

PRIMAX ELECTRONICS LTD.**Parent Company Only Financial Statements**

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

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

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Independent Auditors' Report

To the board of directors of PRIMAX ELECTRONICS LTD.:

Opinion

We have audited the parent company only financial statements of PRIMAX ELECTRONICS LTD. ("the Company"), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Matter

We did not audit the financial statements of certain investments accounted for using equity method. Those financial statements were audited by another auditor, and our opinion, insofar as it relates to the amounts included for those investments, is based solely on the report of another auditor. The Company's investment in these companies constituting 14% and 13% of the total assets, as of December 31, 2022 and 2021, respectively. The related share of profit of subsidiaries and associates accounted for using the equity method amounted constituting 17% and 12% of the profit after tax, for the years ended December 31, 2022 and 2021, respectively.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of PRIMAX ELECTRONICS LTD. only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our professional judgments, key audit matters to be communicated in the independent auditors' report are listed below:

1. Evaluation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

2. Investments accounted for using equity method

Please refer to note 4(h) “Investments in subsidiaries”, and note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” of the financial statements.

Description of key audit matter:

Based on the scope and nature of their businesses of PRIMAX ELECTRONICS LTD.’s subsidiaries accounted for using equity method, the net realizable value of inventories in certain subsidiaries required the managements to make subjective judgments, which is the major source of estimation uncertainty and may influence the outcome of their operations. Therefore, the valuation of inventories of the subsidiaries accounted for using equity method is one of the key audit matters for our audit.

In 2014, PRIMAX ELECTRONICS LTD. acquired Tymphany Worldwide Enterprises Ltd. through its subsidiary, Diamond (Cayman) Holdings Ltd., the transaction resulted in the Company to recognize its goodwill, technologies, and customer relations, as intangible assets. Due to intensive industrial competition, there is a probability that the abovementioned subsidiary is under the risk of impairment. Therefore, the management decided to perform an impairment assessment of investment accounted for using equity method which contain a significant estimation uncertainty; thus, the assessment of impairment of investment accounted for using equity method is one of the key audit matters for our audit.

How the matter was addressed in our audit:

For the principal audit procedures on the valuation of inventories of the investments accounted for using equity method, please refer to key audit matters 1. “Evaluation of inventories”. In addition, the consolidated financial statements of Tymphany Worldwide Enterprises Ltd. and its subsidiaries were audited by other auditors; therefore, we issued audit instructions to their auditors as guidelines to communicate the key audit matters with them and obtained the feedbacks required in the audit instructions.

The principal audit procedures on the assessment of recoverable amount of the investments accounted for using equity method included: evaluating the identification of cash generating units and any indication of impairment made by management; acquiring impairment assessment reports from external expert engaged by the Company; reviewing the impairment assessment reports and assessing the reasonability of measurements, parameters, and assumptions; evaluating the operation outcomes and comparing them to the past forecasts; making sensitivity analysis for evaluation of impairment losses and evaluating the completeness of disclosure in the financial reports.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are MEI-PIN WU and SHYH-GANG HORNG.

KPMG

Taipei, Taiwan (Republic of China)
February 24, 2023

Notes to Readers

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

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(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
PRIMAX ELECTRONICS LTD.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021			
		Amount	%	Amount	%			Amount	%	Amount	%		
Current assets:						Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$	2,961,693	8	1,945,651	6	2100	Short-term borrowings (note 6(k))	\$	-	-	332,000	1
1110	Current financial assets at fair value through profit or loss (note 6(b))		367,032	1	153,676	-	2170	Notes and accounts payable		301,600	1	61,240	-
1170	Accounts receivable, net (notes 6(d) and (t))		4,830,467	14	5,171,793	16	2180	Accounts payable to related parties (note 7)		9,050,436	26	9,799,684	30
1180	Accounts receivable from related parties, net (notes 6(d), (t) and 7)		2,980,766	9	2,542,289	8	2120	Current financial liabilities at fair value through profit or loss (note 6(b))		1,013,985	3	602,978	2
1200	Other receivables (notes 6(d) and 7)		90,840	-	152,352	-	2200	Other payables (note 7)		2,258,638	7	2,043,086	6
1310	Inventories (note 6(e))		2,772,215	8	3,831,953	12	2201	Salaries payable		493,350	1	440,409	1
1470	Other current assets		101,964	-	67,249	-	2280	Current lease liabilities (note 6(m))		72,294	-	68,501	-
			14,104,977	40	13,864,963	42	2300	Other current liabilities (note 6(t))		727,384	2	579,993	2
Non-current assets:							2365	Current refund liabilities		1,851,815	5	1,612,963	5
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))		288,671	1	221,547	-				15,769,502	45	15,540,854	47
1550	Investments accounted for using equity method, net (note 6(f))		17,830,483	50	15,732,110	48	Non-Current liabilities:						
1600	Property, plant and equipment (notes 6(g) and 8)		983,581	3	863,616	3	2540	Long-term borrowings (notes 6(l) and 8)		464,000	1	429,500	1
1755	Right-of-use assets (note 6(h))		1,139,985	3	1,227,541	4	2580	Non-current lease liabilities (note 6(m))		1,121,079	3	1,190,212	4
1760	Investment property (note 6(i))		233,788	1	237,348	1	2630	Long-term deferred revenue (note 6(g))		586,567	2	709,599	2
1780	Intangible assets (note 6(j))		3,598	-	5,653	-	2600	Other non-current liabilities (notes 6(o) and (p))		1,019,712	3	807,866	3
1840	Deferred tax assets (note 6(p))		580,948	2	547,273	2				3,191,358	9	3,137,177	10
1990	Other non-current assets		141,923	-	153,492	-		Total liabilities		18,960,860	54	18,678,031	57
			21,202,977	60	18,988,580	58	3110	Ordinary shares (note 6(q))		4,582,893	13	4,552,633	14
							3200	Capital surplus (notes 6 (f) and (q))		2,129,908	6	1,758,780	5
							3310	Legal reserve (note 6(q))		1,999,217	6	1,769,946	5
							3320	Special reserve (note 6(q))		1,217,130	3	1,046,360	3
							3350	Unappropriated retained earnings (note 6(q))		7,433,108	21	6,492,401	20
							3400	Other equity interest		(1,015,162)	(3)	(1,444,608)	(4)
								Total equity		16,347,094	46	14,175,512	43
Total assets		\$	35,307,954	100	32,853,543	100	Total liabilities and equity		\$	35,307,954	100	32,853,543	100

