables	1,903,296	1,903,296	1,903,296	-	-	-
Salaries payable	493,350	493,350	493,350	-	-	-
Lease liabilities	1,193,373	1,370,316	96,733	99,521	300,852	873,210
Refund liabilities	1,851,815	1,851,815	1,851,815	-	-	-
Long-term borrowings	464,000	482,562	6,256	22,923	453,383	-
Guarantee deposits	2,091	2,091	-	-	-	2,091
Derivative financial liabilities:	1,013,985	-	-	-	-	-
Outflow	-	16,277,841	16,277,841	-	-	-
Inflow	-	(15,263,856)	(15,263,856)	-	-	-
	<b>\$ 16,273,946</b>	<b>16,469,451</b>	<b>14,717,471</b>	<b>122,444</b>	<b>754,235</b>	<b>875,301</b>
<b>December 31, 2021</b>						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 332,000	332,259	332,259	-	-	-
Notes and accounts payable	61,240	61,240	61,240	-	-	-
Accounts payable to related parties	9,799,684	9,799,684	9,799,684	-	-	-
Other payables	1,312,306	1,312,306	1,312,306	-	-	-
Salaries payable	440,409	440,409	440,409	-	-	-
Lease liabilities	1,258,713	1,461,453	94,368	95,449	295,179	976,457
Refund liabilities	1,612,963	1,612,963	1,612,963	-	-	-
Long-term borrowings	429,500	443,434	3,517	3,518	436,399	-
Guarantee deposits	1,991	1,991	-	-	-	1,991
Derivative financial liabilities:	602,978	-	-	-	-	-
Outflow	-	3,891,271	3,891,271	-	-	-
Inflow	-	(3,288,293)	(3,288,293)	-	-	-
	<b>\$ 15,851,784</b>	<b>16,068,717</b>	<b>14,259,724</b>	<b>98,967</b>	<b>731,578</b>	<b>978,448</b>

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

(Continued)

**PRIMAX ELECTRONICS LTD.**  
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## (iii) Currency risk

## 1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<b>Financial assets</b>						
<b>Monetary items</b>						
USD:TWD	\$ 339,559	30.708	10,427,172	350,119	27.690	9,694,783
<b>Financial liabilities</b>						
<b>Monetary items</b>						
USD:TWD	420,929	30.708	12,925,887	453,659	27.690	12,561,816

## 2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables (including related parties), notes and accounts payable (including related parties), and other payables (including related parties) that are denominated in foreign currency. A weakening (strengthening) of 5% of the TWD against the USD as of December 31, 2022 and 2021, would have decreased or increased the net profit before tax by \$124,936 and \$143,352, respectively. The analysis is performed on the same basis for both periods.

## 3) Exchange gains and losses on monetary items

The Company's exchange gains and losses on monetary items (including realized and unrealized) translated to functional currency were as follows:

	2022		2021	
	Exchange gains and losses	Average exchange rate	Exchange gains and losses	Average exchange rate
TWD	\$ 741,692	1	1,095,482	1

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (iv) Interest rate analysis

Please refer to the paragraph of liquidity risk management for the interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, and assumed all other variables remain constant, the net profit before tax would have increased or decreased by \$5,928 and by \$3,184 for the years ended December 31, 2022 and 2021, respectively. This is mainly due to borrowings and bank savings with variable interest rates.

## (v) Other price risk

If the market price of the equity securities had changed on the reporting date, the influence on other comprehensive income is as follows (The analysis is performed on the same basis for both periods and assumes all other variable remain constant):

Prices of securities at the reporting date	2022	2021
	Other comprehensive income before tax	Other comprehensive income before tax
Increasing 10%	\$ 28,867	22,155
Decreasing 10%	\$ (28,867)	(22,155)

## (vi) Fair value

## 1) Kinds of financial instruments and fair value

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2022				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL – current</b>	<b>\$ 367,032</b>	-	-	367,032	367,032
<b>Financial assets at FVOCI – non current</b>	<b>\$ 288,671</b>	-	-	288,671	288,671

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

	Carrying amounts	December 31, 2022			
		Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 2,961,693				
Accounts receivable (including related parties)	7,811,233				
Other receivables	90,840				
Refundable deposits	27,379				
Total	<b>\$ 10,891,145</b>				
<b>Financial liabilities at FVTPL – current</b>	<b>\$ 1,013,985</b>	-	-	1,013,985	1,013,985
<b>Financial liabilities measured at amortized cost</b>					
Borrowings	\$ 464,000				
Notes and accounts payable (including related parties)	9,352,036				
Other payables	1,903,296				
Salaries payable	493,350				
Lease liabilities	1,193,373				
Refund liabilities	1,851,815				
Guarantee deposits	2,091				
Total	<b>\$ 15,259,961</b>				
	Carrying amounts	December 31, 2021			
		Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL – current</b>	<b>\$ 153,676</b>	-	-	153,676	153,676
<b>Financial assets at FVOCI – non current</b>	<b>\$ 221,547</b>	-	-	221,547	221,547
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 1,945,651				
Accounts receivable (including related parties)	7,714,082				
Other receivables	152,352				
Refundable deposits	28,478				
Total	<b>\$ 9,840,563</b>				
<b>Financial liabilities at FVTPL – current</b>	<b>\$ 602,978</b>	-	-	602,978	602,978

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

	December 31, 2021				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at amortized cost</b>					
Borrowings	\$ 761,500				
Notes and accounts payable (including related parties)	9,860,924				
Other payables	1,312,306				
Salaries payable	440,409				
Lease liabilities	1,258,713				
Refund liabilities	1,612,963				
Guarantee deposits	<u>1,991</u>				
Total	<u>\$ 15,248,806</u>				

2) Fair value valuation techniques for financial instruments measured at fair value

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. The quoted price of a financial instrument obtained from major exchanges and over-the counter markets are the basis used to determine the fair value of a listed company's stock and the quoted prices in an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If these conditions can not be reached, then the market is non-active. In general, a market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The Company uses the following methods in determining the fair value of its financial instruments without a quoted price in an active market:

- a) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated on the basis of the contract's spot exchange rate and swap point.
- b) Financial assets at FVOCI – non-current are investments in domestic or foreign non-listed stock. The estimated fair value is based on the market approach of comparable business and lack of liquidity. When prices are available, the fair value is estimated on the basis of unadjusted prior trade prices.

3) In 2022 and 2021, there were no transfers between Levels.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

4) Reconciliation of Level 3 fair values

	2022			2021		
	FVTPL	FVOCI	Total	FVTPL	FVOCI	Total
<b>Balance on January 1</b>	\$ (449,302)	221,547	(227,755)	(171,184)	94,263	(76,921)
Recognized in profit or loss	(646,953)	-	(646,953)	(449,302)	-	(449,302)
Recognized in other comprehensive income	-	22,345	22,345	-	93,397	93,397
Acquisition / disposal	<u>449,302</u>	<u>44,779</u>	<u>494,081</u>	<u>171,184</u>	<u>33,887</u>	<u>205,071</u>
<b>Balance on December 31</b>	<u>\$ (646,953)</u>	<u>288,671</u>	<u>(358,282)</u>	<u>(449,302)</u>	<u>221,547</u>	<u>(227,755)</u>

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The fair value measurements of the Company which are categorized within level 3 are classified as financial assets and liabilities at FVTPL – derivative instruments not used for hedging and financial assets at FVOCI – equity investment without an active market. The quantitative information about significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Financial assets at FVOCI – equity investment without an active market	(note 1)	(note 1)	(note 1)
Financial assets and liabilities at FVTPL – derivative instruments not used for hedging	(note 2)	(note 2)	(note 2)

note 1: The fair value is based on the market value, and it has considered the recent financing activities, comparable business, market and other economic conditions etc., to determine the assumptions. Also, the significant unobservable inputs are marketability discount, but any changes of marketability discount would not result in significant potential financial impact, therefore there is no need to show the quantified information on it.

note 2: The fair value is based on the quotation of a third party, therefore there is no need to show the sensitivity analysis of unobservable inputs.

