

LEADTEK RESEARCH INC. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

Address: 18F., No.166, Jian 1st Rd., Zhonghe Dist., New Taipei City 235603, Taiwan
Telephone: (02)8226-5800

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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~10
(4) Summary of significant accounting policies	10~31
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	31~32
(6) Explanation of significant accounts	32~67
(7) Related-party transactions	67~70
(8) Pledged assets	70
(9) Commitments and contingencies	70
(10) Losses Due to Major Disasters	70
(11) Subsequent Events	70
(12) Other	71
(13) Other disclosures	
(a) Information on significant transactions	71~73
(b) Information on investees	74
(c) Information on investment in mainland China	75
(d) Major shareholders	76
(14) Segment information	76~78

Representation Letter

The entities that are required to be included in the combined financial statements of LEADTEK Research Inc. 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, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, LEADTEK Research Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: LEADTEK Research Inc.

Chairman: K.S. Lu

Date: March 15, 2023



安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話	Tel	+ 886 2 8101 6666
傳真	Fax	+ 886 2 8101 6667
網址	Web	kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of LEADTEK Research Inc.:

Opinion

We have audited the consolidated financial statements of LEADTEK Research Inc. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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.

1. Valuation of inventories

Please refer to notes 4(h) of the notes to consolidated financial statements for the accounting policy on measuring inventory, notes 5 for assumptions used and uncertainties considered in determining the net realizable value and the evaluation of inventory. Information of estimation of the valuation of inventory are disclosed in Note 6(e) of the consolidated financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost or net realizable value at the reporting date. The rapid technological innovations may lead to obsolete inventories and unmarketable items; Consequently, the carrying value of inventories may be lower than the net realized value. These factors expose the Group to significant level of uncertainty particularly in the area of estimating net realizable value, which is subject to management's judgments. Therefore, the valuation of inventories has been identified as one of the key audit matters. Consequently, inventory valuation is one of our key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, evaluate the adherence to the Group's provisions policy of inventory write downs or obsolete inventories and if such policy is in compliance with the accounting policies. The possible impact of the COVID-19 outbreak were also considered. In order to verify the reasonableness of the net realizable value of inventories estimated by the Group, our key audit procedures included inspecting the Group's inventory aging reports, analyzing the change of inventory aging, as well as verifying the inventory aging reports and the calculation of lower of cost or net realizable value.

Other Matter

LEADTEK Research Inc. 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 unqualified opinion.

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, interpretation 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 the Group 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 the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Szu-Chuan Chien and Kuan-Ying Kuo.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2023

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

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

LEADTEK RESEARCH INC. AND SUBSIDIARIES**Consolidated Balance Sheets****December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 236,872	12	476,876	24	2100	Current borrowings (notes (6)(l), (7) and (8))	\$ 725,635	36	400,349	20
1110	Current financial assets at fair value through profit or loss (note (6)(b))	4,346	-	4,965	-	2170	Notes and accounts payable	179,226	9	229,028	11
1150	Notes receivable, net (note (6)(c))	-	-	10,508	1	2200	Other payables (note (7))	307,805	15	370,722	18
1170	Accounts receivable, net (note (6)(c))	368,625	18	402,575	20	2130	Current contract liabilities (notes (6)(u) and (7))	58,295	3	35,917	2
1200	Other receivables (notes (6)(d) and (7))	1,011	-	9	-	2250	Current provisions (note (6)(n))	9,556	-	14,482	1
130X	Inventories (notes (6)(e) and (8))	880,467	43	651,339	32	2280	Current lease liabilities (note (6)(o))	19,411	1	18,645	1
1421	Prepayments to suppliers	37,440	2	127,555	6	2399	Other current liabilities	2,510	-	2,572	-
1476	Other current financial assets (note (8))	78,000	4	52,996	3	2320	Long-term liabilities, current portion (notes (6)(m), (7) and (8))	<u>72,722</u>	<u>4</u>	<u>73,121</u>	<u>4</u>
1479	Other current assets	<u>22,744</u>	<u>1</u>	<u>14,615</u>	<u>1</u>			<u>1,375,160</u>	<u>68</u>	<u>1,144,836</u>	<u>57</u>
		<u>1,629,505</u>	<u>80</u>	<u>1,741,438</u>	<u>87</u>	Non-Current liabilities:					
Non-current assets:						2540	Non-current portion of non-current borrowings (notes (6)(m), (7) and (8))	52,083	3	102,436	5
1550	Investments accounted for using equity method, net (note (6)(f))	3,997	-	3,828	-	2527	Non-current contract liabilities (note (6)(u))	54,336	3	-	-
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	30,100	1	-	-	2645	Guarantee deposits received	2,668	-	2,890	-
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(b))	5,844	-	7,357	-	2570	Deferred tax liabilities (note (6)(r))	1,953	-	399	-
1600	Property, plant and equipment (notes (6)(h) and (8))	192,806	10	193,692	10	2580	Non-current lease liabilities (note (6)(o))	<u>32,934</u>	<u>1</u>	<u>9,271</u>	<u>1</u>
1755	Right-of-use assets (note (6)(i))	49,958	3	26,741	1			<u>143,974</u>	<u>7</u>	<u>114,996</u>	<u>6</u>
1780	Intangible assets (note (6)(j))	5,844	-	5,596	-	Total liabilities		<u>1,519,134</u>	<u>75</u>	<u>1,259,832</u>	<u>63</u>
1975	Net defined benefit asset, non-current (note (6)(q))	14,379	1	11,939	1	Equity :					
1840	Deferred tax assets (note (6)(r))	76,156	4	5,196	-	Share capital:					
1990	Other non-current assets (notes (6)(k) and (7))	<u>19,657</u>	<u>1</u>	<u>16,457</u>	<u>1</u>	3100	Ordinary Share (note (6)(s))	589,460	29	535,873	27
		<u>398,741</u>	<u>20</u>	<u>270,806</u>	<u>13</u>	3200	Capital surplus (note (6)(s))	475	-	475	-
						3310	Legal reserve	22,787	1	-	-
						3350	Unappropriated retained earnings (accumulated deficit) (note (6)(s))	(95,862)	(5)	227,868	11
						3400	Other equity interest	<u>(6,725)</u>	<u>-</u>	<u>(10,664)</u>	<u>(1)</u>
						Total equity attributable to owners of parent:		<u>510,135</u>	<u>25</u>	<u>753,552</u>	<u>37</u>
						36XX	Non-controlling interests	<u>(1,023)</u>	<u>-</u>	<u>(1,140)</u>	<u>-</u>
						Total equity		<u>509,112</u>	<u>25</u>	<u>752,412</u>	<u>37</u>
						Significant contingent liabilities and unrecognized commitments (note (9))					
Total assets		\$ <u>2,028,246</u>	<u>100</u>	<u>2,012,244</u>	<u>100</u>	Total liabilities and equity		\$ <u>2,028,246</u>	<u>100</u>	<u>2,012,244</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

LEADTEK RESEARCH INC. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		2022		2021	
		Amount	%	Amount	%
4100	Operating revenue (notes (6)(u) and (7))	\$ 5,311,418	100	8,823,056	100
5000	Operating costs (notes (6)(e), (6)(n), (6)(q) and (12))	<u>4,704,607</u>	<u>89</u>	<u>7,253,418</u>	<u>82</u>
5900	Gross profit (loss) from operations	<u>606,811</u>	<u>11</u>	<u>1,569,638</u>	<u>18</u>
6000	Operating expenses (notes (6)(c), (6)(q) and (12)):				
6100	Selling expenses	452,085	8	649,953	8
6200	Administrative expenses	111,575	2	159,893	2
6300	Research and development expenses	188,631	4	205,619	2
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	<u>6,782</u>	<u>-</u>	<u>703</u>	<u>-</u>
		<u>759,073</u>	<u>14</u>	<u>1,016,168</u>	<u>12</u>
6900	Net operating income (loss)	<u>(152,262)</u>	<u>(3)</u>	<u>553,470</u>	<u>6</u>
7000	Non-operating income and expenses:				
7020	Other gains and losses (note (6)(w))	28,066	-	8,567	-
7100	Interest income	2,105	-	2,343	-
7271	Reversal of impairment loss recognised in profit or loss, financial assets (note (6)(d))	-	-	444	-
7279	Reversal of impairment loss recognised in profit or loss, others (note (6)(k))	-	-	514	-
7050	Finance costs	(25,442)	-	(14,855)	-
7230	Foreign exchange losses	(53,383)	(1)	(5,132)	-
7235	Gains on financial assets (liabilities) at fair value through profit or loss	(620)	-	78	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (note (6)(f))	<u>113</u>	<u>-</u>	<u>133</u>	<u>-</u>
		<u>(49,161)</u>	<u>(1)</u>	<u>(7,908)</u>	<u>-</u>
7900	Profit (loss) from continuing operations before tax	<u>(201,423)</u>	<u>(4)</u>	<u>545,562</u>	<u>6</u>
7950	Less: Tax expense (income) (note (6)(r))	<u>(5,717)</u>	<u>-</u>	<u>110,933</u>	<u>1</u>
	Profit (loss)	<u>(195,706)</u>	<u>(4)</u>	<u>434,629</u>	<u>5</u>
8300	Other comprehensive income :				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (note (6)(q))	2,555	-	770	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(1,513)	-	1,530	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(r))	<u>511</u>	<u>-</u>	<u>154</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>531</u>	<u>-</u>	<u>2,146</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	6,763	-	(1,440)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss (note (6)(f))	<u>56</u>	<u>-</u>	<u>(28)</u>	<u>-</u>
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(r))	<u>1,357</u>	<u>-</u>	<u>(293)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>5,462</u>	<u>-</u>	<u>(1,175)</u>	<u>-</u>
8300	Other comprehensive income	<u>5,993</u>	<u>-</u>	<u>971</u>	<u>-</u>
	Total comprehensive income	<u>\$ (189,713)</u>	<u>(4)</u>	<u>435,600</u>	<u>5</u>
	Profit (loss), attributable to:				
8610	Profit (loss), attributable to owners of parent	\$ (195,813)	(4)	435,256	5
8620	Profit (loss), attributable to non-controlling interests	<u>107</u>	<u>-</u>	<u>(627)</u>	<u>-</u>
		<u>\$ (195,706)</u>	<u>(4)</u>	<u>434,629</u>	<u>5</u>
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	\$ (189,830)	(4)	436,228	5
8720	Comprehensive income, attributable to non-controlling interests	<u>117</u>	<u>-</u>	<u>(628)</u>	<u>-</u>
		<u>\$ (189,713)</u>	<u>(4)</u>	<u>435,600</u>	<u>5</u>
	Earnings per share (note (6)(t))				
9750	Basic earnings per share	<u>\$ (3.32)</u>		<u>7.38</u>	
9850	Diluted earnings per share	<u>\$ (3.32)</u>		<u>7.37</u>	

See accompanying notes to consolidated financial statements.