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
PRIMAX ELECTRONICS LTD.
Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2022		2021	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (notes 6(t) and 7)	\$ 42,694,520	100	42,506,020	100
5000	Operating costs (notes 6(e), (m), (o), (u), 7 and 12)	<u>38,065,836</u>	<u>89</u>	<u>38,356,406</u>	<u>90</u>
	Gross profit from operations	<u>4,628,684</u>	<u>11</u>	<u>4,149,614</u>	<u>10</u>
	Operating expenses (notes 6(j), (m), (o), (r), (u), 7 and 12):				
6100	Selling expenses	698,879	2	550,942	1
6200	Administrative expenses	586,822	2	573,196	2
6300	Research and development expenses	1,411,652	3	1,243,420	3
6450	Expected credit loss (gain on reversal) (note 6(d))	<u>52,213</u>	<u>-</u>	<u>(11,010)</u>	<u>-</u>
	Total operating expenses	<u>2,749,566</u>	<u>7</u>	<u>2,356,548</u>	<u>6</u>
	Net operating income	<u>1,879,118</u>	<u>4</u>	<u>1,793,066</u>	<u>4</u>
	Non-operating income and expenses:				
7100	Interest income	11,347	-	1,397	-
7010	Other income (notes 6 (c), (n), (v) and 7)	20,344	-	12,334	-
7020	Other gains and losses (note 6(w))	200,516	-	710,139	2
7070	Share of profit of subsidiaries and associates accounted for using equity method	1,118,831	3	213,447	-
7050	Finance costs (note 6(m))	<u>(64,321)</u>	<u>-</u>	<u>(52,852)</u>	<u>-</u>
	Total non-operating income and expenses	<u>1,286,717</u>	<u>3</u>	<u>884,465</u>	<u>2</u>
	Profit before income tax	3,165,835	7	2,677,531	6
7950	Less: Income tax expenses (note 6(p))	<u>423,226</u>	<u>1</u>	<u>379,249</u>	<u>1</u>
	Profit	<u>2,742,609</u>	<u>6</u>	<u>2,298,282</u>	<u>5</u>
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Losses on remeasurements of defined benefit plans (note 6(o))	6,971	-	(5,574)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	22,345	-	93,397	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(10,371)	-	(3,535)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>18,945</u>	<u>-</u>	<u>84,288</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	452,637	1	(260,632)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>452,637</u>	<u>1</u>	<u>(260,632)</u>	<u>-</u>
8300	Other comprehensive income	<u>471,582</u>	<u>1</u>	<u>(176,344)</u>	<u>-</u>
	Comprehensive income (after tax)	<u>\$ 3,214,191</u>	<u>7</u>	<u>2,121,938</u>	<u>5</u>
	Earnings per share (note 6(s))				
9710	Basic earnings per share (NT dollars)	<u>\$ 6.10</u>		<u>5.13</u>	
9810	Diluted earnings per share (NT dollars)	<u>\$ 6.02</u>		<u>5.09</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.**Statements of Changes in Equity****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	Share capital		Retained earnings			Exchange differences on translation of foreign financial statements	Other equity interest		Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Unearned employee compensation	
Balance on January 1, 2021	<u>\$ 4,508,983</u>	<u>1,567,628</u>	<u>1,578,473</u>	<u>1,058,941</u>	<u>5,733,458</u>	<u>(1,004,528)</u>	<u>(41,833)</u>	<u>(113,289)</u>	<u>13,287,833</u>
Profit	-	-	-	-	2,298,282	-	-	-	2,298,282
Other comprehensive income	-	-	-	-	(5,574)	(260,632)	89,862	-	(176,344)
Comprehensive income	-	-	-	-	2,292,708	(260,632)	89,862	-	2,121,938
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	191,473	-	(191,473)	-	-	-	-
Special reserve	-	-	-	(12,581)	12,581	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,354,873)	-	-	-	(1,354,873)
Changes in investment accounted for using equity method	-	10,186	-	-	-	-	-	-	10,186
Amortization expense of restricted stock	-	-	-	-	-	-	-	110,428	110,428
Cancellation of restricted stock	(1,750)	(6,446)	-	-	-	-	-	8,196	-
Issuance of restricted stock	<u>45,400</u>	<u>187,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(232,812)</u>	<u>-</u>
Balance on December 31, 2021	<u>4,552,633</u>	<u>1,758,780</u>	<u>1,769,946</u>	<u>1,046,360</u>	<u>6,492,401</u>	<u>(1,265,160)</u>	<u>48,029</u>	<u>(227,477)</u>	<u>14,175,512</u>
Profit	-	-	-	-	2,742,609	-	-	-	2,742,609
Other comprehensive income	-	-	-	-	6,971	452,637	11,974	-	471,582
Comprehensive income	-	-	-	-	2,749,580	452,637	11,974	-	3,214,191
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	229,271	-	(229,271)	-	-	-	-
Special reserve	-	-	-	170,770	(170,770)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,411,230)	-	-	-	(1,411,230)
Changes in investment accounted for using equity method	-	183,738	-	-	2,741	-	(2,741)	-	183,738
Amortization expense of restricted stock	-	-	-	-	-	-	-	184,883	184,883
Cancellation of restricted stock	(5,290)	(21,683)	-	-	-	-	-	26,973	-
Issuance of restricted stock	<u>35,550</u>	<u>209,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(244,623)</u>	<u>-</u>
Effect of the liquidation of equity instruments at fair value through other comprehensive income	-	-	-	-	(343)	-	343	-	-
Balance on December 31, 2022	<u>\$ 4,582,893</u>	<u>2,129,908</u>	<u>1,999,217</u>	<u>1,217,130</u>	<u>7,433,108</u>	<u>(812,523)</u>	<u>57,605</u>	<u>(260,244)</u>	<u>16,347,094</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PRIMAX ELECTRONICS LTD.**Statements of Cash Flows****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 3,165,835	2,677,531
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	123,267	121,554
Amortization expense	28,739	25,973
Amortization of long-term deferred revenue	(199,573)	(221,370)
Expected credit loss (reversal)	52,213	(11,010)
Interest expense	60,992	48,744
Interest income	(11,347)	(1,397)
Compensation cost of share-based payment	123,795	103,813
Share of profit of subsidiaries and associates accounted for using equity method	(1,118,831)	(213,447)
Loss on disposal of property, plant and equipment	-	261
Gain on disposal of right-of-use assets	(5)	-
Amortization of unrealized revenue of patents disposed	(15,450)	(15,450)
Total adjustments to reconcile profit (loss)	(956,200)	(162,329)
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(213,356)	107,311
Accounts receivable, including related parties	(149,364)	(563,790)
Other receivable	53,175	67,556
Inventories	1,059,738	301,747
Other current assets	(34,715)	(29,687)
Other operating assets	(8,365)	(68,051)
Changes in operating assets	707,113	(184,914)
Financial liabilities at fair value through profit or loss	411,007	170,807
Notes and accounts payable, including related parties	(508,888)	(1,827,097)
Salaries payable	52,941	183,559
Other payables	592,809	(175,989)
Refund liabilities	238,852	221,921
Other current liabilities	147,391	38,716
Long-term deferred revenue	76,541	54,502
Other operating liabilities	235,254	195,852
Changes in operating liabilities	1,245,907	(1,137,729)
Total changes in operating assets and liabilities	1,953,020	(1,322,643)
Total adjustments	996,820	(1,484,972)
Cash inflow generated from operations	4,162,655	1,192,559
Interest received	11,347	1,397
Interest paid	(60,915)	(48,669)
Income taxes paid	(850,773)	(487,759)
Net cash flows from operating activities	3,262,314	657,528
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(44,839)	(35,097)
Proceeds from the liquidation of financial assets at fair value through other comprehensive income	60	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	1,210
Acquisition of investments accounted for using equity method	(277,000)	(285,000)
Acquisition of property, plant and equipment	(149,664)	(798,904)
Proceeds from disposal of property, plant and equipment	-	520
Acquisition of unamortized expense	(7,091)	(15,351)
Increase (decrease) in refundable deposits	1,099	(4,059)
Dividends received	8,337	304
Net cash flows used in investing activities	(469,098)	(1,136,377)
Cash flows from (used in) financing activities:		
Decrease (increase) in short-term borrowings	(332,000)	52,000
Increase in long-term borrowings	34,500	429,500
Increase in guarantee deposits received	100	-
Payment of lease liabilities	(68,544)	(72,381)
Cash dividends paid	(1,411,230)	(1,354,873)
Net cash flows used in financing activities	(1,777,174)	(945,754)
Net increase (decrease) in cash and cash equivalents	1,016,042	(1,424,603)
Cash and cash equivalents at beginning of period	1,945,651	3,370,254
Cash and cash equivalents at end of period	\$ 2,961,693	1,945,651