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(y) Financial risk management

(i) Overview

The Company has exposure to the following risks from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

(ii) Structure of risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's board of directors oversees the management's monitoring of the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, accounts receivables (including related parties), and derivative instruments.

1) Cash and cash equivalents

The Company had deposited \$2,697,679 (including restricted deposits) in HSBC Bank and 7 other financial institutions, and \$1,632,556 (including restricted deposits) in HSBC Bank and 5 other financial institutions, representing 8% and 5% of total assets, as of December 31, 2022 and 2021, respectively. The Company believes that there is no significant credit risk from the above-mentioned financial institutions.

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

2) Accounts receivable

Sales to individual customers (including related parties) constituting over 10% of total revenue for the years ended December 31, 2022 and 2021, totaled 42% and 45%, respectively; also 49% and 42%, respectively, of the ending balance of accounts receivable (including related parties) were accounted for by those customers. In order to reduce credit risk, the Company assesses the financial status of each customer and the possibility of collection of receivables on a regular basis. The above-mentioned customers are profitable and have a good credit record; hence, and the Company did not suffer any significant credit loss from those customers during the financial reporting period.

3) Derivative instruments

The Company entered into derivative instrument contracts with reputable and creditworthy financial institutions. The Company believes that the risk that these financial institutions may default on these contracts is relatively low and anticipates no significant credit loss.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company had unused credit line of \$13,379,228 and \$10,804,490 as of December 31, 2022 and 2021, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the functional currency. These transactions are denominated in USD.

The Company uses forward exchange contracts and foreign exchange swap contracts to hedge its currency risk. The Company makes performance reports and reviews operating strategy regularly, and believes that there is no significant risk because the gains or losses from exchange rate fluctuation will mostly be offset by the hedged item.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

2) Interest rate risk

The Company's main assets and liabilities with a floating-interest-rate basis are deposits and borrowings. The Company believes that cash flow risk arising from interest rate fluctuation is insignificant.

(z) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, other equity, and non-controlling interests.

The Company sets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to stockholders, to safeguard the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

The Company's debt ratio as of December 31, 2022 and 2021, were 54% and 57%, respectively.

(aa) Changes of liabilities from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Cash flows	Effect of changes in exchange rate	Change in lease payments	December 31, 2022
Short-term borrowings	\$ 332,000	(332,000)	-	-	-
Long-term borrowings	429,500	34,500	-	-	464,000
Lease liabilities	1,258,713	(68,544)	-	3,204	1,193,373
Total liabilities from financing activities	<u>\$ 2,020,213</u>	<u>(366,044)</u>	<u>-</u>	<u>3,204</u>	<u>1,657,373</u>

	January 1, 2021	Cash flows	Effect of changes in exchange rate	Change in lease payments	December 31, 2021
Short-term borrowings	\$ 280,000	52,000	-	-	332,000
Long-term borrowings	-	429,500	-	-	429,500
Lease liabilities	265,334	(72,381)	-	1,065,760	1,258,713
Total liabilities from financing activities	<u>\$ 545,334</u>	<u>409,119</u>	<u>-</u>	<u>1,065,760</u>	<u>2,020,213</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(7) Related-party transactions:

(a) Names and relationship with related parties

Name of related party	Relationship with the Group
Primax Industries (Cayman Holding) Ltd. (Primax Cayman)	A subsidiary
Primax Technology (Cayman Holding) Ltd. (Primax Tech.)	A subsidiary
Destiny Technology Holding Co., Ltd. (Destiny BVI.)	A subsidiary
Primax Destiny Co., Ltd. (Destiny Japan)	A subsidiary
Diamond (Cayman) Holdings Ltd. (Diamond)	A subsidiary
Gratus Technology Corp. (Gratus Tech.)	A subsidiary
Primax AE (Cayman) Holdings Ltd. (Primax AE)	A subsidiary
Primax Electronics (Singapore) Pte. Ltd. (Primax Singapore)	A subsidiary
Primax Industries (Hong Kong) Ltd. (Primax HK)	A subsidiary
Polaris Electronics Inc.(Polaris)	A subsidiary
Destiny Electronic Corp. (Destiny Beijing)	A subsidiary
Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	A subsidiary
Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	A subsidiary
Primax Electronics (Kun Shan) Corp., Ltd. (PKS1)	A subsidiary
Primax Electronics (Thailand) Pte. Ltd. (Primax Thailand)	A subsidiary
Tymphany Worldwide Enterprises Ltd. (TWEL)	A subsidiary
Tymphany Acoustic Technology (Huizhou) Co., Ltd. (Tymphany Huizhou)	A subsidiary
Tymphany Acoustic Technology HK Ltd. (TYM Acoustic HK)	A subsidiary
Dongguan Tymphany Acoustic Technology Co., Ltd. (Tymphany Dongguan)	A subsidiary
TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK)	A subsidiary
Tymphany Acoustic Technology Europe, s.r.o. (TYM Acoustic Europe)	A subsidiary
Tymphany HK Ltd.(TYM HK)	A subsidiary
TYP Enterprises, Inc.(TYP)	A subsidiary

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

Name of related party	Relationship with the Group
Tymphany Acoustic Technology Limited (TYM Acoustic)	A subsidiary
Tymphany Acoustic Technology (Thailand) Co., Ltd. (TYTH)	A subsidiary
Dong Guan Dong Cheng Tymphany Acoustic Technology Co., Ltd. (TYDC)	A subsidiary
TYMPHANY LOGISTICS, INC (TYML)	A subsidiary
ALT International Co., Ltd. (Cayman) (AIC)	An associate
De Amertek Technology Inc. (US) (DAT)	An associate
Advanced Micro Electronics Co.,LTD. (AME)	An associate
Advanced Leading Technology (Shanghai) Co. (ALT (Shanghai))	An associate
Advanced Leading Technology Co. (ALT)	An associate

(b) Significant transactions with related-party

(i) Sales

The amounts of sales by the Company to related parties and the outstanding balances were as follows:

	Sales		Accounts receivable – related parties	
	2022	2021	December 31, 2022	December 31, 2021
Primax Singapore	\$ 12,661,309	10,236,528	2,354,802	1,886,842
Others (note)	4,133,648	3,916,426	625,964	655,447
	<u>\$ 16,794,957</u>	<u>14,152,954</u>	<u>2,980,766</u>	<u>2,542,289</u>

Note: Individual amount not exceeding 10%.