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

LEADTEK RESEARCH INC. AND SUBSIDIARIES**Consolidated Statements 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								
	Other equity interest								
			Retained earnings			Unrealized gains			
			Unappropriated	Exchange		(losses) on financial			
	Ordinary	Capital	retained earnings	differences on	other	assets measured at	Total equity	Non-controlling	Total equity
	shares	surplus	(accumulated	translation of	comprehensive	fair value through	attributable to	interests	
			deficit)	foreign financial	income	other	owners of parent		
				statements					
Balance on January 1, 2021	\$ 535,873	473	(208,004)	3,343	(14,363)		317,322	(510)	316,812
Profit	-	-	435,256	-	-		435,256	(627)	434,629
Other comprehensive income	-	-	616	(1,174)	1,530		972	(1)	971
Total comprehensive income	-	-	435,872	(1,174)	1,530		436,228	(628)	435,600
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	2	-	-	-		2	-	2
Changes in non-controlling interests	-	-	-	-	-		-	(2)	(2)
Balance on December 31, 2021	535,873	475	227,868	2,169	(12,833)		753,552	(1,140)	752,412
Profit (loss)	-	-	(195,813)	-	-		(195,813)	107	(195,706)
Other comprehensive income	-	-	2,044	5,452	(1,513)		5,983	10	5,993
Total comprehensive income	-	-	(193,769)	5,452	(1,513)		(189,830)	117	(189,713)
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	22,787	(22,787)	-		-	-	-
Cash dividends of ordinary share	-	-	(53,587)	-	-		(53,587)	-	(53,587)
Stock dividends of ordinary share	53,587	-	(53,587)	-	-		-	-	-
Balance at December 31, 2022	\$ 589,460	475	22,787	(95,862)	7,621	(14,346)	510,135	(1,023)	509,112

See accompanying notes to consolidated financial statements.

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

LEADTEK RESEARCH INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	2022	2021
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ (201,423)	545,562
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	42,627	38,396
Amortization expense	7,170	4,240
Expected credit loss (gain)	6,782	703
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	620	(78)
Interest expense	25,442	14,855
Interest income	(2,105)	(2,343)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(113)	(133)
Loss (gain) on disposal of property, plant and equipment	(236)	19
Reversal of impairment loss on financial assets	-	(444)
Profit from lease modification	(230)	-
Total adjustments to reconcile profit (loss)	79,957	55,215
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fair value	(1)	(2,907)
Decrease (increase) in notes and accounts receivable	10,508	(8,764)
Decrease (increase) in accounts receivable	27,162	(157,663)
Decrease (increase) in other receivables	(1,002)	836
Decrease (increase) in inventories	(229,114)	(184,937)
Decrease (increase) in prepayments	90,115	164,201
Decrease (increase) in other current assets	(8,116)	1,138
Decrease (increase) in other operating assets	115	141
Total changes in operating assets	(110,333)	(187,955)
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	76,714	(421,821)
Increase (decrease) in notes and accounts payable	(49,802)	62,717
Increase (decrease) in other payable and other current liabilities	(50,793)	167,157
Increase (decrease) in provisions	(4,926)	110
Total changes in operating liabilities	(28,807)	(191,837)
Total changes in operating assets and liabilities	(139,140)	(379,792)
Total adjustments	(59,183)	(324,577)
Cash inflows (outflows) generated from operations	(260,606)	220,985
Interest received	2,105	2,351
Interest paid	(22,948)	(14,800)
Income taxes refund (paid)	(80,251)	(86,684)
Net cash flows from (used in) operating activities	(361,700)	121,852
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(3,695)
Acquisition of financial assets at fair value through profit or loss	(30,100)	-
Acquisition of property, plant and equipment	(15,553)	(13,612)
Proceeds from disposal of property, plant and equipment	352	3
Increase (decrease) in refundable deposits	(2,500)	7,146
Acquisition of intangible assets	(7,418)	(5,637)
Increase (decrease) in prepayments for business facilities	(1,768)	389
Increase (decrease) in restricted assets	(25,004)	5,528
Net cash flows from (used in) investing activities	(81,991)	(9,878)
Cash flows from (used in) financing activities:		
Increase in short-term loans	324,682	76,278
Proceeds from long-term loans	30,000	125,000
Repayments of long-term debt	(80,752)	(107,880)
Increase (decrease) in guarantee deposits received	(222)	335
Payment of lease liabilities	(23,778)	(23,590)
Cash dividends paid	(53,587)	-
Net cash flows from (used in) financing activities	196,343	70,143
Effect of exchange rate changes on cash and cash equivalents	7,344	(1,772)
Net increase (decrease) in cash and cash equivalents	(240,004)	180,345
Cash and cash equivalents at beginning of period	476,876	296,531
Cash and cash equivalents at end of period	\$ 236,872	476,876

See accompanying notes to consolidated financial statements.

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

LEADTEK RESEARCH INC. 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

LEADTEK Research Inc. (the “Company”) was established on October, 1986, by the approval of Ministry of Economic Affairs under the Company Law, the main business line is design, manufacture and sale of computers, communication equipment, telecommunication equipment and peripherals. The consolidated financial statements of the Company as at and for the year ended December 31, 2022, comprised the Company and subsidiaries (together referred to as “the Group”). Please refer to Note 4(c) for the Group’s main businesses.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issue by the Board of Directors on March 15, 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 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”

- (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”

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (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:

Standards or Interpretations	Content of amendment	Effective date per IASB
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

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”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- Amendments to 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 financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts in the statement of financial position, the consolidated financial statements have been prepared on the 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;
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(r).

(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 (NTD), which is the Company's functional currency. All financial information presented in NTD 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 subsidiaries. Subsidiaries are entities controlled by the Company. The Company 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions, are eliminated in preparing the consolidated financial statements. The Company attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Company will attribute it to the owners of the parent.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

When the Group loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary as well as any related non-controlling interests. Any interest retained in the former subsidiary is measured at fair value at the date when control is lost. 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) and 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

List of the subsidiaries included in the consolidated financial statements:

Name investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2022	December 31, 2021	
The Company	Leadtek Holding Inc. (LR BVI)	Investment Holding	100.00 %	100.00 %	
The Company	Leadtek Japan (LR JPY)	Responsible for the marketing and after-sales services of the Company's products in the Japanese market	100.00 %	100.00 %	Note 1
The Company	Leadhope International Inc. (Leadhope International)	Agent, broker, trader and operator of software	71.36 %	71.36 %	
The Company	Wegene Technology Inc.(Wegene)	Research, development, commission and sell medical equipment and health food products	100.00 %	100.00 %	
The Company	Samoa Wegene Technology Inc. (Samoa Wegene)	Investment Holding	100.00 %	100.00 %	
The Company	Airborn AI Co., Ltd. (Airborn AI)	Computer equipment installation and data processing	100.00 %	100.00 %	
LR BVI	Leadtek Research Inc. (Leadtek Shanghai)	Responsible for the marketing and after-sales services of the Company's products in the Chinese mainland market	100.00 %	100.00 %	
Leadhope International	Leadhope (H.K.) Limited (Leadhope (H.K.))	Agent, broker, trader and operator of software	100.00 %	100.00 %	
Samoa Wegene	Shenyang Wegene Technology Inc. (Shenyang Wegene)	Manufacture and sale of medical equipment	100.00 %	100.00 %	

Note 1: The Company acquired the equity interest in Leadtek Japan (LR JPY) at nil from non-related party in November, 2021, thereby increasing the Company's shareholding in Leadtek Japan (LR JPY) from 99.97% to 100%.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies transactions are translated into the functional currencies of 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 the 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 the 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.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income :

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(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 at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rates. All resulting exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence 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 interests. For a partial disposal of the Group's ownership interest in an associate, the proportionate share of the accumulated exchange differences in equity 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. Exchange differences arising from such a monetary item that are considered to form part of net investment in the foreign operation, 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 (as defined in IAS 7) 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.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

An entity shall classify a liability as current when:

- (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) The Group 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 comprises cash on hand and demand deposits. Cash equivalents is 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 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

Trade receivables and debt securities issued 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 a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade 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 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) – debt investment; FVOCI – equity investment; or 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

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 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)

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

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.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss 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.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) 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)

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) 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, amortized costs, notes and trade receivables, other receivable, long-term receivable, guarantee deposit paid and other financial assets), and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- other debt securities and 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 trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

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 Group is exposed to credit risk.

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 and debt securities at FVOCI 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:

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 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 a financial asset in its entirety or a portion thereof. For corporate customers, 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.

7) Derecognition of financial assets

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

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.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Equity instrument

An equity instrument is any contract that evidences 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.

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 expire. 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.

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 set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

The cost of inventories includes all necessary expenditures and charges for bringing the inventory to their present location and condition. The cost is determined using the weighted-average method. Fixed manufacturing overhead is allocated to finished products and work in process based on the normal capacity, but if the actual capacity does not differ significantly from the normal capacity, such cost will be allocated based on actual production volume and the variable manufacturing costs are allocated on the basis of actual capacity. Subsequently, measured at lower of cost or net realizable value on a case-by-case basis. The net realized value is calculated on the basis of the estimated selling price under normal operations at the balance sheet date less the cost of completion and selling expenses.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Non-current assets held for sale & Discontinued operations

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Group's accounting policies. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(j) 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 those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts 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 the 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 (or retained earnings) on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) (or retained earnings) when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost 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.

(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 is not depreciated.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings: 25~55years
- 2) Molding equipment: 2~5 years
- 3) Machinery and Equipment: 1~5 years

Factory and equipment constitute mainly factory building, air conditioner and elevator facilities. Each such part depreciates based on its useful life.

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(l) Leases

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.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payment;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- 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 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 that have a lease term of 12 months or less 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.

For sale-and-leaseback transactions, the Group applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Group derecognizes the transferred asset, then measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. For leaseback transaction, the Group applies the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Group continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

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:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- there is no substantive change in 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.

(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.

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 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 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.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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) Goodwill and trademarks: | 5~6 years |
| 2) Computer software, cost: | 1~5 years |
| 3) Gaming software royalties: | 1~5 years |
| 4) Patents are amortized over the shorter of contract period, other licensing terms or estimated useful lives of 10 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 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 cash-generating units (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 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.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pretax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is weighting factors based on historical experience of warranty claims rate and other possible outcomes against their associated probabilities.

(p) Revenue from contracts with customers

(i) 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.

1) Sale of goods

The Group manufactures and sells electronic products to downstream vendor. Revenue is recognized when the control over a product has been transferred to the customer. 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 provides standard warranties for goods sold and has obligation to refund payments for defective goods, in which the Group has recognized provisions for warranties to fulfill the obligation.

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.

2) Royalty income

If the nature of the Group's license commitment to the Customer is to provide Customer with access to the software and corporate intellectual property throughout the license duration, revenue is recognized by step-by-step method based on the agreement period.

If the nature of the Group's license commitment to the customer is to provide the customer with the right to use the corporate intellectual property that already exists at the time of the license, revenue is recognized when license is transferred to the customer.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Revenue from service rendered

The Group recognizes revenue from providing services 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. The proportion of services provided is determined based on the rendered services to date as a proportion of the total estimated rendered services of the transaction.

4) 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.

(q) Contract costs

(i) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred, regardless of whether the contract was obtained, shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less.

(ii) Costs to fulfill a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria: the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as related services are provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Group's net obligation in respect of 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.

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, 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.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits referred to the termination of employment contract by the Group of an employee or group of employees prior to the original retirement date, or provision of termination benefits to encourage employees to voluntarily accept laid off. The earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognizes costs for a restructuring should be recognized as expense. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(s) Income taxes

Income taxes comprise 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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

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.

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 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, and reflect uncertainty related to income taxes.

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

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 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.

A deferred tax asset should be 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 profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

The surtax on unappropriated earnings is recorded as current tax expense in the following year after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

(t) **Business combination**

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All the transaction costs incurred for the business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling equity interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation. Other non-controlling interest are measured at their acquisition date fair values, unless another measurement basis is required by IFRSs endorsed by F.S.C.

For each business combination, noncontrolling equity interest is measured either at fair value at acquisition date or at the share of the acquirer's identifiable net assets in each acquisition. For each business combination, noncontrolling equity interest is measured either at fair value at acquisition date or at the share of the acquirer's identifiable net assets in each acquisition.