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
PRIMAX ELECTRONICS LTD.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

PRIMAX ELECTRONICS LTD. (the “Company”), formerly known as Hong Chuan Investments Ltd., was incorporated on March 20, 2006, and registered under the Ministry of Economic Affairs, ROC. The Company changed its name to Hong Chuan Electronics Ltd. and Primax Electronics Ltd. in October 2007 and February 2008, respectively. The address of the Company’s registered office is No. 669, Ruey Kuang Road, Neihu, Taipei.

Primax Electronics Holdings, Ltd. (Primax Holdings, formerly known as Apple Holdings Ltd.) acquired all shares of the Company from YWAN PANG Management Limited on April 2, 2007. The investment was approved by the Investment Commission, Ministry of Economic Affairs. However, all shares of the Company were sold by Primax Holdings to its stockholders in October 2009.

Based on the resolution approved by the Company’s board of directors on November 5, 2007, the Company resolved to acquire and merge with Primax Electronics Ltd. (“Primax”, a listed company) on December 28, 2007. The Company is the surviving company, and Primax was dissolved upon completion of the merger.

The major business activities of the Company were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products and shredders.

The Company’s common shares were registered with the Financial Supervisory Commission, ROC (“FSC”) on June 22, 2012, and listed on the Taiwan Stock Exchange (“TWSE”) on October 5, 2012.

(2) Approval date and procedures of the parent company only financial statements:

The parent company only financial statements were authorized for issuance by the board of directors on February 24, 2023.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its parent company only financial statements:

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

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

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

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments¹, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent company only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(a) Statement of compliance

These annual parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent company only financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities are measured at fair value of the plan assets, less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the Company operates. The Company's parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currency using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for the difference relating to an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Company's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of its investment in an associate or joint venture, including a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash and cash equivalents comprise petty cash, cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Time deposits with maturities within three months or less which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(f) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value, plus transaction costs that are directly attributable to its acquisition or issue. A accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets classified as the same categories are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost; fair value through other comprehensive income (FVOCI) ; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial assets on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers :

- contingent events that would change the amount or timing of cash flows ;
- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, other receivables, guarantee deposit paid and other financial assets, etc).

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

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 61 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 361 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 361 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

(Continued)

PRIMAX ELECTRONICS LTD.

Notes to the Parent Company Only Financial Statements

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) **Derecognition of financial assets**

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

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) **Financial liabilities and equity instruments**

1) **Classification of debt or equity**

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

2) **Equity instrument**

An equity instrument is any contract that evidences the residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) **Financial liabilities**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value; and net gains and losses, including any interest expense, are recognized in profit or loss.