- The Company sells semi-finished products to its subsidiaries for processing and production. The finished products are then repurchased back by the Company through triangular trade and sold to the customers. The amount of semi-finished products sold in 2022 and 2021 were \$1,289,967 and \$507,569, respectively, which were written off against the related cost of goods sold; therefore, the Company did not recognized the above transaction as sales in the parent company only financial statements. As of December 31, 2022 and 2021, the accounts receivable arising from the sales of semi-finished products to subsidiaries amounted to \$299,571 and \$148,362, respectively.
- There were no significant differences in the selling prices offered to related parties and those of other customers. The trading terms to other customers are 45 days to 120 days, can be lengthened for related parties.

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**PRIMAX ELECTRONICS LTD.**  
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(ii) Purchases

The amounts of purchases by the Company from related parties and the outstanding balances were as follows:

	Purchases		Accounts payable – related parties	
	2022	2021	December 31, 2022	December 31, 2021
PCH2	\$ 25,430,611	26,145,940	5,972,525	5,894,516
PCQ1	7,499,967	8,761,385	2,488,994	2,778,070
PKS1	1,814,952	2,293,035	852,654	1,216,447
Primax Thailand	1,218,267	1,268,153	63,738	128,050
	<u>\$ 35,963,797</u>	<u>38,468,513</u>	<u>9,377,911</u>	<u>10,017,083</u>

Note: Individual amount not exceeding 10%.

- As of December 31, 2022 and 2021, the amount of accounts payable arising from the transactions mentioned in note 7(b)(i) amounted to \$945,146 and \$249,204, respectively.
- The prices of purchases from related parties were determined based on the cost, plus a reasonable profit margin. The payment terms of related parties and other vendors are 60 days and 30 days to 120 days, respectively.
- The accounts payable to subsidiaries which exceeded the normal payment terms and agreed by both parties were reclassified to other payables. As of December 31, 2022 and 2021, other payables to related parties were \$327,475 and \$217,399, respectively.

(iii) Purchase of service

The amounts of purchase of service by the Company from its related parties and the outstanding balances were as follows:

	Purchase of service		Other payables	
	2022	2021	December 31, 2022	December 31, 2021
Subsidiaries	\$ 57,587	43,745	9,477	4,869

(iv) Receivable and payable on behalf of related parties

The other receivables arising from the materials purchased and shipping fee paid on behalf of the subsidiaries amounted to \$64,559 and \$64,978 on December 31, 2022 and 2021, respectively.

The other payables arising from the shipping fee paid by subsidiaries on behalf of the Company amounted to \$9,016 and \$8,201 on December 31, 2022 and 2021, respectively.

(Continued)



**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (v) Guarantees and endorsements

The amounts of guarantee the Company provided to PCH2 and Primax Singapore were as follows:

	December 31, 2022	December 31, 2021
Purchasing of raw materials	\$ 307,080	276,900
Shipping Guarantee	2,700,000	2,700,000
	<u>\$ 3,007,080</u>	<u>2,976,900</u>

## (vi) Lease

The Company leased out its investment properties to its subsidiaries as office buildings and entered into 15-years lease contract by reference of the rental price of the nearby offices. The rental income in 2022 and 2021 amounted to \$9,919 and \$9,910, respectively, and there were no outstanding receivables on December 31, 2022 and 2021. Please refer to note 6(n) for lease receivable in the future.

## (c) Key management personnel compensation

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	\$ 136,986	118,610
Post-employment benefits	1,315	1,397
Share-based payments	65,799	65,318
	<u>\$ 204,100</u>	<u>185,325</u>

Please refer to note 6(r) for information related to share-based payments.

**(8) Pledged assets:**

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2022	December 31, 2021
Property, plant and equipment	Loan collateral	<u>\$ 769,580</u>	<u>769,580</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

**(9) Significant commitments and contingencies:**

- (a) For the detail of the Company's guarantees provided to subsidiaries, please refer to notes 7 and 13.
- (b) The following are guarantee letters issued by the banks to customs and business partner as guarantee deposits.

	December 31, 2022	December 31, 2021
Guarantee letters	<u>\$ 38,108</u>	<u>6,600</u>

- (c) Guarantee notes provided as part of agreements with banks to sell its accounts receivable and to acquire long-term borrowings were as follows:

	December 31, 2022	December 31, 2021
Sales of accounts receivable	<u>\$ 412,155</u>	<u>238,838</u>
Long-term borrowings	<u>\$ 1,800,400</u>	<u>1,800,400</u>

**(10) Losses due to major disasters: None****(11) Subsequent events: None****(12) Other:**

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	2022			2021		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits							
Salaries		157,468	1,670,946	1,828,414	106,252	1,504,921	1,611,173
Labor and health insurance		7,140	102,784	109,924	6,632	91,380	98,012
Pension		3,517	54,070	57,587	3,266	48,361	51,627
Remuneration of directors		-	76,892	76,892	-	63,500	63,500
Others		2,516	64,419	66,935	1,753	54,685	56,438
Depreciation		1,426	118,281	119,707	1,510	116,484	117,994
Amortization		10	28,729	28,739	10	25,963	25,973

The following were the additional information on the Company's employees and employee benefits for the years ended December 31, 2022 and 2021:

	2022	2021
Numbers of employees	<u>922</u>	<u>869</u>
Numbers of directors, but not employees concurrently	<u>6</u>	<u>7</u>
The average employee benefits	<u>\$ 2,252</u>	<u>2,108</u>
The average salaries and wages	<u>\$ 1,996</u>	<u>1,869</u>
Adjustment of the average salaries and wages	<u>6.80 %</u>	
Remuneration to supervisors	<u>\$ -</u>	<u>-</u>

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

The Company's remuneration policy to directors, supervisors, managers and employees are as follows:

The Company's remuneration to directors includes directors' remuneration and bonuses. According to the policy stipulated in the Articles of incorporation, wherein no more than 2% of the profit, if applicable, shall be allocated as remuneration to directors. The remuneration distributed to directors shall be resolved by a majority vote at the Board of Directors attended by directors representing two-thirds or more of the voting rights, and be reported during the shareholders' meeting. The bonuses to directors are proposed by the Human Resource Department based on the considerations for the competitive environment and operational risks and in line with the corporate management policy and bonus plan, which are then sent to the Board of Directors for resolution after the Remuneration Committee evaluates the performance results and approves the proposal.

The remuneration to employees and managers consists of fixed salary and variable rewards. The fixed salary is the basic salary of the employees, and the variable rewards are mainly linked to the Company's (or various business units') operational performance and strategic goal achieving status. The rewards policy is proposed by the Human Resource Department based on the corporate salary policy and bonus plan. The bonus plan for the managers has to be evaluated and approved by the Remuneration Committee, and thereafter, proposed to the Board of Directors for resolution.

**(13) Other disclosures:**

(a) Information on significant transactions:

The followings were the information on significant transactions required by the Regulations for the Company:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	PKS1	The Company	Other receivables	Y	327,475	327,475	327,475	0	Short-term loan to other parties	-	Operating capital	-	-	-	795,945	795,945
2	TYM Acoustic Europe	Tymphony Dongguan	"	"	14,490	-	-	0	"	-	"	-	-	-	151,542	303,084

Note 1: After the approval from the Board of directors, the loan provided to an individual entity shall not exceed the net worth of PKS1 in the latest financial statements to its parent company, and also to subsidiaries wherein its parent owns 100%, directly and indirectly, of its voting shares. Also, the criterion for the amount available for financing is the same as that offered to an individual entity mentioned above.