In a business combination achieved in batches, the previously held equity interest in the acquiree at its acquisition date fair value is remeasured, and the resulting gain or loss, if any, is recognized in profit or loss. In prior reporting periods, the acquirer may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group's financial statements. During the measurement period, the provisional amounts recognized are retrospectively adjusted at the acquisition date, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(u) Earnings per share

The Group disclose the Company's basic and diluted earnings (loss) per share attributable to ordinary equity holders of the Group. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of current ordinary shares outstanding. Diluted earnings (loss) per share is calculated as 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 potential dilutive ordinary shares.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur 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 Taiwan-IFRSs 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 next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows: None

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.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As inventories are stated at the lower of cost or net realizable value and the inventory cost are write down 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 changes, there may be significant differences in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	\$ 120	155
Checking account deposits	2,340	3,933
Demand deposits	<u>234,412</u>	<u>472,788</u>
	<u>\$ 236,872</u>	<u>476,876</u>

Refer to Note (6)(x) for the sensitivity analysis and interest rate risk of the financial assets of the Group.

(b) Financial assets

	December 31, 2022	December 31, 2021
Non derivative financial assets mandatorily measured at fair value through profit or loss-current		
Beneficiary certificates–fund	\$ 4,346	4,965
Non derivative financial assets mandatorily measured at fair value through profit or loss-non-current		
Foreign convertible bonds	30,100	-
Investments in equity instruments designated at fair value through other comprehensive income-non-current		
Unlisted common shares	<u>5,844</u>	<u>7,357</u>
	<u>\$ 40,290</u>	<u>12,322</u>

In September 2022, the Group purchased the convertible corporate bonds issued by H3 Platform Inc. amounting to \$30,100, classified as financial assets mandatorily measured at fair value through profit or loss.

The purpose that the Group invests in the aforementioned equity securities is for long term strategies rather than for trading. Therefore, these equity securities have been designated as at FVOCI.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No strategic investments were disposed for the years ended December 31, 2022 and 2021, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Refer to Note 6(x) for credit and market risk information.

As of December 31, 2022 and 2021, the financial assets were not pledged.

(c) Notes and accounts receivable (including related parties)

	December 31, 2022	December 31, 2021
Notes receivables from operating activities	\$ -	10,508
Accounts receivables—measured at amortized cost	378,027	405,508
Less: Allowance for uncollectible accounts	<u>(9,402)</u>	<u>(2,933)</u>
	<u>\$ 368,625</u>	<u>413,083</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics of trade credit insurance and the days past due, as well as incorporated forward looking information, including the macroeconomic and related industrial information. The loss allowance provisions were determined as follows:

	December 31, 2022		
Aging Range	Book value of accounts and notes receivable	Lifetime expected credit losses rate	Loss allowance provision
0~ 90 days	\$ 301,021	0.20%	600
91~ 120 days	1,770	2.00%	36
121~ 180 days	73,690	10.00%	7,369
181~ 365 days	297	50%	148
More than 366 days	<u>1,249</u>	100%	<u>1,249</u>
	<u>\$ 378,027</u>		<u>9,402</u>

	December 31, 2021		
Aging Range	Book value of accounts and notes receivable	Lifetime expected credit losses rate	Loss allowance provision
0~ 90 days	\$ 413,028	0.22%	893
91~ 120 days	905	2.00%	18
121~ 180 days	37	10.00%	3
181~ 365 days	55	50.22%	28
More than 366 days	<u>1,991</u>	100%	<u>1,991</u>
	<u>\$ 416,016</u>		<u>2,933</u>

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	2022	2021
Balance at January 1	\$ 2,933	7,009
Impairment losses recognized	6,782	703
Amounts written off	(319)	(4,768)
Foreign exchange gains/(losses)	6	(11)
Balance at December 31	<u><u>\$ 9,402</u></u>	<u><u>2,933</u></u>

For further credit risk information, please refers to note 6(x).

The Group entered into an agreement with bank of Beijing to factor certain of its accounts receivable without recourse. According to the agreement, within the factoring line, the Group apply accounts receivable factoring on Bank of Beijing's platform and does not have to ensure the ability of debtors to pay when transferring the rights and obligations. The transaction belongs to factoring without recourse. Upon transferring the debtor's right of accounts receivable, the Group acquires the accounts receivable, less interest paid at the agreed rate between the transfer date and the payment date by the customer. The Group derecognized the above accounts receivables, for meeting the requirements of derecognition of financial assets as transferring substantially all of the risks and rewards of their ownership, and not having any continuing involvement in them. As of December 31, 2022 and 2021, accounts receivable factored were recovered.

December 31, 2022					
Purchaser	Accounts receivable factored	Facility limit	Amount advanced (amount derecognized)	Range of Interest rate	Items of collateral provided
Bank of Beijing	\$ -	132,240	-	5.22%	None

December 31, 2021					
Purchaser	Accounts receivable factored	Facility limit	Amount advanced (amount derecognized)	Range of Interest rate	Items of collateral provided
Bank of Beijing	\$ -	130,320	-	5.22%	None

(d) Other receivables

	December 31, 2022	December 31, 2021
Other receivables due from related parties	\$ 26,596	28,024
Other receivables	1,011	9
Less: Allowance for uncollectible accounts	(26,596)	(28,024)
	<u><u>\$ 1,011</u></u>	<u><u>9</u></u>

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The movements in the loss allowance for other receivables were as follows:

	2022	2021
Balance at January 1	\$ 28,024	41,553
Write-offs of uncollectible amount for the period	(1,428)	(13,085)
Impairment losses recognized (reversed)	-	(444)
Balance at December 31	<u><u>\$ 26,596</u></u>	<u><u>28,024</u></u>

For further credit risk information, please refers to note 6(x).

(e) Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$ 106,039	108,858
Work in progress / Semi-finished goods	743,571	508,624
Finished goods	30,857	33,857
	<u><u>\$ 880,467</u></u>	<u><u>651,339</u></u>

The components of inventory expense for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Write-down of inventories (reversal gains)	<u><u>\$ 220,996</u></u>	<u><u>20,661</u></u>

None of the inventories held by the Group was pledged collateral as of December 31, 2022 and 2021.

(f) Investments accounted for using equity method

- (i) A summary of the Group's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2022	December 31, 2021
Associates	<u><u>\$ 3,997</u></u>	<u><u>3,828</u></u>

- (ii) Aggregate financial information of associates that were not individually material was summarized as follows. The financial information was included in the Group's consolidated financial statements.

	December 31, 2022	December 31, 2021
Carrying amount of individually immaterial associate	<u><u>\$ 3,997</u></u>	<u><u>3,828</u></u>

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>2022</u>	<u>2021</u>
The Group's share of the net income (loss) of associates:		
Net profit (loss) from continuing operations	\$ 113	133
Other comprehensive income	<u>56</u>	<u>(28)</u>
Total comprehensive income	<u>\$ 169</u>	<u>105</u>

(iii) Contingent liabilities

The Group does not have any contingent liabilities in the associates jointly with other investors or any contingent liabilities arising from severally liable of the liabilities of the associates.

(iv) Collateral

As of December 31, 2022 and 2021, the investments accounted for using equity method were not pledged as collateral.

(g) Changes in ownership interest in a subsidiary

(i) For the year ended December 31, 2022, the Group's shareholding ratio in its subsidiary, Leadhope International Inc.(Leadhope International), who had its capital reduction in July 2022, remained unchanged.

(ii) The acquisition of additional equity in the subsidiary

The Group acquired the equity interest in Leadtek Japan (LR JPY) at nil from non-related party in November, 2021, thereby increasing the Group's shareholding in Leadtek Japan (LR JPY) from 99.97% to 100%.

The following summarizes the effect of changes in equity of the parent due to changes in the ownership interest of subsidiaries:

Carrying amount of non-controlling interests acquired	\$ <u>2</u>
Capital surplus-difference between the consideration and the carrying amount of subsidiaries' share acquired or disposed	\$ <u><u>2</u></u>

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Property, Plant and Equipment

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

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Office and other equipment</u>	<u>Total</u>
Cost:					
Balance on January 1, 2022	\$ 130,582	99,103	225,957	36,372	492,014
Additions	-	2,565	11,483	1,505	15,553
Disposal	-	-	(2,379)	(986)	(3,365)
Reclassifications	-	-	551	-	551
Effect of movements in exchange rates	-	-	-	109	109
Balance on December 31, 2022	<u>\$ 130,582</u>	<u>101,668</u>	<u>235,612</u>	<u>37,000</u>	<u>504,862</u>
Balance on January 1, 2021	\$ 130,582	95,467	222,490	35,502	484,041
Additions	-	3,636	8,412	1,564	13,612
Disposal	-	-	(7,276)	(643)	(7,919)
Reclassifications	-	-	2,337	-	2,337
Effect of movements in exchange rates	-	-	(6)	(51)	(57)
Balance on December 31, 2021	<u>\$ 130,582</u>	<u>99,103</u>	<u>225,957</u>	<u>36,372</u>	<u>492,014</u>
Depreciation and impairments losses:					
Balance on January 1, 2022	\$ -	56,286	211,639	30,397	298,322
Depreciation	-	3,934	9,592	3,882	17,408
Disposal	-	-	(2,379)	(870)	(3,249)
Reclassifications	-	-	(503)	-	(503)
Effect of movements in exchange rates	-	-	-	78	78
Balance on December 31, 2022	<u>\$ -</u>	<u>60,220</u>	<u>218,349</u>	<u>33,487</u>	<u>312,056</u>
Balance on January 1, 2021	\$ -	52,929	211,324	26,878	291,131
Depreciation	-	3,357	7,598	4,176	15,131
Disposal	-	-	(7,276)	(621)	(7,897)
Effect of movements in exchange rates	-	-	(7)	(36)	(43)
Balance on December 31, 2021	<u>\$ -</u>	<u>56,286</u>	<u>211,639</u>	<u>30,397</u>	<u>298,322</u>
Carrying amounts:					
Balance on December 31, 2022	<u>\$ 130,582</u>	<u>41,448</u>	<u>17,263</u>	<u>3,513</u>	<u>192,806</u>
Balance on January 1, 2021	<u>\$ 130,582</u>	<u>42,538</u>	<u>11,166</u>	<u>8,624</u>	<u>192,910</u>
Balance on December 31, 2021	<u>\$ 130,582</u>	<u>42,817</u>	<u>14,318</u>	<u>5,975</u>	<u>193,692</u>

The Group leased the part of office building for administrative purposes and rented the other floors of the same building for business operation. The purpose of leased assets is not about generating rent income or holding out for land appreciation and is therefore fixed assets.

As of December 31, 2022 and 2021, part of the Group's property, plant and equipment were provided as collateral for short-term material purchase borrowings and long-term borrowings. Please refer to note (8).