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

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-costing method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method. There is no difference between net income and comprehensive income in the Company's parent company only financial statements and net income and comprehensive income attributable to stockholders of the parent. The equity in the Company's parent company only financial statements and the equity attributable to stockholders of the parent in the Company's consolidated financial statements are also the same.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. When the Company loses control over its subsidiaries, the Company derecognizes the investment by the book value on the date of loss of control and remeasures the rest of the investments at fair value on the same date.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(i) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value, which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

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

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land has an unlimited useful life, and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings and additional equipment: 1 ~ 51 years
- 2) Machinery and equipment: 1 ~ 4 years
- 3) Other equipment: 1 ~ 5 years

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

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

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner occupied to investment property.

(k) Lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised or penalty should be paid.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

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

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change of its assessment on purchase option; or
- 4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment property and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of machinery and other equipment that have short-term leases and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term.

(l) Intangible assets

(i) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete the development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including trademarks, patents and copyrights, that are acquired by the Company and have finite useful lives are measured at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

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

- | | | |
|----|------------|--------------|
| 1) | Trademarks | 10 years |
| 2) | Patents | 2.5~10 years |
| 3) | Copyrights | 15 years |

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

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(m) Impairment of non-financial assets

At each annual reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value, less costs to sell. Value-in-use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods

The Company sales computer peripherals and non-computer peripherals to customers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company often offers volume discounts to its customers based on aggregate sales of components. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of components are made with a credit term of 45 days to 120 days, which is consistent with the market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

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PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(ii) Rendering of services

The Company provides services, such as model research, development, and design to customers. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(iii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(o) Deferred grant service

Deferred grant revenue with additional conditions shall be recognized if the Company fulfills the conditions and the grant revenue becomes receivable.

Deferred grant revenue shall be recognized in profit or loss on a systematic basis in the periods in which the expenses it is to compensate are recognized. Grant revenue with conditions to compensate for the acquisition cost of an asset shall be deferred and recognized in profit or loss on a systematic basis over the useful life of the asset.

If the deferred grant revenue is to compensate for the Company's expenses that have been incurred or to supply immediate financial support to the Company and there is no related cost in the future, it shall be recognized in profit or loss when the grant revenue becomes receivable.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as related services are provided.

(ii) Defined benefit plans

The Company's net obligation in respect of the defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

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PRIMAX ELECTRONICS LTD.
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The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability (asset), which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as related services are provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Grant date of a share-based payment award is the date which the board of directors authorized the price and the number of shares that employees can subscribe for.

(r) Income taxes

Income taxes expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(Continued)

PRIMAX ELECTRONICS LTD.
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Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) **Earnings per share**

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. Dilutive potential ordinary shares comprise accrued employee remuneration, employee stock options, and restricted stock.

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(t) Operating segments

Please refer to the Company's consolidated financial statements for the years ended December 31, 2022 and 2021, for further details.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent company only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of the changes in accounting estimates in the next period.

Information about critical judgments made in applying the accounting policies that have significant effects on amounts recognized in the parent company only financial statements is as follows:

Please refer to consolidated financial statements for judgment of whether the Company has substantive control over its investees.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Valuation of inventories

As inventories are measured at the lower of cost or net realizable value, the Company estimates the amount due to inventories' obsolescence and unmarketable items at the reporting date and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for valuation of inventories.

(b) Valuation of inventories and impairment assessment of intangible assets and investments of investments accounted for using equity method

Please refer to above for inventories valuation. The assessment of impairment of intangible assets and investments accounted for using equity method required the Company to make subjective judgments on cash-generating units, allocate the intangible assets to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Changes in economic conditions or changes in assessment caused by business strategies could result in significant impairment charges or reversal in future years.

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PRIMAX ELECTRONICS LTD.
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The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company has established an internal control framework with respect to the measurement of fair value and regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair value, then the Company assessed the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the impact of transfer is recognized on the reporting date. Please refer to note 6(x) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 1,163	1,150
Checking accounts and demand deposits	2,806,990	1,944,501
Time deposits	153,540	-
	\$ 2,961,693	1,945,651

Please refer to note 6(x) for the currency risk and the interest rate risk of the Company's cash and cash equivalents.

- (b) Current financial assets and liabilities at fair value through profit or loss

- (i) The derivative financial instruments were as follows:

	December 31, 2022	December 31, 2021
Mandatorily measured at FVTPL:		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 261,258	73,001
Foreign exchange swap contracts	105,774	80,675
	\$ 367,032	153,676

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PRIMAX ELECTRONICS LTD.
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	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial liabilities held-for-trading:		
Derivative instrument not used for hedging		
Forward exchange contracts	\$ (620,211)	(597,150)
Foreign exchange swap contracts	<u>(393,774)</u>	<u>(5,828)</u>
	<u>\$ (1,013,985)</u>	<u>(602,978)</u>

- (ii) The Company held the following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities as of December 31, 2022 and 2021:

December 31, 2022				
Derivative financial instruments	Nominal amount (in thousands)		Maturity date	Predetermined rate
Forward exchange contracts – buy USD / sell TWD	USD	680,000	January 10, 2023~ July 26, 2023	28.788~32.145
Forward exchange contracts – buy CNY/ sell USD	USD	149,000	January 4, 2023~ July 3, 2023	6.7117~7.2535
Forward exchange contracts – buy USD/ sell THB	USD	8,000	January 13, 2023~ February 23, 2023	34.460~35.000
Foreign exchange swap contracts– swap in TWD/ swap out USD	USD	585,000	January 10, 2023~ July 26, 2023	29.095~31.935

December 31, 2021				
Derivative financial instruments	Nominal amount (in thousands)		Maturity date	Predetermined rate
Forward exchange contracts – buy USD / sell TWD	USD	715,000	January 5, 2022~ July 29, 2022	26.890~27.946
Forward exchange contracts – buy CNY / sell USD	USD	146,000	January 4, 2022~ April 1, 2022	6.3980~6.4773
Foreign exchange swap contracts– swap in TWD/ swap out USD	USD	585,000	January 5, 2022~ July 28, 2022	25.574~28.092

- (iii) Please refer to note 6(x) for the liquidity risk of the Company's financial instruments.