Note 2: Due to the short-term financing need, the loan provided to an individual entity shall not exceed 20% of the net worth of TYM Acoustic Europe in its latest financial statements. However, the amount available for financing shall not exceed 40% of the net worth of TYM Acoustic Europe in its latest financial statements.

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**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	PCH2	The subsidiary of Primax HK and Primax Tech.	4,904,128	322,100	307,080	4,446	-	1.88 %	13,077,675	Y	N	Y
"	"	Primax Singapore	Subsidiary	4,904,128	2,700,000	2,700,000	393,209	-	16.52 %	13,077,675	Y	N	N
1	Tymphony Huizhou	TYM Acoustic HK	"	1,953,125	4,832	4,606	-	-	0.07 %	3,255,209	N	N	N

Note 1: The amount of the guarantee to a company shall not exceed 30% of the Company's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the Company's net worth in the latest financial statements.

Note 2: The amount of the guarantee to a company shall not exceed 30% of the Tymphony Huizhou's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 50% of the Tymphony Huizhou's net worth in the latest financial statements.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Company Ending balance holding securities	Security type and name	Relationship with company	Account	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stocks (equities):							
	Green Rich Technology Co., Ltd.	-	Financial assets at FVOCI	359	-	3.59	-	
	Changing Information Technology Inc.	-	"	223	7,535	1.34	7,535	
	Formosoft	-	"	11	-	0.41	-	
	International Inc.	-	"	7	250	0.02	250	
	Syntronix Corp.	-	"	917	-	2.04	-	
	Ricavision	-	"	-	-	-	-	
	International Inc.	-	"	-	183,766	2.73	183,766	
	Grove Ventures L.P.	-	"	-	85,267	3.29	85,267	
	Grove Ventures II, L.P.	-	"	-	11,853	2.23	11,853	
Grove Ventures III, L.P.	-	"	-	2,662	0.49	2,662		
Storm Ventures Fund VII, L.P.	-	Other non-current asset	-	2,662	0.49	2,662		
					<u>291,333</u>			
Primax Tech.	Stocks:							
Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-		
Tymphony Huizhou	Stocks:							
Shenzhen Mees Hi-Tech Co., Ltd.	-	Financial assets at FVOCI	556	<u>62,117</u>	10.00	62,117		

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TW 300 million or 20% of the Company's paid-in capital: None
- (v) Acquisition of individual real estate with amount exceeding the lower of TW 300 million or 20% of the Company's issued capital: None
- (vi) Disposal of individual real estate with amount exceeding the lower of TW 300 million or 20% of the Company's issued capital: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TW 100 million or 20% of the Company's issued capital:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Primax Singapore	Subsidiary	(Sale)	(12,661,309)	(30) %	60 days	Price agreed by both side	The same as general selling	2,354,802	30%	
"	PCH2	The subsidiary of Primax HK	Purchase	25,431,704	69 %	"	"	The same as general purchasing	(5,972,525)	(64)%	
"	PKS1	"	Purchase	1,814,952	5 %	"	"	"	(525,179)	(6)%	
"	PCQ1	"	Purchase	7,499,967	20 %	"	"	"	(2,488,994)	(27)%	
"	Polaris	The subsidiary of Primax Tech.	(Sale)	(3,915,475)	(9) %	90 days	"	The same as general selling	309,736	4%	
"	Primax Thailand	The subsidiary of Primax Singapore.	Purchase	1,218,267	3 %	60 days	"	The same as general purchasing	(63,738)	(1)%	
"	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(217,966)	(1) %	"	"	The same as general selling	16,657	-%	
Primax Singapore	The Company	Parent	Purchase	12,661,309	95 %	"	"	The same as general purchasing	(2,354,802)	(94)%	
"	PCH2	The subsidiary of Primax HK	Purchase	588,797	4 %	"	"	"	(56,440)	(2)%	
PCH2	The Company	The parent of Primax Cayman	(Sale)	(25,431,704)	(83) %	"	"	The same as general selling	5,972,525	85%	
"	Primax Singapore	The subsidiary of the Company	(Sale)	(588,797)	(2) %	"	"	"	56,440	1%	
"	PCQ1	The subsidiary of Primax HK	(Sale)	(100,528)	- %	"	"	"	14,034	-%	
PKS1	The Company	The parent of Primax Cayman	(Sale)	(1,814,952)	(100) %	"	"	"	525,179	100%	
PCQ1	"	"	(Sale)	(7,499,967)	(76) %	"	"	"	2,488,994	84%	
"	PCH2	The subsidiary of Primax HK	Purchase	100,528	1 %	"	"	The same as general purchasing	(14,034)	(1)%	
Primax Thailand	The Company	The parent of Primax Singapore.	(Sale)	(1,218,267)	(96) %	"	"	The same as general selling	63,738	72%	
Polaris	"	The parent of Primax Tech.	Purchase	3,915,475	100 %	90 days	"	The same as general purchasing	(309,736)	(100)%	
Tymphony Huizhou	TYM Acoustic HK	Subsidiary	(Sale)	(4,464,306)	(44) %	60 days	"	The same as general selling	980,016	44%	
"	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(4,863,608)	(48) %	"	"	"	1,076,351	48%	
"	"	"	Purchase	182,344	2 %	"	"	The same as general purchasing	(25,454)	(1)%	

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Tymphony Huizhou	TYM Acoustic Europe	The subsidiary of TYM Acoustic HK	(Sale)	(329,505)	(3) %	60 days	Price agreed by both side	The same as general selling	82,247	4%	
"	Tymphony Dongguan	Subsidiary	Purchase	150,055	2 %	"	"	The same as general purchasing	(64,973)	(3)%	
Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	546,468	8 %	"	"	"	(196,895)	(14)%	
"	"	"	(Sale)	(6,468,924)	(77) %	"	"	The same as general selling	1,048,412	65%	
"	Tymphony Huizhou	Parent	(Sale)	(150,055)	(2) %	"	"	"	64,973	4%	
"	TYM Acoustic Europe	The subsidiary of TYM Acoustic HK	(Sale)	(474,264)	(6) %	"	"	"	220,812	14%	
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(725,264)	(9) %	"	"	"	88,439	6%	
"	TYTH	The subsidiary of TYM Acoustic HK	(Sale)	(210,927)	(3) %	"	"	"	37,544	2%	
"	TYDC	Subsidiary	(Sale)	(179,483)	(2) %	"	"	"	88,866	6%	
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(1,767,682)	(37) %	"	"	"	740,747	43%	
"	"	"	Purchase	304,285	7 %	"	"	The same as general purchasing	(80,264)	(5)%	
"	Tymphony Dongguan	Parent	Purchase	179,483	4 %	"	"	"	(88,866)	(6)%	
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(2,714,098)	(58) %	"	"	The same as general selling	899,008	52%	
TYM Acoustic Europe	TYM Acoustic Europe	Subsidiary	Purchase	2,851,454	26 %	"	"	The same as general purchasing	(537,326)	(20)%	
"	Tymphony Huizhou	Parent	Purchase	4,464,306	41 %	"	"	"	(980,016)	(36)%	
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	725,264	7 %	"	"	"	(88,439)	(3)%	
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	2,714,098	25 %	"	"	"	(899,008)	(33)%	
"	Specialty	Other related party	(Sale)	(151,367)	(1) %	"	"	The same as general selling	54,587	2%	
TYM Acoustic Europe	TYM Acoustic HK	Parent	(Sale)	(2,851,454)	(86) %	"	"	"	537,326	98%	
"	Tymphony Huizhou	The parent of TYM Acoustic HK	Purchase	329,505	12 %	"	"	The same as general purchasing	(82,247)	(11)%	
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	474,264	18 %	"	"	"	(220,812)	(30)%	
TYM HK	Tymphony Huizhou	The parent of TYM Acoustic HK	Purchase	4,863,608	25 %	"	"	"	(1,076,351)	(31)%	
"	"	"	(Sale)	(182,344)	(1) %	"	"	The same as general selling	25,454	1%	
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	6,468,924	34 %	"	"	The same as general purchasing	(1,048,412)	(31)%	