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Right-of-use assets

The Group leases including buildings and improvements, and vehicles recognized as right of use assets. Information about the movements in their recognition or reversal of cost, depreciation, and impairment are presented below:

	<u>Buildings and construction</u>	<u>Transportation equipment</u>	<u>Total</u>
Right-of-use assets, Cost:			
Balance on January 1, 2022	\$ 84,926	3,836	88,762
Additions	54,186	1,580	55,766
Disposal	(10,007)	(525)	(10,532)
Effect of movements in exchange rates	<u>140</u>	<u>-</u>	<u>140</u>
Balance on December 31, 2022	<u>\$ 129,245</u>	<u>4,891</u>	<u>134,136</u>
Balance on January 1, 2021	\$ 81,279	1,737	83,016
Additions	4,174	2,099	6,273
Effect of movements in exchange rates	<u>(527)</u>	<u>-</u>	<u>(527)</u>
Balance on December 31, 2021	<u>\$ 84,926</u>	<u>3,836</u>	<u>88,762</u>
Accumulated depreciation and impairment losses:			
Balance on January 1, 2022	\$ 60,576	1,445	62,021
Depreciation	23,878	1,341	25,219
Disposal	(3,007)	(291)	(3,298)
Effect of movements in exchange rates	<u>236</u>	<u>-</u>	<u>236</u>
Balance on December 31, 2022	<u>\$ 81,683</u>	<u>2,495</u>	<u>84,178</u>
Balance on January 1, 2021	\$ 38,363	632	38,995
Depreciation for the year	22,452	813	23,265
Effect of movements in exchange rates	<u>(239)</u>	<u>-</u>	<u>(239)</u>
Balance on December 31, 2021	<u>\$ 60,576</u>	<u>1,445</u>	<u>62,021</u>
Carrying amounts:			
Balance on December 31, 2022	<u>\$ 47,562</u>	<u>2,396</u>	<u>49,958</u>
Balance on January 1, 2021	<u>\$ 42,916</u>	<u>1,105</u>	<u>44,021</u>
Balance on December 31, 2021	<u>\$ 24,350</u>	<u>2,391</u>	<u>26,741</u>

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2022 and 2021, were as follows:

	<u>Patent rights</u>	<u>Computer software costs</u>	<u>Gaming software royalty</u>	<u>Patent right and others</u>	<u>Total</u>
Cost:					
Balance on January 1, 2022	\$ 3,650	32,809	7,403	80,083	123,945
Individual acquisition	-	7,418	-	-	7,418
Disposals	-	-	(7,993)	-	(7,993)
Effect of movements in exchange rates	-	-	590	-	590
Balance on December 31, 2022	<u>\$ 3,650</u>	<u>40,227</u>	<u>-</u>	<u>80,083</u>	<u>123,960</u>
Balance on January 1, 2021	\$ 3,650	29,073	7,617	78,182	118,522
Individual acquisition	-	3,736	-	1,901	5,637
Effect of movements in exchange rates	-	-	(214)	-	(214)
Balance on December 31, 2021	<u>\$ 3,650</u>	<u>32,809</u>	<u>7,403</u>	<u>80,083</u>	<u>123,945</u>
Depreciation and impairment losses:					
Balance on January 1, 2022	\$ 3,232	30,306	7,403	77,408	118,349
Amortization	96	6,307	-	767	7,170
Disposals	-	-	(7,993)	-	(7,993)
Effect of movements in exchange rates	-	-	590	-	590
Balance on December 31, 2022	<u>\$ 3,328</u>	<u>36,613</u>	<u>-</u>	<u>78,175</u>	<u>118,116</u>
Balance on January 1, 2021	\$ 3,136	27,152	7,617	76,418	114,323
Amortization	96	3,154	-	990	4,240
Effect of movements in exchange rates	-	-	(214)	-	(214)
Balance on December 31, 2021	<u>\$ 3,232</u>	<u>30,306</u>	<u>7,403</u>	<u>77,408</u>	<u>118,349</u>
Carrying amounts:					
Balance on December 31, 2022	<u>\$ 322</u>	<u>3,614</u>	<u>-</u>	<u>1,908</u>	<u>5,844</u>
Balance on January 1, 2021	<u>\$ 514</u>	<u>1,921</u>	<u>-</u>	<u>1,764</u>	<u>4,199</u>
Balance on December 31, 2021	<u>\$ 418</u>	<u>2,503</u>	<u>-</u>	<u>2,675</u>	<u>5,596</u>

(k) Prepayments

The Group entered into a license agreement with the game developer and paid a license fees for the software games. As of December 31, 2018, the balance was \$140,245 before the impairment loss was recognized, which was recognized as other non-current assets since the relevant tests had not been completed.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group determine the recoverable amounts of certain games which license fees have been paid in advance in December, 2017 through independent valuation agency. The recoverable amounts are based on their estimated value in use. Impairment losses of \$89,465 were recognized for aforementioned software games as their estimated future economic benefits were lower than the book value. In December, 2018, the development progress , operational feasibility and estimated future economic benefits of the aforementioned games was evaluated, resulting in impairment losses of \$54,750 and were recognized under other impairment losses. As of December 31, 2018, the impaired balance of above mentioned license fee prepayments was \$0.

The Group entered into an agreement with the game developer in May, 2019, whereby the Group agreed that the game developer would distribute the game in Europe and the United States through another game operator. The game developer committed to pay the Group not less than US\$2 million within two years after the game is released, which included the license fee and the commissions for the game. The aforementioned game was released in November, 2019. The Group determined the collection of the above receivables is of high uncertainty, taking into account the game operation and the default risk; Thus, the Group reverse the impairment losses recognized in previous years within the amount received. As of December 31, 2022 and 2021, the reversal of impairment loss on assets amounted to \$0 and \$514, respectively, recognized under reversal of impairment loss recognized in profit or loss, others.

(l) Current borrowings

	December 31, 2022	December 31, 2021
Unsecured bank borrowings	\$ 318,765	56,544
Secured bank borrowings	406,870	343,805
	<u>\$ 725,635</u>	<u>400,349</u>
Unused credit lines	<u>\$ 94,060</u>	<u>370,334</u>
Range of Interest rate	<u>1.36%~5.55%</u>	<u>1.36%~2.22%</u>

- (i) For information on the Group's interest risk, foreign currency risk and liquidity risk, please refer to note (6)(x).
- (ii) The credit lines of the Group are guaranteed by key managements act as joint guarantors. Please refer to note (7) for more details.
- (iii) For the collateral for bank loans, please refer to note 8.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Non-current portion of non-current borrowings

	December 31, 2022	December 31, 2021
Unsecured bank borrowings	\$ 17,460	27,731
Secured bank borrowings	78,962	139,341
Unsecured borrowings (non- financial institution)	28,383	8,485
Less: current portion	<u>72,722</u>	<u>73,121</u>
	\$ 52,083	102,436
Unused credit lines	<u>\$ -</u>	<u>-</u>
Range of Interest rate	<u>1.85%~4.2251%</u>	<u>1.85%~3.48%</u>

- (i) Secured bank loans are guaranteed by the small and Medium enterprises Credit guarantee Fund.
- (ii) The Group entered into an after-sales repurchase agreement on inventory in November, 2020, and obtained financing from Co-operative assets management Co.,Ltd, which was repaid in 18 installments since December, 2020. As of December 31, 2022 and 2021, the outstanding amounts were \$0 and \$8,485 respectively.
- (iii) The Group entered into an after-sales repurchase agreement on inventory in November, 2023, and obtained financing from Co-operative assets management Co., Ltd., which was repaid in 18 installments since December, 2022. As of December, 31, 2022, the outstanding amounts was \$28,383 respectively.
- (iv) Balance of long term borrowings on December 31, 2022, details are as follows:

Duration	Amount
2023.1.1~2023.12.31	\$ 72,722
2024.1.1~2026.08.13	<u>52,083</u>
	\$ 124,805

- (v) For information on the Group's interest risk, foreign currency risk and liquidity risk, please refer to note (6)(x).
- (vi) The credit lines of the Group are guaranteed by key managements act as joint guarantors. Please refer to note 7 for more details.
- (vii) For the collateral for bank loans, please refer to note 8.
- (n) Provisions

The provision for warranty by the Group is related to the sales of electronic products. The provision for warranty is estimated on the basis of historical warranty data for similar commodities, amounted to \$9,556 and \$14,482, respectively as of December 31, 2022 and 2021.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Lease liabilities

The carrying amount of lease liabilities was as follow:

	December 31, 2022	December 31, 2021
Current	<u><u>\$ 19,411</u></u>	<u><u>18,645</u></u>
Non-current	<u><u>\$ 32,934</u></u>	<u><u>9,271</u></u>

For the maturity analysis, please refer to note 6(x) Financial Instruments.

The amounts recognized in profit or loss was as follows:

	2022	2021
Interest on lease liabilities	<u><u>\$ 2,127</u></u>	<u><u>1,044</u></u>
Expenses relating to short-term leases	<u><u>\$ 579</u></u>	<u><u>440</u></u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u><u>\$ -</u></u>	<u><u>3</u></u>
COVID-19-related rent concessions (recognized as deduction of other income)	<u><u>\$ (1,221)</u></u>	<u><u>-</u></u>

The amounts recognized in the statement of cash flows were as follows:

	2022	2021
Total cash outflow for leases	<u><u>\$ 25,263</u></u>	<u><u>25,077</u></u>

(i) Real estate leases

The Group leases land, buildings, and improvements for its offices. The leases typically run for 1 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases transportation equipment, with lease terms of 1 to 3 years. The Group also leases office equipment, vehicles and other equipment with contract terms of 1 to 3 years. These leases are short term and leases of low value items. The Group has elected not to recognize right of use assets and lease liabilities for these leases.

(p) Operating lease-lessor

The Group leases out its 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.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

A maturity analysis of lease payments, illustrating the undiscounted lease payments to be received after the reporting date, is as follows:

	December 31, 2022	December 31, 2021
Less than one year	\$ 1,522	1,464
Two to five years	644	2,166
	<u>\$ 2,166</u>	<u>3,630</u>

As of December 31, 2022 and 2021, the operating leases recognized in profit or loss amounted to \$1,474 and \$2,357, respectively.

(q) Employee benefits

(i) Defined benefit plans

The reconciliation of the present value of the defined benefit obligations and fair value of plan assets was as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ 25,067	24,433
Fair value of plan assets	(39,446)	(36,372)
Net defined benefit liabilities (assets)	<u>\$ (14,379)</u>	<u>(11,939)</u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. Under the Labor Standards Act, each employee's retirement payment is calculated based on years of service and the average salary for the six months prior to retirement.

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 Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

As of December 31, 2022, the Company's pension fund with Bank of Taiwan amounted to \$39,446. For information on the utilization of the labor pension fund assets including the asset allocation and yield rate of the fund, please refer to the website of the Bureau of Labor Funds.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Movements in present value of defined benefit obligations

The movement in present value of the defined benefit obligations of the Company were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligations at January 1	\$ 24,433	24,187
Current service cost and interest cost	296	247
Remeasurement of net liabilities (assets) for defined benefit obligations	<u>338</u>	<u>(1)</u>
Defined benefit obligations at December 31	<u><u>\$ 25,067</u></u>	<u><u>24,433</u></u>

3) Movements in fair value of defined benefit plan assets

The movements of the fair value of defined benefit plan assets of the Company were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 36,372	35,497
Interest income	181	106
Remeasurement of net liabilities (assets) for defined benefit obligations	<u>2,893</u>	<u>769</u>
Fair value of plan assets at December 31	<u><u>\$ 39,446</u></u>	<u><u>36,372</u></u>

4) Changes in the effect of the asset ceiling

In 2022 and 2021, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2022</u>	<u>2021</u>
Current service cost	\$ 175	175
Net interest of net liabilities for defined benefit obligations	<u>(60)</u>	<u>(34)</u>
	<u><u>\$ 115</u></u>	<u><u>141</u></u>

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 6) Remeasurements of net defined benefit liability (asset) recognized in other comprehensive income

The Company's remeasurements of net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Cumulated amount at January 1	\$ 1,570	2,340
Actuarial gains and losses recognized in current period	(2,555)	(770)
Cumulated amount at December 31	<u>\$ (985)</u>	<u>1,570</u>

- 7) Actuarial assumptions

The following were the actuarial assumptions at the year-end reporting date:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount Rate	1.25 %	0.50 %
Future salary increases	3.00 %	2.00 %

The Company suspended the provision of its pension reserve from July 2020 to June 2023 with the approval of the New Taipei City Government.

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$0.

The weighted average lifetime of the defined benefits plans is 6.79 years.

- 8) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Impact on the defined benefit obligations	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2022		
Discount Rate	\$ (420)	429
Future salary increases	420	(414)
December 31, 2021		
Discount Rate	(458)	469
Future salary increases	461	(453)

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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. In practical, the relevant actuarial assumptions are correlated to each other. The approach to develop the sensitivity analysis as above is the same approach to recognize the net defined benefit liability in the balance sheet.