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(c) Financial assets at FVOCI

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Equity investments at FVOCI		
Stocks unlisted in domestic markets–WK Technology Fund IV Ltd.	\$ -	60
Stocks unlisted in domestic markets–Changing Information Technology Inc.	7,535	8,201
Stocks unlisted in domestic markets–Syntronix Corp.	250	350
Equities unlisted in foreign markets–Grove Ventures L.P.	183,766	155,618
Equities unlisted in foreign markets–Grove Ventures II, L.P.	85,267	57,318
Equities unlisted in foreign markets–Grove Ventures III, L.P.	11,853	-
Total	\$ <u>288,671</u>	<u>221,547</u>

- (i) The Company designated the investments above as equity securities at FVOCI because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes and not for sale.
- (ii) During the years ended December 31, 2022 and 2021, the dividends of \$8,337 and \$304, respectively, related to equity investments at FVOCI held were recognized as other income.
- (iii) WK Technology Fund IV Ltd. refunded the amount of \$60 and \$1,210 to the Company due to its liquidation and capital reduction in May 2022 and March 2021, respectively.
- (iv) Grove Venture, L.P. executed capital increases, wherein the Company had participated and invested the amounts of \$5,340 and \$10,967 in the years ended December 31, 2022 and 2021, respectively.
- (v) Grove Venture II, L.P. executed capital increases, wherein the Company had participated and invested the amounts of \$26,415 and \$24,130 in the years ended December 31, 2022 and 2021, respectively.
- (vi) The Company invested the amount of \$7,756 in unlisted company, Grove Ventures III, L.P. in January 2022. In August 2022, Grove Ventures III, L.P. executed capital increase, where the Group had participated and invested the amount of \$5,328.
- (vii) The Company did not provide any of the aforementioned financial assets as collateral.

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(d) Accounts receivable (including related parties)

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 4,896,691	5,184,929
Accounts receivable – related parties	2,980,766	2,542,289
Less: allowance for doubtful accounts	(66,224)	(13,136)
Total	<u><u>\$ 7,811,233</u></u>	<u><u>7,714,082</u></u>

- (i) The Company did not provide any of the aforementioned accounts receivable (including related parties) as collateral.
- (ii) The Company applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all accounts receivables. To measure the ECL, accounts receivable have been grouped based on shared credit risk characteristics and customer's ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information, including macroeconomic and relevant industry information. The ECL allowance provision analysis was as follows:

	December 31, 2022		
	Carrying amounts of accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 6,819,338	0%	-
0 to 30 days past due	717,776	0%~3%	20,649
31 to 60 days past due	197,556	0%~5%	9,878
61 to 90 days past due	-	0%~10%	-
91 to 180 days past due	142,787	0%~25%	35,697
181 to 360 days past due	-	0%~80%	-
More than 361 days past due	-	0%~100%	-
	<u><u>\$ 7,877,457</u></u>		<u><u>66,224</u></u>

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PRIMAX ELECTRONICS LTD.
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	December 31, 2021		
	Carrying amounts of accounts receivable (including related parties)	Lifetime ECL rate	Loss allowance provision of lifetime ECL
Current	\$ 7,319,493	0%	-
0 to 30 days past due	367,240	0%~3%	8,864
31 to 60 days past due	25,675	0%~5%	1,284
61 to 90 days past due	9,135	0%~10%	548
91 to 180 days past due	969	0%~25%	78
181 to 360 days past due	4,687	0%~80%	2,343
More than 361 days past due	19	0%~100%	19
	\$ 7,727,218		13,136

(iii) The movement in the allowance for accounts receivable was as follows:

	2022	2021
Balance on January 1, 2022 and 2021	\$ 13,136	24,844
Impairment losses recognized (reversed)	52,213	(11,010)
Effect of exchange rate changes	875	(698)
Balance on December 31, 2022 and 2021	\$ 66,224	13,136

(iv) The Company entered into agreements with banks to sell its accounts receivable without recourse. According to the agreements, within the limit of its credit facilities, the Company does not need to guarantee the capability of its customers to pay for reasons other than commercial disputes when transferring its accounts receivable. The Company receives partial advances upon sales of accounts receivable and pays interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the accounts receivable, and are recorded as other receivables. In addition, the Company shall pay handling charges based on a fixed rate. The Company derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership and it does not have any continuing involvement in them. As of December 31, 2022 and 2021, the details of transferred accounts receivable which conformed to the criteria for derecognition were as follows:

December 31, 2022						
	Amount	Amount advanced		Amount	Range of	Guarantee
Buyer	derecognized	Unpaid	Paid	Recognized in Other Receivables	Interest rate	(promissory note)
Mega International Commercial Bank	\$ -	-	-	-	-	US\$ 3,750
Bank of Taiwan	-	-	-	-	-	NT\$ 297,000
	\$ -	-	-	-		

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December 31, 2021						
Buyer	Amount derecognized	Amount advanced		Amount Recognized in Other Receivables	Range of Interest rate	Guarantee (promissory note)
		Unpaid	Paid			
EnTie Bank	\$ 54,818	-	-	54,818	-	-
Mega International Commercial Bank	-	-	-	-	-	US\$ 3,750
Bank of Taiwan	162,034	-	145,830	16,204	0.741%~0.997%	NT\$ 135,000
	<u>\$ 216,852</u>	<u>-</u>	<u>145,830</u>	<u>71,022</u>		

(v) Please refer to note 9 for guarantee notes provided by the Company to sell its accounts receivable.

(e) Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$ 335,485	298,444
Semi-finished goods	55,200	33,980
Finished goods and merchandise	2,381,530	3,499,529
	<u>\$ 2,772,215</u>	<u>3,831,953</u>

The Company did not provide any of the aforementioned inventories as collateral. Except for cost of inventories sold, the Company recognized the following items as cost of goods sold:

	2022	2021
Losses on inventory valuation and disposal of inventories	\$ (13,140)	(41,831)
Losses on physical inventories	(381)	(195)
	<u>\$ (13,521)</u>	<u>(42,026)</u>

(f) Investments accounted for using equity method

The Company's investments accounted for using the equity method at the reporting dates were as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	<u>\$ 17,830,483</u>	<u>15,732,110</u>

(i) Please refer to the Company's consolidated financial statements for the year ended December 31, 2022, for details of subsidiaries.