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

Name of company	Related party	Nature of relationship	Transaction details			Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	
TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	(Sale)	(546,468)	(3) %	60 days	Price agreed by both side	The same as general selling	196,895	6%
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	1,767,682	9 %	"	"	The same as general purchasing	(740,747)	(22)%
"	"	"	(Sale)	(304,285)	(1) %	"	"	The same as general selling	80,264	3%
"	TYTH	The subsidiary of TYM Acoustic HK	Purchase	5,762,869	30 %	"	"	The same as general purchasing	(467,746)	(14)%
"	The Company	The parent of Daimond Holdings Ltd.	Purchase	217,966	1 %	"	"	"	(16,657)	-%
"	Specialty	Other related party	(Sale)	(137,379)	(1) %	"	"	The same as general selling	-	-%
TYTH	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(5,762,869)	(100) %	"	"	"	467,746	100%
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	210,927	4 %	"	"	The same as general purchasing	(37,544)	(3)%

(viii) Receivables from related parties with amounts exceeding the lower of TWD\$100 million or 20% of the Company's paid-in capital:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Primax Singapore	Subsidiary	2,354,802	5.97	-	-	1,510,043	-
"	Polaris	The subsidiary of Primax Tech.	309,736	10.73	-	-	357,960	-
"	PCH2	The subsidiary of Primax HK	299,571 (note 2)	5.79	-	-	117,000	-
"	"	"	3,760	(note 3)	-	-	2,279	-
PCH2	The Company	The parent of Primax Cayman	5,972,525	4.29	-	-	1,638,861	-
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	110,868	(note 3)	-	-	33,252	-
"	PBK1	The subsidiary of Primax Singapore	191,401	(note 3)	-	-	18,703	-
PKS1	The Company	The parent of Primax Cayman	525,179	2.38	-	-	323,607	-
"	"	"	327,475	(note 4)	-	-	-	-
PCQ1	"	"	2,488,994	2.85	-	-	685,151	-
Tymphony Huizhou	TYM Acoustic HK	Subsidiary	980,016	5.39	-	-	460,620	-
"	TYM HK	The subsidiary of TYM Acoustic HK	1,076,351	4.93	-	-	153,540	-
Tymphony Dongguan	"	"	1,048,412	5.59	-	-	214,956	-
"	"	"	1,970	(note 3)	-	-	-	-
"	TYM Acoustic Europe	"	220,812	3.12	-	-	73,867	-
"	TYDC	Subsidiary	88,866	2.11	-	-	31,635	-
"	"	"	25,554	(note 3)	-	-	-	-

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	740,747	2.48	-	-	154,807	-
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	899,008	5.04	-	-	425,146	-
TYM Acoustic Europe	"	Parent	537,326	5.90	-	-	353,371	-
TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	196,895	3.79	-	-	49,133	-
"	"	"	645,771	(note 3)	-	-	-	-
"	TYDC	The subsidiary of Tymphony Dongguan	80,264	4.72	-	-	23,684	-
"	"	"	298,219	(note 3)	-	-	296,802	-
"	Tymphony Huizhou	The parent of TYM Acoustic HK	25,454	1.90	-	-	25,454	-
"	"	"	293,158	(note 3)	-	-	121,309	-
"	TYM Acoustic HK	Parent	192,098	(note 3)	-	-	192,098	-
TYTH	TYM HK	The subsidiary of TYM Acoustic HK	467,746	10.96	-	-	461,953	-

Note 1: Amounts collected as of February 10, 2023.

Note 2: The Company sells semi-finished products to its subsidiaries for processing and production. The finished products are then repurchased back by the Company and sold to the customers. The amount of semi-finished products sold in the year ended December 31, 2022 was \$1,289,967, which was written off with related cost of goods sold, and not regarded as sales for the Company.

Note 3: The receivables arise from service rendering for intercompany or material purchasing on behalf of intercompany or related parties.

Note 4: The other receivables arise from intercompany loans.

(ix) Trading in derivative instruments: Please refer to note 6(b) in the consolidated financial statements for the year ended December 31, 2022.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	7,688,347	715,354	777,426	Note 2
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,850,752	195,433	191,092	Note 2
"	Destiny BVI	Virgin Island	Holding company	30,939	30,939	1,050	100.00	(2,169)	4,010	4,010	Note 2
"	Destiny Japan	Japan	Market development of and customer service for computer peripherals, mobile device components, and business devices	7,032	7,032	0.50	100.00	15,816	321	321	Note 2
"	Diamond	Cayman Islands	Holding company	3,889,798	3,889,798	129,050	100.00	6,477,691	402,038	399,582	Note 2
"	Gratus Tech.	USA	Market development of and customer service for computer peripherals, mobile device components, and business devices	9,330	9,330	300	100.00	15,564	1,188	1,188	Note 2
"	Primax AE	Cayman Islands	Holding company	1,431,540	1,431,540	48,200	100.00	61,809	(194,309)	(194,309)	Note 2
"	Primax Singapore	Singapore	Sale of computer peripherals and mobile device components	1,181,150	904,150	40,100	100.00	722,673	(60,299)	(60,479)	
Total				9,987,798	9,710,798			17,830,483	1,063,736	1,118,831	

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
Primax Singapore	Primax Thailand	Thailand	Manufacturing and sale of computer peripherals, mobile device components, and business devices	1,162,928	872,151	1,244	99.99	735,534	(57,021)	(57,021)	Note 2
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	7,752,703	714,663	714,663	Note 2
Primax Tech.	Polaris	USA	Sale and purchase of computer peripherals, mobile device components, and business devices	52,680	52,680	1,600	100.00	432,254	10,272	10,272	Note 2
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	4,083,950	192,251	100.00	6,549,715	479,177	402,006	Note 2
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	1,356,995	30	37.00	-	(158,601)	(42,489)	Note 3
Tymphony Huizhou	TYM Acoustic HK	Hong Kong	R&D, design, and sales of various speaker accessories, speakers, and their components, as well as holding business	1,592,954	1,592,954	418,090	100.00	2,777,643	(16,298)	(16,298)	Note 2
TYM Acoustic HK	TYM HK	Hong Kong	Holding company; sales of, market development of and customer service for various speaker accessories, speakers and their components	76,280 (note 1)	76,280 (note 1)	144,395	100.00	1,229,728	(416,840)	(416,840)	Note 2
"	TYP	USA	Market development of and customer service for speakers and their components	15 (note 1)	15 (note 1)	0.50	100.00	35,305	5,420	5,420	Note 2
"	TYM UK	United Kingdom	R&D and design of various speaker accessories as well as speakers and their components	15,631	15,631	400	100.00	35,298	4,093	4,093	Note 2
"	TYM Acoustic Europe	Czech	Manufacturing, installation, and maintenance of various speaker accessories and their components	653,796	653,796	187,800	100.00	915,463	72,432	72,432	Note 2
"	Tymphony Acoustic	Taiwan	R&D and design of various speaker accessories as well as speakers and their components	48,318	48,318	5,000	100.00	296,672	73,454	73,454	Note 2
"	TYTH	Thailand	Manufacturing and sales of various speaker accessories, speakers, and their components	725,091	725,091	7,789	99.99	591,681	67,646	67,646	Note 2
TYM HK	TYML	USA	Sales of various speaker accessories, speakers, and their components	6,628	6,628	200	100.00	9,321	(1,360)	(1,360)	Note 2