There is 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 and domestic subsidiaries allocate 6% of each employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates the labor pension at a specific percentage to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2022 and 2021 amounted to \$13,658 and \$12,705, respectively.

Other subsidiaries recognized the pension expenses, basic endowment insurance expenses, and social welfare expenses amounting to \$8,026 and \$6,132 for the years ended December 31, 2022 and 2021, respectively.

(r) Income tax

(i) Income tax expenses:

The components of income tax expense in the years 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense (benefit)	\$ -	-
Recognized during prior periods	60,816	110,933
Surtax on unappropriated earnings	<u>4,895</u>	<u>-</u>
Deferred tax expense		
Recognition and reversal of temporary differences	<u>(71,428)</u>	<u>-</u>
Income tax expense (benefit)	<u><u>\$ (5,717)</u></u>	<u><u>110,933</u></u>

The amounts of income tax expense (benefit) recognized in other comprehensive income for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	<u>\$ 511</u>	<u>154</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ 1,357</u>	<u>(293)</u>

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Reconciliations of income tax (benefit) and profit (loss) before income tax expense were as follows:

	2022	2021
Profit (loss) before income tax	\$ <u>(201,423)</u>	<u>545,562</u>
Income tax using the Company's domestic tax rate	(40,285)	109,112
Effect of tax rates in foreign jurisdiction	(2,897)	20,782
Surtax on unappropriated earnings	4,895	-
Realized Investment loss	(29,835)	-
Change in unrecognized temporary differences	8,255	(10,115)
Changes in tax losses on unrecognized deferred tax assets	50,141	(25,183)
Change in provision in prior periods	1,444	15,661
Other	<u>2,565</u>	<u>676</u>
	\$ <u>(5,717)</u>	<u>110,933</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2022 and 2021, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Group has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

Deferred tax liabilities have not been recognized with respect to the following items:

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>47,207</u>	<u>49,824</u>

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized with respect to the following items:

	December 31, 2022	December 31, 2021
Tax effect of deductible temporary differences	\$ 106,700	89,615
The carryforward of unused tax losses	<u>194,601</u>	<u>164,393</u>
	\$ <u>301,301</u>	<u>254,008</u>

The Group assesses and considers that some of the income tax reduction items may be unrealized, hence they are not recognized as deferred tax assets.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The ROC Income Tax Act allows tax losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2022, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Amount</u>	<u>Expiry date</u>
The Company:		
2013 (Assessed)	\$ 83,914	2023
2014 (Assessed)	88,956	2024
2015 (Assessed)	39,001	2025
2016 (Assessed)	106,797	2026
2017 (Assessed)	19,253	2027
2018 (Assessed)	67,211	2028
2019 (Assessed)	115,857	2029
2020 (Assessed)	63,636	2030
2022 (Estimated)	<u>254,802</u>	2032
	<u>\$ 839,427</u>	
<u>Year of loss</u>	<u>Amount</u>	<u>Expiry date</u>
LEADHOPE INTERNATIONAL		
2013 (Assessed)	\$ 17,300	2023
2014 (Assessed)	12,518	2024
2015 (Assessed)	11,509	2025
2016 (Assessed)	12,337	2026
2018 (Assessed)	7,274	2028
2019 (Assessed)	41,754	2029
2020 (Assessed)	3,456	2030
2021 (Filed)	1,772	2031
2022 (Estimated)	<u>302</u>	2032
	<u>\$ 108,222</u>	

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Year of loss</u>	<u>Amount</u>	<u>Expiry date</u>
Wegene:		
2013 (Assessed)	\$ 713	2023
2014 (Assessed)	110	2024
2015 (Assessed)	505	2025
2016 (Assessed)	6,547	2026
2017 (Assessed)	3,949	2027
2018 (Assessed)	2,239	2028
2019 (Assessed)	<u>4,393</u>	2029
	<u>\$ 18,456</u>	

<u>Year of loss</u>	<u>Amount</u>	<u>Expiry date</u>
Airborn:		
2018 (Assessed)	\$ 1,834	2028
2019 (Assessed)	1,452	2029
2020 (Assessed)	1,147	2030
2021 (Filed)	1,190	2031
2022 (Estimated)	<u>1,279</u>	2032
	<u>\$ 6,902</u>	

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

	<u>Write-down of inventories</u>	<u>Defined benefit plans</u>	<u>Contract liabilities</u>	<u>Other</u>	<u>Total</u>
Deferred tax assets:					
Balance on January 1, 2022	\$ 3,568	314	-	1,314	5,196
Recognized in profit or loss	50,360	-	13,613	7,455	71,428
Recognized in other comprehensive income	-	(314)	-	-	(314)
Foreign currency translation differences for foreign operations	(109)	-	(29)	(16)	(154)
Balance on December 31, 2022	<u>\$ 53,819</u>	<u>-</u>	<u>13,584</u>	<u>8,753</u>	<u>76,156</u>
Balance on January 1, 2021	\$ 3,568	468	-	1,314	5,350
Recognized in other comprehensive income	-	(154)	-	-	(154)
Balance on December 31, 2021	<u>\$ 3,568</u>	<u>314</u>	<u>-</u>	<u>1,314</u>	<u>5,196</u>

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Exchange differences on translation of foreign financial statements	Defined benefit plans	Total
Deferred tax liabilities:			
Balance on January 1, 2022	\$ 399	-	399
Recognized in other comprehensive income	1,357	197	1,554
Balance on December 31, 2022	<u>\$ 1,756</u>	<u>197</u>	<u>1,953</u>
Balance on January 1, 2021	\$ 692	-	692
Recognized in other comprehensive income	(293)	-	(293)
Balance on December 31, 2021	<u>\$ 399</u>	<u>-</u>	<u>399</u>

(iii) Assessment of tax

The Company and domestic subsidiaries' income tax returns for the years through 2020 have been examined and approved by the ROC income tax authorities.

(s) Capital and Other Components of Equity

(i) Ordinary shares

As of December 31, 2022 and 2021, the Company's authorized share capital amounted to \$4,000,000; divided into 400,000 shares with par value of \$10 per share. The aggregate amount of the aforesaid authorized share capital was common shares, and the issued shares were 58,946 and 53,587 thousand shares for the years ended December 31, 2022 and 2021, respectively. All issued shares were paid up upon issuance.

A resolution was passed during the general meeting of shareholders held on August 27, 2021, to issue ordinary shares for cash capital increase through private placement with the number of shares issued not exceeding 40,000 thousand, and with a par value of \$10 per share. The private placement of cash capital increase was canceled because it was not able to fully raise the fund before June 9, 2022.

A resolution was passed during the general meeting of shareholders held on June 8, 2022, to issue ordinary shares for cash capital increase through private placement with the number of shares issued not exceeding 40,000 thousand, and with a par value of \$10 per share. As of December 31, 2022, there was no issuance.

The 5,359 thousand ordinary shares issued by the Company, at a par value of \$10 per share, amounting to \$53,587, which was reclassified from 2021 distributable surplus to capital increase, wherein the issuance date was set on September 7, 2022, was based on the resolution approved during the general shareholders' meeting held on June 8, 2022. All related statutory registration procedures had been completed as of the reporting date.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company resolved to issue 1,500,000 units of employee stock options, with an exercisable right of 1 thousand shares of the Company's ordinary shares per unit, based on the resolution approved during the board meeting held on August 1, 2022. As of December 31, 2022, no shares have been issued by the Company.

(ii) Capital surplus

The components of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Additional paid in capital	\$ 473	473
Difference between the consideration and the carrying amount of subsidiaries' share acquired or disposed	<u>2</u>	<u>2</u>
	<u>\$ 475</u>	<u>475</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. Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of capital surplus capitalized per annum shall not exceed 10 percent of the paid-in capital.

(iii) Retained earnings

- 1) The Company's article of incorporation stipulated that annual earning shall be appropriated as follows:
 - a) Offset accumulated losses;
 - b) According to the ROC Company Act, 10 percent of the net profit shall be allocated as legal reserve until the accumulated legal reserve equals the paid-in capital.
 - c) Set aside special reserve or reverse special reserve previously provided in accordance with the regulations.
 - d) The balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed by the directors' distribution proposals and the resolution at the stockholders' meeting.

The amended Company's Articles of incorporation, approved during the shareholders' meeting held on June 8, 2022, stipulate that the Company shall distribute all, or part, of its dividends and bonuses, statutory surplus reserve, and capital reserve, in the form of cash, based on a resolution decided during the board meeting, thereafter, to be reported at the shareholders' meeting in accordance with the ROC Company Act Articles 240 and 241.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company has stable growth in operation. The appropriated earnings will preferably be distributed in the form of cash dividends, with distribution of stock dividends being the other alternative. Distribution of stock dividends should be no more than 50% of total dividends.

2) Legal reserve

When the company incurs no loss, it may pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

3) Special reserve

In accordance with the rules issued by the FSC, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the total net current-period reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve which does not qualify for earnings distribution to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amount of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

4) Earnings distribution

On June 8, 2022 and August 27, 2021, the appropriation of the earnings for 2021 and 2020 was resolved in the general meeting of shareholders. The amount of dividends on the appropriations of earnings for 2021, as follows:

	2021	
	Amount per share	Amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 1.00	53,587
Shares	1.00	<u>53,587</u>
		<u>\$ 107,174</u>

Related information of the amounts of dividends distributed to owners which is approved by the Company's Board of Directors meeting and issued by the Shareholders' meeting would be available at the Market Observation Post System website.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Earnings per share

Basic and diluted earnings (loss) per share are calculated as follows:

	<u>2022</u>	<u>2021</u>
Basic earnings per share		
Profit (loss)	\$ <u>(195,813)</u>	<u>435,256</u>
Weighted-average number of ordinary shares (thousand shares)	<u>58,946</u>	<u>58,946</u>
Basic earnings per share	\$ <u>(3.32)</u>	<u>7.38</u>
Diluted earnings per share		
Profit (loss)	\$ <u>(195,813)</u>	<u>435,256</u>
Profit attributable to ordinary equity holders of the Company (after adjusting the effect of dilutive potential ordinary share)		<u>435,256</u>
Weighted-average number of ordinary shares (thousand shares)		58,946
Effect of dilutive potential ordinary shares		
Effect of employee share bonus		<u>90</u>
Weighted-average number of ordinary shares outstanding (thousand shares)(after adjusting the effect of dilutive potential ordinary share)		<u>59,036</u>
Diluted earnings per share		\$ <u>7.37</u>

Note: Since the Company incurred accumulated losses loss for the year ended December 31, 2022, there were no potential ordinary shares with dilutive effect for the year.

The above-mentioned weighted average number of outstanding shares is adjusted retroactively according to the stock dividends of common stock.

(u) Revenue from contracts with customers

(i) Details of revenue

	<u>2022</u>			
	<u>Computer Products</u>	<u>Smart Medical</u>	<u>Other Segment</u>	<u>Total</u>
Primary geographical markets:				
Mainland China	\$ 3,262,348	3,195	19,630	3,285,173
Taiwan	574,684	88,158	67,220	730,062
United States	194,116	5,262	-	199,378
Hong Kong	415,955	3,763	-	419,718
Korea	178,385	-	-	178,385
Other	<u>480,629</u>	<u>9,457</u>	<u>8,616</u>	<u>498,702</u>
	<u>\$ 5,106,117</u>	<u>109,835</u>	<u>95,466</u>	<u>5,311,418</u>

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2021			
	Computer Products	Smart Medical	Other Segment	Total
Primary geographical markets:				
Mainland China	\$ 6,129,696	2,690	24,762	6,157,148
Taiwan	771,201	69,669	80,303	921,173
United States	189,361	2,657	-	192,018
Hong Kong	659,897	373	-	660,270
Korea	218,566	-	-	218,566
Other	627,991	45,797	93	673,881
	<u>\$ 8,596,712</u>	<u>121,186</u>	<u>105,158</u>	<u>8,823,056</u>

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ -	10,508	1,744
Accounts receivable	378,027	405,508	252,613
Less: Allowance for uncollectible accounts	<u>(9,402)</u>	<u>(2,933)</u>	<u>(7,009)</u>
	<u>\$ 368,625</u>	<u>413,083</u>	<u>247,348</u>
Contract liabilities (current and non-current advance sales receipts)	<u>\$ 112,631</u>	<u>35,917</u>	<u>457,738</u>

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

The amount of revenue recognized for the years ended December 31, 2022 and 2021 included the contract liability balance at the beginning of the period were \$34,910 and \$451,830, respectively.