(ii) The Company did not provide investments accounted for using the equity method as collateral.

(iii) In 2022 and 2021, the Company both invested the amounts of US\$10,000 in Primax Electronics (Singapore) Pte. Ltd.

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- (iv) The revenue of ALT International Co., Ltd (Cayman) (“AIC”) held by the Company through its subsidiary, Primax AE (Cayman) Holding Ltd. did not turn out as expected due to intensive industrial competition. Therefore, there is an impairment of the intangible assets and carrying amounts related to this equity investment after the Company’s evaluation. Please refer to note 6(h) of the Company’s consolidated financial statements for the year ended December 31, 2022.
- (v) Tymphany Huizhou held by the Company through its subsidiary, Diamond (Cayman) Holding Ltd., repurchased shares from the employee stock ownership plan in May 2022. The Company recognized the equity change as capital surplus. Please refer to note 6(i) of the Company’s consolidated financial statements for the year ended December 31, 2022.

(g) Property, plant and equipment

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

	Land	Buildings and additional equipment	Machinery and equipment	Other equipment	Testing equipment	Total
Cost or deemed cost:						
Balance on January 1, 2022	\$ 792,459	141,673	132,387	64,221	15,170	1,145,910
Additions	-	-	9,980	8,692	130,992	149,664
Disposals	-	(584)	(1,677)	(529)	-	(2,790)
Reclassifications	-	53,981	9,968	-	(64,706)	(757)
Balance on December 31, 2022	<u>\$ 792,459</u>	<u>195,070</u>	<u>150,658</u>	<u>72,384</u>	<u>81,456</u>	<u>1,292,027</u>
Balance on January 1, 2021	\$ 22,879	141,673	122,470	64,894	9,628	361,544
Additions	769,580	-	7,076	956	21,292	798,904
Disposals	-	-	(1,233)	(1,919)	-	(3,152)
Reclassifications	-	-	4,074	290	(15,750)	(11,386)
Balance on December 31, 2021	<u>\$ 792,459</u>	<u>141,673</u>	<u>132,387</u>	<u>64,221</u>	<u>15,170</u>	<u>1,145,910</u>
Depreciation:						
Balance on January 1, 2022	\$ -	133,560	95,413	53,321	-	282,294
Depreciation	-	2,596	20,799	5,547	-	28,942
Disposals	-	(584)	(1,677)	(529)	-	(2,790)
Balance on December 31, 2022	<u>\$ -</u>	<u>135,572</u>	<u>114,535</u>	<u>58,339</u>	<u>-</u>	<u>308,446</u>
Balance on January 1, 2021	\$ -	133,213	78,112	49,328	-	260,653
Depreciation	-	347	17,754	5,911	-	24,012
Disposals	-	-	(453)	(1,918)	-	(2,371)
Balance on December 31, 2021	<u>\$ -</u>	<u>133,560</u>	<u>95,413</u>	<u>53,321</u>	<u>-</u>	<u>282,294</u>
Carrying amounts:						
Balance on December 31, 2022	<u>\$ 792,459</u>	<u>59,498</u>	<u>36,123</u>	<u>14,045</u>	<u>81,456</u>	<u>983,581</u>
Balance on December 31, 2021	<u>\$ 792,459</u>	<u>8,113</u>	<u>36,974</u>	<u>10,900</u>	<u>15,170</u>	<u>863,616</u>
Balance on January 1, 2021	<u>\$ 22,879</u>	<u>8,460</u>	<u>44,358</u>	<u>15,566</u>	<u>9,628</u>	<u>100,891</u>

- (i) The unamortized deferred revenue of equipment subsidy amounted to \$586,567 and \$709,599 as of December 31, 2022 and 2021, respectively.
- (ii) The Company provided the aforementioned property, plant and equipment as collateral; please refer to note 8 .

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(h) Right-of-use assets

The Company leases many assets including land, buildings and vehicles. Information about leases for which the Company as a lessee is presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Other equipments</u>	<u>Total</u>
Cost:					
Balance on January 1, 2022	\$ -	1,482,800	13,125	2,106	1,498,031
Additions	-	1,229	2,884	-	4,113
Disposals	-	-	(2,196)	-	(2,196)
Balance on December 31, 2022	<u>\$ -</u>	<u>1,484,029</u>	<u>13,813</u>	<u>2,106</u>	<u>1,499,948</u>
Balance on January 1, 2021	\$ -	422,937	12,009	4,224	439,170
Additions	-	531	5,897	-	6,428
Disposals	-	-	(4,781)	(2,118)	(6,899)
Lease modification	-	1,059,332	-	-	1,059,332
Balance on December 31, 2021	<u>\$ -</u>	<u>1,482,800</u>	<u>13,125</u>	<u>2,106</u>	<u>1,498,031</u>
Depreciation:					
Balance on January 1, 2022	\$ -	260,119	8,436	1,935	270,490
Depreciation	-	87,962	2,632	171	90,765
Disposals	-	-	(1,292)	-	(1,292)
Balance on December 31, 2022	<u>\$ -</u>	<u>348,081</u>	<u>9,776</u>	<u>2,106</u>	<u>359,963</u>
Balance on January 1, 2021	\$ -	172,392	8,212	2,803	183,407
Depreciation	-	87,727	5,005	1,250	93,982
Disposals	-	-	(4,781)	(2,118)	(6,899)
Balance on December 31, 2021	<u>\$ -</u>	<u>260,119</u>	<u>8,436</u>	<u>1,935</u>	<u>270,490</u>
Carrying amounts:					
Balance on December 31, 2022	<u>\$ -</u>	<u>1,135,948</u>	<u>4,037</u>	<u>-</u>	<u>1,139,985</u>
Balance on December 31, 2021	<u>\$ -</u>	<u>1,222,681</u>	<u>4,689</u>	<u>171</u>	<u>1,227,541</u>
Balance on January 1, 2021	<u>\$ -</u>	<u>250,545</u>	<u>3,797</u>	<u>1,421</u>	<u>255,763</u>