Note 1: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Diamond.

Note 2: The subsidiary of the Company.

Note 3: The associate of the Company.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022 (note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
PCH2	Manufacturing and sale of computer peripherals, mobile device components, and business devices	1,966,235	Indirect investment through Primax Cayman and Primax Tech.	1,519,324	-	-	1,685,001	526,046	100%	526,046	7,083,084	-
Destiny Beijing	R&D of computer peripheral and business devices	38,950	Indirect investment through Destiny BVI.	29,075	-	-	32,243	4,010	100%	4,010	(2,173)	-
PKS1	Production of computer peripheral products	860,949	Indirect investment through Primax Cayman	609,180	-	-	675,576	(9,858)	100%	(9,858)	795,945	-
PCQ1	Production of computer peripheral products	841,404	"	553,800	-	-	614,160	371,216	100%	371,216	2,155,259	-
Tymphony Huizhou	Manufacturing, R&D, design and sale of various speaker accessories, speakers, and their components	1,668,961	Indirect investment through Diamond	3,572,010	-	-	3,961,332	632,488	77.01%	480,008	5,013,732	-
Tymphony Dongguan	"	153,540	"	13,845	-	-	15,354	26,814	77.01%	17,377	636,992	-
TYDC	"	88,184	"	-	-	-	-	39,234	77.01%	29,130	165,954	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.9386 ; USD:TWD 30.7080; CNY:TWD 4.4092.

Note 2: The differences between the accumulated out flow of investments and paid in capital was derived from the currency exchange on translation, capital increase from retained earning and working capital.

(ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	7,437,387	8,706,005	None (note)

Note: The Company has received the Certificate issued by the Industrial Development Bureau, Ministry of Economic Affairs, allowing it to start the operating of its headquarters.

The above investment income (losses) in mainland China, except for PCH2, Destiny Beijing, PKS1 and PCQ1 which were based on financial statements audited by the Company's auditors, others were based on the audited results of other auditors.

(Continued)

**PRIMAX ELECTRONICS LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of the consolidated financial statements for the year ended December 31, 2022, are disclosed in “ Information on significant transactions”.

(d) Major shareholders: No shareholders represented more than 5% of the total shares outstanding.

**(14) Segment information:**

Please refer to the Company’s consolidated financial statements for the year ended December 31, 2022, for details.

**PRIMAX ELECTRONICS LTD.**  
**Statement of cash and cash equivalents**  
**December 31, 2022**

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand	USD 7 ; Exchange rate 30.708	\$ 212
	CNY 145 ; Exchange rate 4.4092	640
	HKD 7 ; Exchange rate 3.9386	26
	JPY 258 ; Exchange rate 0.2309	59
	EUR 5 ; Exchange rate 32.729	176
	TWD	50
Demand deposits and checking accounts	USD 78,084 ; Exchange rate 30.708	2,397,818
	CNY 965 ; Exchange rate 4.4092	4,256
	HKD 1,987 ; Exchange rate 3.9386	7,827
	JPY 6,166 ; Exchange rate 0.2309	1,424
	EUR 45 ; Exchange rate 32.729	1,457
	TWD	394,208
Time deposits	USD 5,000 ; Exchange rate 30.708 (due on 2023.02.01, interest rate 4.90%)	153,540
		<b><u>\$ 2,961,693</u></b>

**Statement of accounts receivable**

Item	Description	Amount
Accounts receivable:		
Corporation P	Operating revenue	\$ 1,481,282
Corporation M	"	257,806
Other (individual amount not exceeding 5%)	"	<u>3,157,603</u>
Total		4,896,691
Less: Allowance for doubtful accounts		<u>(66,224)</u>
Net accounts receivable		<b><u>\$ 4,830,467</u></b>

**PRIMAX ELECTRONICS LTD.**  
**Statement of accounts receivable from related parties**  
**December 31, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accounts receivable from related parties:		
Primax Singapore		\$ 2,354,802
Polaris		309,736
PCH2		299,571
Other (individual amount not exceeding 5%)		<u>16,657</u>
Total		<u>2,980,766</u>
Net accounts receivable		<u><u>\$ 2,980,766</u></u>

**Statement of other receivables**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other receivables—related parties	Payable on behalf of related parties	\$ 64,559
Business tax refund receivables		25,604
Other (individual amount not exceeding 5%)		<u>677</u>
Total		<u><u>\$ 90,840</u></u>

**PRIMAX ELECTRONICS LTD.**  
**Statement of inventories**  
**December 31, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Cost</u>	<u>Net realizable value</u>
Finished goods and merchandises	\$ 2,445,928	2,771,782
Less: Provision for finished goods and merchandises	<u>(64,398)</u>	
Subtotal	<u>2,381,530</u>	
Semi-finished products	56,097	55,217
Less: Provision for semi-finished products	<u>(897)</u>	
Subtotal	<u>55,200</u>	
Raw material	337,566	<u>339,535</u>
Less: Provision for raw material	<u>(2,081)</u>	<u>\$ 3,166,534</u>
Subtotal	<u>335,485</u>	
Net amount	<u><u>\$ 2,772,215</u></u>	

## PRIMAX ELECTRONICS LTD.

## Statement of changes in financial assets measure at fair value through other comprehensive income — non-current

From January 1 to December 31, 2022

(Expressed in thousands of New Taiwan Dollars and Shares)

Name of investee	Beginning Balance		Additions		Disposal		Other adjustments (note 1)		Ending Balance		Pledged or guaranteed
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	
Green Rich Technology Co., Ltd.	359	\$ -	-	-	-	-	-	-	359	-	None
WK Technology Fund IV Ltd.	40	60	-	-	-	-	(40)	(60)	-	-	"
Changing Information Technology Inc.	223	8,201	-	-	-	-	-	(666)	223	7,535	"
Formosoft International Inc.	11	-	-	-	-	-	-	-	11	-	"
Syntronix Corp.	7	350	-	-	-	-	-	(100)	7	250	"
Ricavision International Inc.	917	-	-	-	-	-	-	-	917	-	"
Grove Ventures, L.P	-	155,618	-	5,340	-	-	-	22,808	-	183,766	"
Grove Ventures II, L.P	-	57,318	-	26,415	-	-	-	1,534	-	85,267	"
Grove Ventures III, L.P	-	-	-	13,084	-	-	-	(1,231)	-	11,853	"
		<u>\$ 221,547</u>		<u>44,839</u>				<u>22,285</u>		<u>288,671</u>	

Note 1: Other adjustments comprise unrealized gains or losses and liquidation of financial assets at fair value through other comprehensive income.