The change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(v) Remuneration to Employees and Directors

In accordance with the articles of incorporation, the Company should contribute no less than 3% of the profit (income before tax, excluding remuneration to employees and directors) as employee remuneration and no more than 5% as directors' and supervisors' remuneration when there is profit for the year, respectively, after offsetting accumulated deficits (include unappropriated retained earnings), if any.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The resolution for earnings distribution shall be decided by two third of the voting rights exercised by the directors present at the Board of Directors' meeting who represent a majority of the directors. The recipients of shares and cash may include the employees of the Group's affiliated companies who meet certain conditions. Such conditions is authorized to Board of directors for establishment, the remuneration to directors should be in cash only.

The Company recognized a net loss before tax for the year ended December 31, 2022, therefore, no provision for employees' compensation and directors' remuneration was required.

The Company recognized its employee remuneration of \$7,120, and directors' remuneration of \$2,349 for the years ended December 31, 2021. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, minus the accumulated deficits and multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating expenses or operating cost during the period. However, if the Board of Directors resolved that the employee remuneration to be distributed through stock dividends, the closing price of the ordinary share on the day before the Board of Directors' meeting is used in the calculation for stock remuneration.

(w) Other gains and losses

The details of other gains and losses were as follows:

	<u>2022</u>	<u>2021</u>
Rent income	\$ 1,474	2,357
Government grants	18,115	4,503
Overpayment and advance receipts over two years transferred to income	4,048	156
Others	<u>4,429</u>	<u>1,551</u>
	<u><u>\$ 28,066</u></u>	<u><u>8,567</u></u>

(x) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represent the maximum amount exposed to credit risk. As of December 31, 2022 and 2021, the maximum amount exposed to credit risk amounted to \$742,587, and \$970,575, respectively.

2) Concentration of credit risk

As sales are made to customers worldwide, the Group's exposure to credit risk concentration is expected to be low. To reduce credit risk, the Group continuously assesses the financial position of its customers, normally without a request for collateral.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Credit risk of receivables

For credit risk exposure of note and trade receivables, please refer to note 6(c).

Other financial assets at amortized cost include other receivables and time deposits. Please refer to note 6(d).

All of these financial assets mentioned above are considered to be low risk, therefore, the impairment provision recognized during the period was limited to 12 months expected losses. The time deposits held by the Group was determined as low credit risk since the trading and performing parties are the financial institutions above the investment grade.

The following table shows the provision losses and whether there has been any credit impairment recognized for above financial assets based on expected credit losses for the twelve months or lifetime expected credit losses:

December 31, 2022				
At amortized cost				
	12-Month ELC	Life time Expected loss- unimpaired	Life time Expected loss- impaired	Total
Gross carrying amounts	\$ 78,000	379,038	26,596	483,634
Loss allowance	-	(9,402)	(26,596)	(35,998)
Amortized cost	<u>\$ 78,000</u>	<u>369,636</u>	<u>-</u>	<u>447,636</u>
Carrying amounts	<u>\$ 78,000</u>	<u>369,636</u>	<u>-</u>	<u>447,636</u>
December 31, 2021				
At amortized cost				
	12-Month ELC	Life time Expected loss- unimpaired	Life time Expected loss- impaired	Total
Gross carrying amounts	\$ 52,996	416,025	28,024	497,045
Loss allowance	-	(2,933)	(28,024)	(30,957)
Amortized cost	<u>\$ 52,996</u>	<u>413,092</u>	<u>-</u>	<u>466,088</u>
Carrying amounts	<u>\$ 52,996</u>	<u>413,092</u>	<u>-</u>	<u>466,088</u>

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities.

	<u>Carrying value</u>	<u>Cash flows</u>	<u>Within a year</u>	<u>1~2 years</u>	<u>Over 2 years</u>
December 31, 2022					
Non derivative financial liabilities					
Secured bank borrowings (including long term and short term borrowings)	\$ 485,832	(488,196)	(453,975)	(24,663)	(9,558)
Unsecured bank borrowings (including long term and short term borrowings)	336,225	(336,761)	(328,206)	(6,166)	(2,389)
Unsecured borrowings (non- financial institution) (recorded as long term borrowings)	28,383	(29,291)	(20,676)	(8,615)	-
Notes and accounts payable	179,226	(179,226)	(179,226)	-	-
Current and non-current lease liabilities	52,345	(56,240)	(21,171)	(12,305)	(22,764)
Other payables (including related parties)	289,907	(289,907)	(289,907)	-	-
Guarantee deposits	2,668	(2,668)	-	-	(2,668)
	<u><u>\$ 1,374,586</u></u>	<u><u>(1,382,289)</u></u>	<u><u>(1,293,161)</u></u>	<u><u>(51,749)</u></u>	<u><u>(37,379)</u></u>
December 31, 2021					
Non derivative financial liabilities					
Secured bank borrowings (including long term and short term borrowings)	\$ 483,146	(483,146)	(398,141)	(47,104)	(37,901)
Unsecured bank borrowings (including long term and short term borrowings)	84,275	(84,275)	(66,844)	(9,097)	(8,334)
Unsecured borrowings (non- financial institution) (recorded as long term borrowings)	8,485	(8,485)	(8,485)	-	-
Notes and accounts payable	229,028	(229,028)	(229,028)	-	-
Current and non-current lease liabilities	27,916	(28,449)	(19,099)	(8,871)	(479)
Other payables (including related parties)	338,104	(338,104)	(338,104)	-	-
Guarantee deposits	2,890	(2,890)	-	-	(2,890)
	<u><u>\$ 1,173,844</u></u>	<u><u>(1,174,377)</u></u>	<u><u>(1,059,701)</u></u>	<u><u>(65,072)</u></u>	<u><u>(49,604)</u></u>

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure of 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
Financial assets						
Monetary items						
USD	\$	4,280 USD/NTD =30.710	131,439	16,951 USD/NTD =27.680		469,204
Financial liabilities						
Monetary items						
USD	\$	11,456 USD/NTD =30.710	351,814	8,584 USD/NTD =27.680		237,605
USD	\$	- USD/RMB =6.9669	-	4,840 USD/RMB =6.3720		133,971

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, accounts receivable, other receivables, loans and borrowings, accounts payable, and other payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the USD against NTD and RMB as of December 31, 2022 and 2021 would have increased (decreased) the net profit(loss) before tax as follows. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2021.

	2022	2021
	Loss before income tax increased (decreased)	Profit before income tax increased (decreased)
USD (against to NTD)		
Strengthening 5%	\$ 11,019	11,580
Weakening 5%	(11,019)	(11,580)
USD (against to RMB)		
Strengthening 5%	-	(6,699)
Weakening 5%	-	6,699

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Foreign exchange gains and losses on monetary items

As the Group deal in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gain and losses (including realized and unrealized) for the years ended December 31, 2022 and 2021 were loss of \$53,383 and \$5,132, respectively.

(iv) Interest rate analysis

The Group's exposure to interest rate risk arising from financial assets and liabilities was as follows:

	Carrying value	
	December 31, 2022	December 31, 2021
Variable rate instruments:		
Financial assets	\$ 234,413	472,788
Financial liabilities	592,507	496,572

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1 basis point 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 1 basis point, the Group's net loss would have increased or decreased by \$895 for the year ended December 31, 2022 and the net income would have decreased or increased by \$59 for the year ended December 31, 2021 with all other variable factors remaining constant. This is mainly due to the Group's variable rate bank borrowings and deposits.

(v) Fair value of financial instruments

1) Valuation procedure

The Group's accounting policies and disclosures include the fair value measurement for financial assets and liabilities. The Group's accounting and finance departments determine the fair value using the independent data sources which reflect the current market condition and confirming the data available are independent, reliable, in consistent with other sources and represent the exercisable price. The Group also periodically assesses the evaluation model, and updates inputs together with any other necessary fair value adjustment for the evaluation model in order to ensure the reasonableness of the results of the valuation.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group uses the observable market data to evaluate its assets and liabilities. The different inputs of levels of fair value hierarchy in determination of fair value 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 liabilities that are not based on observable market data (unobservable inputs).

2) Categories of financial instruments and fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The following sets out carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy but excluding the optional information on financial instruments not measured at fair value with carrying amount reasonably close to their fair value as well as lease liabilities.

	Carrying value	December 31, 2022			
		Fair vlaue			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets at fair value through profit or loss, mandatorily measured at fair value	\$ 34,446	4,346	-	30,100	34,446
Financial assets at fair value through other comprehensive income	5,844	-	-	5,844	5,844
Financial assets measured at amortized cost					
Cash and cash equivalents	236,872	-	-	-	-
Notes and accounts receivable (including related parties)	368,625	-	-	-	-
Other receivables	1,011	-	-	-	-
Other financial assets - current	78,000	-	-	-	-
Refundable deposits	17,789	-	-	-	-
Subtotal	702,297				
	<u>\$ 742,587</u>				

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2022					
	Carrying value	Fair vlaue			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Secured bank borrowings	\$ 485,832	-	-	-	-
Unsecured bank borrowings	336,225	-	-	-	-
Unsecured borrowings (non- financial institution)	23,383	-	-	-	-
Notes and accounts payable	179,226	-	-	-	-
Lease liabilities	52,345	-	-	-	-
Other payables	289,907	-	-	-	-
Guarantee deposits	2,668	-	-	-	-
	<u>\$ 1,369,586</u>				
December 31, 2021					
	Carrying value	Fair vlaue			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets at fair value through profit or loss, mandatorily measured at fair value	\$ <u>4,965</u>	4,965	-	-	4,965
Financial assets at fair value through other comprehensive income	<u>7,357</u>	-	-	7,357	7,357
Financial assets measured at amortized cost					
Cash and cash equivalents	476,876	-	-	-	-
Notes and accounts receivable (including related parties)	413,083	-	-	-	-
Other receivables	9	-	-	-	-
Other financial assets - current	52,996	-	-	-	-
Refundable deposits	<u>15,289</u>	-	-	-	-
Subtotal	<u>958,253</u>				
	<u>\$ 970,575</u>				
Financial liabilities measured at amortized cost					
Secured bank borrowings	\$ 483,146	-	-	-	-
Unsecured bank borrowings	84,275	-	-	-	-
Unsecured borrowings (non- financial institution)	8,485	-	-	-	-
Notes and accounts payable	229,028	-	-	-	-
Lease liabilities	27,916	-	-	-	-
Other payables	338,104	-	-	-	-
Guarantee deposits	<u>2,890</u>	-	-	-	-
	<u>\$ 1,173,844</u>				

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

Fair value measurement of financial instruments was based on quoted market prices if these prices were available in an active market. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a base to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

4) There was no transfer between the fair value hierarchy levels for the years ended December 31, 2022 and 2021.