(i) Investment property

	<u>Land</u>	<u>Buildings and other equipments</u>	<u>Total</u>
Cost or deemed cost:			
Balance on January 1, 2022	\$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2022	<u>\$ 162,012</u>	<u>172,167</u>	<u>334,179</u>
Balance on January 1, 2021	\$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2021	<u>\$ 162,012</u>	<u>172,167</u>	<u>334,179</u>

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

	Land	Buildings and other equipments	Total
Depreciation and impairment losses:			
Balance on January 1, 2022	\$ 33,941	62,890	96,831
Depreciation	<u>-</u>	<u>3,560</u>	<u>3,560</u>
Balance on December 31, 2022	<u><u>\$ 33,941</u></u>	<u><u>66,450</u></u>	<u><u>100,391</u></u>
Balance on January 1, 2021	\$ 33,941	59,330	93,271
Depreciation	<u>-</u>	<u>3,560</u>	<u>3,560</u>
Balance on December 31, 2021	<u><u>\$ 33,941</u></u>	<u><u>62,890</u></u>	<u><u>96,831</u></u>
Carrying amounts:			
Balance on December 31, 2022	<u><u>\$ 128,071</u></u>	<u><u>105,717</u></u>	<u><u>233,788</u></u>
Balance on December 31, 2021	<u><u>\$ 128,071</u></u>	<u><u>109,277</u></u>	<u><u>237,348</u></u>
Balance on January 1, 2021	<u><u>\$ 128,071</u></u>	<u><u>112,837</u></u>	<u><u>240,908</u></u>
Fair value:			
Balance on December 31, 2022			<u><u>\$ 748,616</u></u>
Balance on December 31, 2021			<u><u>\$ 711,098</u></u>
Balance on January 1, 2021			<u><u>\$ 643,812</u></u>

- (i) The fair value of investment property is based on the quotation from third parties, which is categorized within Level 3.
- (ii) Investment property comprises a number of commercial properties which are leased to third parties. Each of the leases contains an initial non-cancellable period between 1 and 15 years. Subsequent renewals are negotiated with the lessee, and no contingent rents are charged. Please refer to note 6(n) for further information.
- (iii) The Company did not provide any of the aforementioned investment property as collateral.

(j) Intangible assets

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

	Trademarks	Patents	Copyrights	Total
Cost:				
Balance on January 1, 2022	\$ 25,584	64,271	30,832	120,687
Acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance on December 31, 2022	<u><u>\$ 25,584</u></u>	<u><u>64,271</u></u>	<u><u>30,832</u></u>	<u><u>120,687</u></u>
Balance on January 1, 2021	\$ 25,584	64,271	30,832	120,687
Acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance on December 31, 2021	<u><u>\$ 25,584</u></u>	<u><u>64,271</u></u>	<u><u>30,832</u></u>	<u><u>120,687</u></u>

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PRIMAX ELECTRONICS LTD.
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	<u>Trademarks</u>	<u>Patents</u>	<u>Copyrights</u>	<u>Total</u>
Amortization:				
Balance on January 1, 2022	\$ 25,584	64,271	25,179	115,034
Amortization	<u>-</u>	<u>-</u>	<u>2,055</u>	<u>2,055</u>
Balance on December 31, 2022	<u>\$ 25,584</u>	<u>64,271</u>	<u>27,234</u>	<u>117,089</u>
Balance on January 1, 2021	\$ 25,584	64,271	23,124	112,979
Amortization	<u>-</u>	<u>-</u>	<u>2,055</u>	<u>2,055</u>
Balance on December 31, 2021	<u>\$ 25,584</u>	<u>64,271</u>	<u>25,179</u>	<u>115,034</u>
Carrying amount:				
Balance on December 31, 2022	<u>\$ -</u>	<u>-</u>	<u>3,598</u>	<u>3,598</u>
Balance on December 31, 2021	<u>\$ -</u>	<u>-</u>	<u>5,653</u>	<u>5,653</u>
Balance on January 1, 2021	<u>\$ -</u>	<u>-</u>	<u>7,708</u>	<u>7,708</u>

(i) In 2022 and 2021, the amortizations of intangible assets both amounted to \$2,055 were recorded as operating expenses.

(ii) The Company did not provide any of the aforementioned intangible assets as collateral.

(k) Short-term borrowings

The details were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loans	<u>\$ -</u>	<u>332,000</u>
Unused credit lines	<u>\$ 12,043,228</u>	<u>9,233,990</u>
Annual interest rates	<u>-</u>	<u>0.67%~0.70%</u>

(l) Long-term borrowings

<u>December 31, 2022</u>			
<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	TWD	1.03%~1.40%	2026
			\$ <u>464,000</u>
Unused credit lines			\$ <u>1,336,000</u>
<u>December 31, 2021</u>			
<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	TWD	0.40%~0.85%	2026
			\$ <u>429,500</u>
Unused credit lines			\$ <u>1,570,500</u>

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PRIMAX ELECTRONICS LTD.
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- (i) Please refer to note 8 for further information on assets provided as collateral.
- (ii) Please refer to note 9 for the details of the outstanding guarantee notes.
- (m) Lease liabilities

	December 31, 2022	December 31, 2021
Current	\$ <u>72,294</u>	<u>68,501</u>
Non-current	\$ <u>1,121,079</u>	<u>1,190,212</u>

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

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	\$ <u>25,908</u>	<u>25,443</u>
Expenses relating to short-term leases and leases of low-value assets	\$ <u>4,338</u>	<u>1,120</u>

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

	2022	2021
Rental paid in operating activities	\$ (4,338)	(1,120)
Interest on lease liabilities paid in operating activities	(25,908)	(25,443)
Payment made on lease liabilities in financing activities	<u>(68,544)</u>	<u>(72,381)</u>
Total cash outflow for leases	\$ <u>(98,790)</u>	<u>(98,944)</u>

- (i) Real estate leases

The Company leases buildings for its office and staff dormitory. The leases typically run for a period of one to fifteen years. Some leases require additional rental payments depending on the changes in fair value of the lease assets.