## PRIMAX ELECTRONICS LTD.

## Statement of changes in investment accounted for using equity method

From January 1 to December 31, 2022

(Expressed in thousands of New Taiwan Dollars and Shares)

Name of investee	Beginning Balance		Additions		Disposal		Other adjustments		Ending Balance		Market value or book value	Pledged or guaranteed
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount (note 1)	Percentage of holding shares	Amount		
Primax Industries (Cayman Holding) Ltd.	8,147,636	\$ 6,810,110	-	-	-	-	-	878,237	100.00 %	7,688,347	7,761,777	None
Primax Technology (Cayman Holding) Ltd.	285,067	2,596,462	-	-	-	-	254,290	285,067	100.00 %	2,850,752	2,873,020	"
Destiny Technology Holding Co., Ltd	1,050	(6,120)	-	-	-	-	3,951	1,050	100.00 %	(2,169)	(2,169)	"
Primax Destiny Co., Ltd.	0.5	16,148	-	-	-	-	(332)	0.5	100.00 %	15,816	15,816	"
Diamond (Cayman) Holdings Ltd.	129,050	5,615,495	-	-	-	-	862,196	129,050	100.00 %	6,477,691	6,558,400	"
Gratus Technology Corp.	300	12,918	-	-	-	-	2,646	300	100.00 %	15,564	15,564	"
Primax AE (Cayman) Holdings Ltd.	48,200	227,456	-	-	-	-	(165,647)	48,200	100.00 %	61,809	61,809	"
Primax Electronics (Singapore) Pte. Ltd	30,100	459,641	10,000	277,000	-	-	(13,968)	40,100	100.00 %	722,673	733,455	"
		<u>\$ 15,732,110</u>		<u>277,000</u>			<u>1,821,373</u>			<u>17,830,483</u>	<u>18,017,672</u>	

Note 1: Adjustments under equity method valuation.



**PRIMAX ELECTRONICS LTD.**  
**Statement of changes in property, plant and equipment**  
**From January 1 to December 31, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(g) for property, plant and equipment.

**Statement of changes in right-of-use assets**

Please refer to note 6(h) for right-of-use assets.

**Statement of changes in investment property**

Please refer to note 6(i) for investment property.

**Statement of changes in intangible assets**

Please refer to note 6(j) for intangible assets.

**PRIMAX ELECTRONICS LTD.**  
**Statement of long-term borrowings**  
**December 31, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Bank</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Range of interest rate</u>	<u>Credit Line</u>	<u>Pledged on guaranteed</u>
E.SUN Bank	Secured bank loans	\$ <u>464,000</u>	5 years	1.03%~1.40%	1,800,000	Yes

**Statement of other payables**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Expense payables	Research and development expense for projects and inspection	\$ 1,152,670
	Taxes related to income and tariff	338,908
	Intercompany loans	327,475
	Employee and director remuneration	228,818
	Accounts payable for pensions, labor and health insurance and employee benefits	143,501
Others (note)	Accounts payable for service, lawyer, travel expense and freight expense	67,266
Total		\$ <u>2,258,638</u>
Note : individual amount not exceeding 5%		

## PRIMAX ELECTRONICS LTD.

## Statement of other current liabilities

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Remedy received in advance		\$ 446,376
Contract liabilities	Advance sales receipts— non-related parties	123,253
Advance receipts for purchasing inventory		117,514
Advance receipts for purchasing equipment		36,575
Other (note)		<u>3,666</u>
Total		<u>\$ 727,384</u>

Note : individual amount not exceeding 5%

## Statement of other non-current liabilities

Item	Amount
Advance receipts on behalf of non-related parties	\$ 704,363
Deferred tax liabilities— non-current	254,884
Accrued pension liabilities	55,354
Other (note)	<u>5,111</u>
	<u>\$ 1,019,712</u>

Note : individual amount not exceeding 5%

## PRIMAX ELECTRONICS LTD.

## Statement of lease liabilities

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Lease Term	Discount rate	Ending Balance	Note
Lease liabilities— current					
	Buildings	2023.06~2035.12	2.13%~2.69%	\$ 70,087	
	Vehicles	2023.02~2026.01	1.13%~2.20%	<u>2,207</u>	
				<u>\$ 72,294</u>	
Lease liabilities— Non-current					
	Buildings	2024.06~2035.12	2.13%~2.69%	\$ 1,119,229	
	Vehicles	2024.01~2026.01	1.13%~2.20%	<u>1,850</u>	
				<u>\$ 1,121,079</u>	

## Statement of operating revenue

From January 1 to December 31, 2022

Item	Quantity (in thousands)	Amount
Operating revenue:		
Computer peripherals	98,302	\$ 25,872,244
Non-Computer peripherals	30,236	<u>17,450,829</u>
		43,323,073
Less: Sales returns		(140,418)
Sales discounts		<u>(1,154,163)</u>
		42,028,492
Net service revenue		<u>666,028</u>
Net operating revenue		<u>\$ 42,694,520</u>

## PRIMAX ELECTRONICS LTD.

## Statement of operating costs

From January 1 to December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw material On January 1, 2022	\$ 300,525
Add: Purchases of raw materials	1,645,738
Gain on physical inventories	82
Less: Raw materials on December 31, 2022	(337,566)
Sales of raw material	(50,963)
Losses on disposal of raw materials	<u>(850)</u>
Raw materials used	1,556,966
Manufacturing overhead	<u>182,039</u>
Manufacturing cost	1,739,005
Add: Semi-finished products on January 1, 2022	34,026
Purchases of semi-finished products	756,738
Less: Semi-finished products on December 31, 2022	(56,097)
Sales of semi-finished products	(499,602)
Losses on disposal of semi-finished products	(13,328)
Cost of finished goods	1,960,742
Add: Finished goods and merchandises on January 1, 2022	3,579,536
Purchases of finished goods and merchandises	34,302,846
Less: Finished goods and merchandises on December 31, 2022	(2,445,928)
Losses on physical finished goods and merchandises	(463)
Losses on disposal of finished goods	<u>(13,720)</u>
Cost of finished goods and merchandises	37,383,013
Service costs	118,737
Sales of raw material and semi-finished products	550,565
Gain on inventory valuation, obsolescence and loss on physical inventories	(14,377)
Loss on disposal of inventories	<u>27,898</u>
Operating Costs	<u><u>\$ 38,065,836</u></u>

## PRIMAX ELECTRONICS LTD.

## Statement of selling, administrative, research and development expenses

From January 1 to December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Salaries	\$ 323,270	410,375	1,014,193
Depreciation and amortization expense	17,083	34,761	95,166
Service expense	50,834	49,503	28,631
Insurance expense	47,033	20,071	65,181
Storage expense	84,990	-	-
Royalty expense	40,315	-	-
Other expense (note)	<u>135,354</u>	<u>72,112</u>	<u>208,481</u>
Total	<u><u>\$ 698,879</u></u>	<u><u>586,822</u></u>	<u><u>1,411,652</u></u>