5) Reconciliation of Level 3 fair values

	Financial assets at fair value through profit or loss, mandatorily measured at fair value	Fair value through other comprehensive income (Available- for-sale financial assets)	Total
Balance at January 1, 2022	\$ -	7,357	7,357
Other comprehensive income	-	(1,513)	(1,513)
Purchases	30,100	-	30,100
Balance at December 31, 2022	<u>\$ 30,100</u>	<u>5,844</u>	<u>35,944</u>
Balance at January 1, 2021	\$ -	2,132	2,132
Other comprehensive income	-	1,530	1,530
Purchases	-	3,695	3,695
Balance at December 31, 2021	<u>\$ -</u>	<u>7,357</u>	<u>7,357</u>

For the years ended December 31, 2022 and 2021, the total gains and losses that were included in "gains and losses on financial assets (liabilities) at fair value through profit or loss" and "gains and losses on financial assets (liabilities) at fair value through other comprehensive income" were as follows:

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>2022</u>	<u>2021</u>
Total gains and losses recognized as:		
Profit or loss, and presented in "unrealized gains and losses on financial assets at fair value through profit or loss"	\$ -	-
Other comprehensive income, and presented in "unrealized gains and losses on financial assets at fair value through other comprehensive income"	(1,513)	1,530

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "fair value through other comprehensive income – investments in debt instruments".

Most of fair value measurements of the Group which are categorized as investments in debt instruments into Level 3 have several significant unobservable inputs. Significant unobservable inputs of investments in debt instruments without a quoted price are independent of each other.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit and loss- debt investments without an active market	Comparable market approach	· Lack-of-Marketability discount rate (25% on December 31, 2022) · Minority interest discount rate (29.04% on December 31, 2022)	· The higher the lack-of-marketability discount rate is, the lower the fair value will be. · The higher the minority discount rate is, the lower the fair value will be.

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions to reflect reasonably possible alternative assumptions would have the following effects:

		Move up or down	Other comprehensive income	
	Input		Favorable	Unfavorable
December 31, 2022				
Financial assets at fair value through profit or loss	Lack-of-Marketability discount rate	5%	2,276	(1,701)
	Minority discount rate	5%	1,758	(1,580)

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input. °

(y) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Risk management framework

The Group's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. Such risks including (1) credit risk, (2) liquidity risk and (3) market risks.

The Group strives to establish comprehensive policies and systems to control credit and liquidity risks. As for market risks, the Group collect information from various parties in order to accurately forecast future trends in exchange rates, interest rates, etc., and, if necessary, avoiding risk exposures by means of financial instruments and to mitigate the impact of these risks. The use of financial instruments is regulated by policies passed by board of directors of the Group. The internal auditors of the Group continue with the review of the amount of the risk exposure in accordance with the Group's policies and the adherence to risk management policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financial assets in debt securities.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Accounts receivable

As sales are made to customers in various industries worldwide, the Group's exposure to credit risk concentration is expected to be low. The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Customers who didn't meet the conditions of credit policy shall wire the payment in advance or by letter of credit. The Group constantly assesses the financial status of the customers and, if necessary, purchases credit guarantee insurance contracts to avoid default risks.

2) Financial instruments

The credit risk exposure in the bank deposits, investments with fixed income and other financial instruments are measured and monitored by the Group's finance department. There is no significant credit risk because the Group used to transact with or deal with counterparty with good credit ratings financial institutions, corporate organizations and government agencies.

3) Guarantees

The Group's policy provides only financial security to fully owned subsidiaries. Please refer to Notes 13 (a) for details of endorsements and guarantees provided by the Group as of December 31, 2022.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets.

The Group manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2022 and 2021, the Group's unused credit line please refer to note 6 (I) for details.

(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 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.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Currency risk

The functional currency of the Group are mainly New Taiwan Dollar (NTD). The Group's exposure to the risk of fluctuation in foreign currency exchange rates relates primarily to the Group's sales, purchases, and borrowings transactions, and those are denominated in a currency different from the functional currencies of the Group. The Group periodically examines net positions exposed to currency risks for individual asset and liability denominated in foreign currency. The Group increase or decrease foreign currency borrowings to hedge positions exposed to risks and uses other financial tools to mitigate currency risks if necessary.

2) Interest rate risk

The Group engage in financing mainly due to purchases of raw materials. After the sales revenue is received in cash, it will be sufficient to repay the loan. Therefore, the Group's bank borrowings are short-term loan with a maximum duration of 365 days. The interest rate risk is concentrated in the fluctuations of short-term market interest rate.

(z) Capital Management

The Group's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings and non-controlling interests.

The Group monitors the capital structure by way of periodical review the debt ratio. The main operating characteristics of the Group are mainly product research and development, and outsource most of its product manufacturing. The main assets of the Group are current assets, and non-current assets such as plant and machinery and equipment account for a relatively low proportion of the Group's total assets. The Group may moderately increase financial leverages to generate revenue and profitability.

The Group's debt-to-equity ratios at the end of the reporting periods were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 1,519,134	1,259,832
Total assets	2,028,246	2,012,244
Debt to equity ratio	75 %	63 %

The increase in debt to equity ratio on December 31, 2022 was due to the needs of the current operation, the Group's short-term borrowings increased.

(aa) Investing and financing activities not affecting current cash flow

- (i) The Group's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2022 and 2021, were acquisition of right of use assets by leasing. Please refer to note 6(i).

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2022	Cash flows	Non-Cash changes			December 31, 2022
			Acquisition	Other	Foreign exchange movement	
Current borrowings	\$ 400,349	324,682	-	-	604	725,635
Non-current portion of						
non-current borrowings	175,557	(50,752)	-	-	-	124,805
Guarantee deposits	2,890	(222)	-	-	-	2,668
Lease liabilities	<u>27,916</u>	<u>(23,778)</u>	<u>55,766</u>	<u>(7,464)</u>	<u>(95)</u>	<u>52,345</u>
Total liabilities from financing activities	<u>\$ 606,712</u>	<u>249,930</u>	<u>55,766</u>	<u>(7,464)</u>	<u>509</u>	<u>905,453</u>

	January 1, 2021	Cash flows	Non-Cash changes			December 31, 2021
			Acquisition	Other	Foreign exchange movement	
Current borrowings	\$ 324,397	76,278	-	-	(326)	400,349
Non-current portion of						
non-current borrowings	158,437	17,120	-	-	-	175,557
Guarantee deposits	2,555	335	-	-	-	2,890
Lease liabilities	<u>45,531</u>	<u>(23,590)</u>	<u>6,273</u>	<u>-</u>	<u>(298)</u>	<u>27,916</u>
Total liabilities from financing activities	<u>\$ 530,920</u>	<u>70,143</u>	<u>6,273</u>	<u>-</u>	<u>(624)</u>	<u>606,712</u>

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

Name of related party	Relationship with the Group
ApoDx Technology, Inc.	An associate of the Group
Zero TC Cloud Computing (Shanghai) Co., Ltd.(Zero TC)	An associate of the Group
Blueside Inc. (Blueside)	The entity with significant influence over the Group's subsidiary
Mr K.S. Lu	Chairman of the Company

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant transactions with related parties

(i) Sale revenue

The amounts of significant sales transactions between the Group and related parties were as follows:

	Sales	
	2022	2021
Associates	\$ <u><u>20,794</u></u>	<u><u>28,674</u></u>

There is no significant difference between the sales price of the Group for associates and other related parties. The credit term for general customers is 30 days to 90 days, and the credit terms for sales to associates and other related parties are spot collection or from 45 days to 90 days.

(ii) Purchases and other operating cost

	2022	2021
Associates	\$ <u><u>1,209</u></u>	<u><u>885</u></u>

(iii) Receivables from related parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Other receivables	Blueside	\$ -	1,428
Less: Loss allowance - Other receivables		-	(1,428)
		\$ <u><u>-</u></u>	<u><u>-</u></u>

Please refer to Note 6(d) for the assessment of loss allowance.

(iv) Payables to related parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Other payables	Associates	\$ <u><u>687</u></u>	<u><u>418</u></u>

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Loans to Related Parties

The actual usage of the loans to related parties were as follows:

<u>Related party</u>	<u>Highest balance of financing to other parties</u>		<u>Other receivables</u>	
	<u>2022</u>	<u>2021</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Blueside	\$ <u>26,596</u>	<u>27,040</u>	26,596	26,596
Less: Loss allowance			<u>(26,596)</u>	<u>(26,596)</u>
			\$ <u>-</u>	<u>-</u>

The Group lent Blueside loans in April 2017. The interest rate is determined based on the average rate of the short term borrowings entered into with financial institutions during the year. The loans were borrowed without collaterals and were recognized under other receivables - related parties. The above receivables are all recognized under impairment loss because the probability of recovering them is low. For the years ended December 31, 2022 and 2021, \$0 and \$444 have been recovered, respectively.

(vi) Prepayments

1) Pre-paid license fee

The Group entered into a license agreement with the game developer (Blueside) and paid a license fee for the software games. As of December 31, 2018, the balance was \$140,245 before the impairment loss was recognized, which was recognized as other non-current assets since the relevant tests had not been completed.

As of December 31, 2018 and 2017, the Group has estimate its impairment losses amounted to \$54,750 and \$83,322, respectively and were recognized under other impairment losses. As of December 31, 2018, the impaired balance of above mentioned license fee prepayments was \$0.

The Group entered into an agreement with Blueside in May, 2019, whereby the Group agreed that the game developer would distribute the game in Europe and the United States through another game operator. The game developer committed to pay the Group not less than US\$2 million within two years after the game is released, which included the license fee and the commissions for the game. The aforementioned game was released in November, 2019. The Group determined the collection of the above receivables is of high uncertainty, taking into account the game operation and the default risk; Thus, the Group reverse the impairment losses recognized in previous years within the amount received. As of December 31, 2022 and 2021, the reversal of impairment loss on assets amounted to \$0 and \$514, respectively, recognized under reversal of impairment loss on assets.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Advance sales receipts

The amounts of advance sales receipts for the Group to related parties were as follows:

	December 31, 2022	December 31, 2021
Associates	<u>\$ 207</u>	<u>1,252</u>

(c) Compensation of key management

(i) Compensation for key management personnel

	2022	2021
Short-term employee benefits	\$ 70,908	80,718
Post-employment benefits	783	864
	<u>\$ 71,691</u>	<u>81,582</u>

(ii) Guarantee

As of December 31, 2022 and 2021, the Group had unused credit lines from long term and short term borrowings of \$952,487 and \$1,003,092, respectively. These borrowings are guaranteed by key managements who act as joint guarantors.

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Property, plant and equipment	Short-term and long-term borrowings	\$ 168,315	169,505
Other financial assets - current-allowance account	Short-term borrowings for raw materials purchases	78,000	52,996
		<u>\$ 246,315</u>	<u>222,501</u>

(9) Commitments and contingencies:

(a) Significant unrecognized commitments

As of December 31, 2022 and 2021, the Group's unused credit line due to the purchase of raw materials provided by the bank were amounted to \$61,420 and \$55,360, respectively.

As of December 31, 2022 and 2021, the Group's credit line of post-release duty payment provided by the bank were amounted to \$10,000.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	2022			2021		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		60,224	282,307	342,531	62,073	410,297	472,370
Labor and health insurance		6,061	26,599	32,660	5,866	23,436	29,302
Pension		2,916	18,883	21,799	2,851	16,127	18,978
Other employee benefits expense		3,496	18,114	21,610	3,693	16,205	19,898
Depreciation		6,804	35,823	42,627	5,867	32,529	38,396
Amortization expense		-	7,170	7,170	-	4,240	4,240

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2022:

- (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

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	Note
													Item	Value			
0	The Company	LEADHOPE INTERNATIONAL	Other payables - related parties	Yes	26,596	26,596	26,596	3%	Short term financing	-	Repayments of debt	(26,596)	None	-	51,014	204,054	Note 4
1	LEADHOPE INTERNATIONAL	Blueside Inc.	"	"	26,596	26,596	26,596	3%	Business Activity	48,000		(26,596)	None	-	-	-	Note 5
	Total					53,192	53,192										

Note 1: Pursuant to the Company's procedure of loans to other parties, the maximum amount of lending purposes shall not exceed 40% of the Company's net worth, for the Company loans to those having business transactions, the amount of each fund financing shall not exceed the lower of the amount of total business transaction or 40% of the Company's net worth. The total amount for lending to a company for funding for a short term period shall not exceed ten percent (10%) of the net worth of the Company.

Note 2: If it was necessary to engage in business transactions with or between companies, in accordance with Leadhope International's "procedure of loans to other parties", The total credit limit shall not exceed the maximum of 100% of the net worth of Leadhope International. The amount of financing for individual entity shall not exceed the lower of the total amount of business transactions with the Company for 24 months prior to the loan or 80% of the net worth of Leadhope International.

Note 3: The above-mentioned transactions of The Company's lend its fund to Leadhope International were eliminated in the consolidated financial statements.

Note 4: The Company's lend its fund to Leadhope International, and Leadhope International lent the money entirely to Blueside Inc. Since Blueside Inc. did not repay the loan in accordance with the repayment plan, Leadhope International past due and did not fully repay the loan. The improvement plan has been reported to the the Board of Director on 14 March, 2018. Follow-up will be reported to the Board of Directors at each subsequent session.

Note 5: The Leadhope International's limit on loans to other is complied to the policy, and the loan balance exceeded afterward due to decrease in its net worth.

(Continued)

LEADTEK RESEARCH INC. 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	Leadtek Shanghai	Fully owned company	153,041	48,323	46,065	46,065	-	9.03 %	204,054	Y	N	Y

Note: The amount of the guarantees and endorsements for a single entity company shall not exceed 30% of the Company's net worth when the guarantees and endorsements was provided; the total amount of guarantees and endorsements provided by the Company shall not exceed 40% of the Company's net worth.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest during the term Percentage		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares	Percentage of ownership (%)	
The Company	TCB US short-term, high-yield bond fund	None	Current financial assets at fair value through profit or loss	200	1,889	- %	1,889	200	- %	
"	TCB Global Healthcare M-A Income Fund	"	"	100	775	- %	775	100	- %	
"	9825 KGI ESG Sustainable Emerging Market Bond Fund	"	"	100	841	- %	841	100	- %	
"	11106 KGI ESG Sustainable Emerging Market Bond Fund	"	"	100	841	- %	841	100	- %	
				-	4,346		4,346			
The Company	H3 Platform Inc.	"	Non-current financial assets at fair value through profit or loss	-	30,100	- %	30,100	-	- %	
The Company	AcroRed Technologies, Inc.	"	Non-current financial assets at FVOCI	1,150	3,055	5.47 %	3,055	1,150	5.47 %	
"	Touch Cloud Inc.	"	"	869	2,789	6.53 %	2,789	869	6.53 %	
				-	5,844	- %	5,844	-	- %	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

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	Leadtek Shanghai	Fully owned company	Sales	(1,479,446)	(41.96)%	OA45~90days	Same as regular transaction	-	Accounts receivable 26,611	13.47%	Note
Leadtek Shanghai	The Company	Parent Company	Purchase	1,479,446	51.99%	OA45~90days	-	-	Accounts payable (26,611)	(95.55)%	"

Note: The transaction has already been eliminated in the consolidated financial statements.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- (ix) Information derivative financial instruments transaction:None
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	LEADHOPE INTERNATIONAL	1	Other payables - related parties	26,596	Interest rate 3%	1.31%
0	The Company	Leadtek Shanghai	1	Operating revenue	1,479,446	Sales prices for related parties were similar to those of the third-party customers. The collection period was 45~90 days for related parties.	27.85%
0	The Company	Leadtek Shanghai	1	Accounts receivable	26,611	"	1.31%

Note 1: Numbers are filled in as follows:

1. "0" represents the parent company.
2. Subsidiaries are sorted in a numerical order starting from number 1.

Note 2: Relationship with the listed companies:

1. Represents the transactions from the parent company to the subsidiaries.
2. Represents the transactions from the subsidiaries to parent company.
3. Represents the transactions between the subsidiaries.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest Percentage of ownership	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	LR BVI	The British Virgin Islands	Investment Holding	255,328	255,328	7,500	100.00 %	424,827	7,500	(39,266)	(39,646)	Note 1, 4, 5
The Company	LR JPY	Japan	Responsible for the marketing and after-sales services of the Company's products in the Japanese market	10,688	10,688	3	100.00 %	1,320	3	(3,403)	(3,403)	"
The Company	LEADHOPE INTERNATIONAL	Taiwan	Agent, broker, trader and operator of software	165,749	165,749	1,657	71.36 %	(2,549)	16,575	371	265	Note 1, 5
The Company	Airborn AI	Taiwan	Computer equipment installation and data processing	10,000	10,000	1,000	100.00 %	3,098	1,000	(1,279)	(1,279)	"
The Company	Wegene	Taiwan	Research, development, commission and sell medical equipment and health food products	24,317	24,317	100	100.00 %	445	100	327	327	"
The Company	Samoa Wegene	Samoa	Investment Holding	10,077	10,077	320	100.00 %	(6,287)	320	602	602	Note 1, 4, 5
The Company	ApoDx Technology, Inc.	Taiwan	Sales of medical equipment and information software	3,746	3,746	2,255	13.58 %	-	2,255	-	-	Note 2
The Company	LR CS	Swaziland	Wireless cloud services and e-commerce	3,302	3,302	50	50.00 %	-	50	-	-	"
								420,854		(42,648)	(43,134)	
LEADHOPE INTERNATIONAL	Leadhope (H.K.)	Hong Kong	Agent, broker, trader and operator of software	129,690	129,690	-	100.00 %	140	-	(332)	(332)	Note 3, 4, 5
Wegene	ApoDx Technology, Inc.	Taiwan	Sales of medical equipment and information software	1,350	1,350	1,175	7.08 %	-	1,175	-	-	Note 2

Note 1: Subsidiaries that have control.

Note 2: Investee accounted for using equity method.

Note 3: Sub-Subsidiaries that have control.

Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 5: The transaction has been eliminated in the consolidated financial statements.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated 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:

(In Thousands of New Taiwan Dollars)

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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Highest Percentage of ownership	Accumulated remittance of earnings in current period
					Outflow	Inflow								
Leadtek Shanghai	Responsible for the marketing and after-sales services of the Company's products in the Chinese mainland market	168,905 (USD5,500)	(Note 1)	168,905 (USD5,500)	-	-	168,905 (USD5,500)	(39,266)	100%	100%	(39,266)	445,406	-	-
Shenyang Wegene	Manufacture and sales of medical equipment	9,827 (USD320)	(Note 1)	9,827 (USD320)	-	-	9,827 (USD320)	602	100%	100%	602	(6,258)	-	-
Zero TC Cloud Computing (Shanghai) Co., Ltd.(Zero TC)	Cloud computing software services	7,846 (CNY1,780)	(Note 2)	-	-	-	-	251	45%	45%	113	3,997	-	-

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	178,732 (USD5,820)	178,732 (USD5,820)	306,081

Note 1: Investment in companies in Mainland China through the existing companies in the third regions.

Note 2: Invest company in mainland China through the investment on company located at the third.

Note 3: Investment gain/loss recognition basis exclude Shenyang Wegene and Zero TC because they are not material and are recognized based on the consolidated financial statements of the investee. Leadtek Shanghai is recognized based on the financial statements audited by the accountants of the parent company in Taiwan.

Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 5: The above inter-company transactions have been eliminated when preparing the consolidated financial statements, except Zero TC.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2022, which were eliminated in the consolidated financial statements, are disclosed in "Information on significant transactions".

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (d) Major shareholders: None.

Note: 1): Information about the substantial shareholders is provided by the General Insurance Company on the last business day of each quarter. The total number of ordinary shares and special shares in which the calculation of shareholders' holding company has completed the unincorporated delivery (including treasury shares) is more than 5%. As a result of different basis of calculation, there may be inconsistency between share capital reported in the financial statements and the actual awarded number of uncertificated/scripless shares.

- 2) The above information, in the case of a shareholder's delivery of shares to a trust, is disclosed by the individual sub-account of the principal who opened the trust in favor of the trustee. As to the declaration of the shareholders' shareholding of an insider in excess of 10% by virtue of the Securities Trading Act, the shareholding of the shareholders includes the addition of the shares of the shareholders in trust and the application of the right of decision in respect of the trust property, and so on. For information on the declaration of the rights of the insider, please refer to the Public Information Observatory.

(14) Segment information:

- (a) General information

There are two reporting segments: computer products segment and smart medical segment, which provides the product design, manufacture and sales in their respective areas. Each reporting department is a strategic business unit, to provide different products. Each reporting department has its own technical and product marketing teams because of its different technical characteristics and marketing strategies for product. Other segments are mainly related to big data and games. For the years ended December 31, 2022 and 2021, the above segments do not meet the quantitative thresholds to be reportable.

- (b) Information about reportable segments and their measurement and reconciliations

The Group's segment financial information is as follows:

- (i) Reportable segment profit or loss is based on operating profit or loss before taxation, and as the base of performance evaluation. The Group does not allocate assets and liabilities to the reporting department for the operational decision maker to measure the department's assets and liabilities. Please refer to Note 4 for the operating department's accounting policies. The amounts reported are consistent with the reports used by the operational decision maker.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's segment financial information is as follows:

2022	Computer Products	Smart Medical	Other Segment	Total
Revenue: :				
Revenue from external customers	\$ 5,106,117	109,835	95,466	5,311,418
Intersegment revenues	-	-	-	-
Interest income	<u>6</u>	<u>10</u>	<u>2,089</u>	<u>2,105</u>
Revenue from external customers	<u><u>\$ 5,106,123</u></u>	<u><u>109,845</u></u>	<u><u>97,555</u></u>	<u><u>5,313,523</u></u>
Interest expense	\$ (18,416)	(6,843)	(183)	(25,442)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	-	-	113	113
Segment profit or loss	<u><u>\$ 17,635</u></u>	<u><u>(102,839)</u></u>	<u><u>(116,219)</u></u>	<u><u>(201,423)</u></u>
2021	Computer Products	Smart Medical	Other Segment	Total
Revenue: :				
Revenue from external customers	\$ 8,596,712	121,186	105,158	8,823,056
Intersegment revenues	-	-	-	-
Interest income	<u>2</u>	<u>5</u>	<u>2,336</u>	<u>2,343</u>
Revenue from external customers	<u><u>\$ 8,596,714</u></u>	<u><u>121,191</u></u>	<u><u>107,494</u></u>	<u><u>8,825,399</u></u>
Interest expense	\$ (9,525)	(5,204)	(126)	(14,855)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	-	-	133	133
Segment profit or loss	<u><u>\$ 736,950</u></u>	<u><u>(134,833)</u></u>	<u><u>(56,555)</u></u>	<u><u>545,562</u></u>

(c) Product and service information

For information on revenue from external customers for the years ended December 31, 2022 and 2021, please refer to note 6(u).

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

- (i) For information on revenue from external customers for the years ended December 31, 2022 and 2021, please refer to note 6(u).

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Non-current assets:

<u>Geographical informa</u>	<u>2022</u>	<u>2021</u>
Taiwan	\$ 208,330	221,850
Mainland China	41,730	4,270
Others	<u>416</u>	<u>1,077</u>
	<u>\$ 250,476</u>	<u>227,197</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, but do not include financial instruments, deferred income tax assets, and pension fund assets.

(e) Major customer

The details of sales revenue from external customers more than 10% of the amount of consolidated statement of comprehensive income are as follows:

	<u>2022</u>	<u>2021</u>
Customer B	\$ <u>562,559</u>	<u>-</u>
	<u>\$ 562,559</u>	<u>-</u>

The Computer Products Segment generate sales revenue from Customer B.