Note : individual amount not exceeding 5%

# ISO Certificate

此为证书 CN19/32211.00 译本

下述组织

**东莞东聚电子电讯制品有限公司**  
**昆山致伸东聚电子有限公司**  
**致伸科技(重庆)有限公司**

统一社会信用代码: 914419006177619098  
 注册地址: 广东省东莞市石碣镇石碣南路135号  
 经营地址: 中国广东省东莞市石碣镇石碣南路135号

的管理体系已经过审核, 并被证明符合下述要求

**ISO 45001:2018**

所涉及的活动范围覆盖

输入设备 (包括指纹识别模组、键盘、鼠标 (滑鼠)、轨迹板、光学模块、光学触控模块、游戏手柄)、  
 摄像头模块、车用摄像头、蓝牙/可携式与可移动 (穿戴式) 设备配件、充电器 (仅供出口)、扫描仪 (仅  
 供出口)、打印机 (仅供出口)、多功能事务机 (仅供出口)、家庭办公自动化产品 (仅供出口)、耳机、智慧  
 遥控产品、手机消毒器、智能门锁的制造  
 输入设备、绘图板、轨迹板、键盘模块、键盘、光学模块的设计与制造  
 输入设备、鼠标、键盘、键盘模块、简报设备、平板专属键盘、扩展坞、触控板模块、游戏鼠标垫、无线充  
 电器、遥控器的设计与制造

该证书的有效期自 2022 年 12 月 19 日 至 2025 年 12 月 18 日并须经过符合要求的监督审核保持有效  
 版本号 4, 初始注册日期 2019 年 12 月 13 日  
 在此范围内出具了多张证书, 主证书编号为 CN19/32211.00  
 在其他场所实施的认证活动在后续页面上列出

署名  
 Jonathan Hall  
 Global Head -  
 Certification Services  
 SGS United Kingdom Ltd  
 Rossmore Business Park, Ellesmere Port, Cheshire, CH65 3EN, UK  
 t +44 (0)151 350-6666 - www.sgs.com



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Certificate TW19/10729

The Energy management system of

**Primax Electronics Ltd.**

No. 669, Ruay Kuang Road, Nanh, Taipei, Taiwan, R.O.C.

has been assessed and certified as meeting the requirements of

**ISO 50001:2018**

For the following activities

The registration covers design of input devices, mouse, camera module, tablet, track pad, keyboard, keyboard module, web  
 camera, smart remote product, stylus, presenter, e-disc, joystick, shaker, optical film and touch module, system products, digital  
 imaging products, print and facsimile function products, analog/digital data communications equipment, wireless analog/digital data  
 communications equipment, mobile computing products, scanner, multi-function printer, automatic document feeder, automatic  
 stapler, home office automatic products, blue tooth/portable & mobile device accessories, image accessories, power charger,  
 telephone accessories, battery charger, audio products, wireless charging module, wireless kit, IP cam, action cam, wireless audio  
 amplifier, printer, thermal printer, POS accessory, cash register fiscal, smart voice assistant, fingerprint module, automotive  
 electronics, optical modules, Gaming controller (gamepad) and mousepad, Phone sanitizer and Smart Door lock, Docking,  
 Clickpad Module, Gaming Mouse Pad, Wireless Charger, Remote Controller, floor camera, body camera, gaming headset,  
 surveillance camera, wearable air purifier, feet sensor, feet gateway, feet asset tracker

This certificate is valid from 18 December 2022 until 18 December 2025 and remains valid subject to satisfactory surveillance audits.  
 Issue 1. Certified since 18 December 2019

Authorized by  
 Jonathan Hall  
 Global Head -  
 Certification Services  
 SGS United Kingdom Ltd  
 No. 130-7, 4th, 4/Fong Road, New Taipei Industrial Park, Neihu District, New Taipei City 24603, Taiwan  
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Certificate TW22/00000993

The management system of

**Primax Electronics Ltd.**

No. 669, Ruay Kuang Road, Nanh, Taipei, Taiwan, R.O.C.

has been assessed and certified as meeting the requirements of

**ISO 14001:2015**

For the following activities

The registration covers design of input devices, mouse, camera module, tablet, track pad, keyboard, keyboard module, web  
 camera, smart remote product, stylus, presenter, e-disc, joystick, shaker, optical film and touch module, system products, digital  
 imaging products, print and facsimile function products, analog/digital data communications equipment, wireless analog/digital data  
 communications equipment, mobile computing products, scanner, multi-function printer, automatic document feeder, automatic  
 stapler, home office automatic products, blue tooth/portable & mobile device accessories, image accessories, power charger,  
 telephone accessories, battery charger, audio products, wireless charging module, wireless kit, IP cam, action cam, wireless audio  
 amplifier, printer, thermal printer, POS accessory, cash register fiscal, smart voice assistant, fingerprint module, automotive  
 electronics, optical modules, Gaming controller (gamepad) and mousepad, Phone sanitizer and Smart Door lock, Docking,  
 Clickpad Module, Gaming Mouse Pad, Wireless Charger, Remote Controller, floor camera, body camera, gaming headset,  
 surveillance camera, wearable air purifier, feet sensor, feet gateway, feet asset tracker

This certificate is valid from 26 October 2022 until 26 October 2025 and remains valid subject to satisfactory surveillance audits.  
 Issue 1. Certified since 26 October 2022

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 Global Head - Certification Services  
 SGS United Kingdom Ltd  
 Rossmore Business Park, Ellesmere Port, Cheshire, CH65 3EN, UK  
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聲明書編號 TW22/0000993G

**溫室氣體查驗聲明書**

2021 年溫室氣體排放資訊

**致伸科技股份有限公司**

台灣台北市內湖區瑞光路 609 號

經本公司組織 ISO 14064-3:2006 完成查驗並符合下列標準要求

**ISO 14064-1:2018**

直接溫室氣體排放量  
**173,0599** 公噸二氧化碳當量  
 間接溫室氣體排放量  
**21,159,1855** 公噸二氧化碳當量  
 直接與間接溫室氣體排放量  
**21,332,241** 公噸二氧化碳當量

簽署人:  
 黃世忠  
 資深副總裁  
 日期: 2022年04月11日  
 版本: 1

TQM06-15-3 2107  
 台灣致伸科技股份有限公司  
 台北市內湖區瑞光路 609 號 13F-1 樓  
 1 (02) 22963079 / (02) 22969453 www.sgs.com




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第 1 頁 共 1 頁

聲明書編號 TW22/00075WFP

**水足跡查證聲明書**

查證標的  
 結構水足跡

以上之計畫由

**致伸科技股份有限公司**

台灣台北市內湖區瑞光路 609 號

本公司確認以生命週期評估數據為基礎  
 完成查驗並符合下列標準要求

**ISO 14046:2014**

生命週期評估數據  
 企業對企業

簽署人:  
 黃世忠  
 資深副總裁  
 日期: 2022年04月12日

TQM06-15-3 2107  
 台灣致伸科技股份有限公司  
 台北市內湖區瑞光路 609 號 13F-1 樓  
 (02) 22963079 / (02) 22969453  
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**PRIMAX**

**Primax Electronics Ltd.**

**Chairman and General Manager**  
**Liang, Li-Sheng**