- (ii) Other leases

The Company leases vehicles and other equipments with lease terms of one to four years.

The Company also leases vehicles with lease terms of one to two years. These leases are short-term or leases of low-value items. The Company decided to apply recognition exemptions, and had elected not to recognize its right-of-use assets and lease liabilities for these leases.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(n) Operating lease

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(i).

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

	December 31, 2022	December 31, 2021
Less than one year	\$ 11,395	11,570
Between two and five years	40,006	39,657
More than five years	<u>31,341</u>	<u>41,238</u>
Total undiscounted lease payments	<u>\$ 82,742</u>	<u>92,465</u>

Rental income from investment properties amounted to \$11,290 and \$11,196 in 2022 and 2021, respectively.

(o) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 125,391	134,375
Fair value of plan assets	<u>70,037</u>	<u>69,942</u>
Deficit in the plan	55,354	64,433
Asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit liability (recorded as other non-current liabilities)	<u>\$ 55,354</u>	<u>64,433</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

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PRIMAX ELECTRONICS LTD.
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1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$70,037 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Company for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Defined benefit obligation on January 1	\$ 134,375	150,927
Benefits paid	(9,099)	(24,093)
Current service costs and interest cost	1,195	708
Remeasurement of net defined benefit liabilities	(1,080)	6,833
Defined benefit obligation on December 31	<u>\$ 125,391</u>	<u>134,375</u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Fair value of plan assets on January 1	\$ 69,942	82,982
Interest income	530	286
Remeasurement of net defined liabilities	5,891	1,259
Contributions paid	2,773	2,800
Benefits paid	(9,099)	(17,385)
Fair value of plan assets on December 31	<u>\$ 70,037</u>	<u>69,942</u>

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Current service costs	\$ 192	189
Net interest of net liabilities for defined benefit	473	233
Expenses	<u><u>\$ 665</u></u>	<u><u>422</u></u>

5) Remeasurement of net defined liability (asset) recognized in other comprehensive income

The Company's remeasurement of net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2022 and 2021, was as follows:

	2022	2021
Balance on January 1	\$ 23,056	17,482
Recognized during the period	(6,971)	5,574
Balance on December 31	<u><u>\$ 16,085</u></u>	<u><u>23,056</u></u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2022	2021
Discount rate	1.400 %	0.750 %
Future salary increase rate	2.750 %	2.750 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date was \$2,777.

The weighted-average lifetime of the defined benefit plans is 9 years.

7) Sensitivity analysis

When computing the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

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PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

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

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2022		
Discount rate	\$ (2,198)	2,261
Future salary increase rate	\$ 2,169	(2,119)
December 31, 2021		
Discount rate	\$ (2,528)	2,604
Future salary increase rate	\$ 2,482	(2,423)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no change in the method and assumptions used in the preparation of the sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company recognized pension costs under the defined contribution method amounting to \$56,922 and \$51,205 for the years ended December 31, 2022 and 2021, respectively, recorded as operating expenses and operating cost in the statement of comprehensive income.

(p) Income taxes

(i) The components of income tax expenses for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Current tax expense	\$ 473,516	543,777
Deferred tax benefit	(50,290)	(164,528)
Income tax expense	<u>\$ 423,226</u>	<u>379,249</u>

(ii) The Company had no income tax recognized directly in equity or other comprehensive income for the years ended December 31, 2022 and 2021.

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PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

- (iii) Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Profit before tax	\$ <u>3,165,835</u>	<u>2,677,531</u>
Income tax calculated based on the Company's domestic tax rate	633,167	535,506
Overseas investment gains recognized under the equity method	(192,515)	(106,654)
Investment tax credits accrued	(90,614)	(101,490)
Prior year's income tax adjustment	25,674	27,752
Surtax on unappropriated earnings	20,572	17,090
Others	<u>26,942</u>	<u>7,045</u>
Income taxes expense	<u><u>\$ 423,226</u></u>	<u><u>379,249</u></u>

- (iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with subsidiaries' earnings. Also, the management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u><u>1,339,438</u></u>	<u><u>1,122,704</u></u>

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2022	December 31, 2021
Deductible temporary differences	\$ <u><u>207,558</u></u>	<u><u>178,800</u></u>

The deductible temporary differences cannot be realized. Therefore, they were not recognized as deferred tax assets.

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PRIMAX ELECTRONICS LTD.
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- 3) Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2022 and 2021, were as follows:

						Investment income recognized under the equity method (overseas)	Unrealized foreign exchange gains	Others	Total		
Deferred tax liabilities:											
Balance on January 1, 2022	\$					222,385	47,867	1,247	271,499		
Recognized in profit or loss						31,252	(47,867)	-	(16,615)		
Balance on December 31, 2022	\$					<u>253,637</u>	<u>-</u>	<u>1,247</u>	<u>254,884</u>		
Balance on January 1, 2021	\$					286,350	94,178	1,247	381,775		
Recognized in profit or loss						(63,965)	(46,311)	-	(110,276)		
Balance on December 31, 2021	\$					<u>222,385</u>	<u>47,867</u>	<u>1,247</u>	<u>271,499</u>		
		Bad debt in excess of tax limit	Unfunded pension fund contribution	Refund liabilities	Loss on inventory valuation	Deferred granted revenue	Unrealized revenue from disposal of assets	Unrealized foreign exchange loss	Gain on valuation of financial assets / liabilities	Others	Total
Deferred tax assets:											
Balance on January 1, 2022	\$	39,958	13,235	227,235	11,527	141,920	21,116	-	89,860	2,422	547,273
Recognized in profit or loss		(39,958)	(421)	16,597	(2,052)	(24,607)	(3,090)	41,559	39,531	6,116	33,675
Balance on December 31, 2022	\$	<u>-</u>	<u>12,814</u>	<u>243,832</u>	<u>9,475</u>	<u>117,313</u>	<u>18,026</u>	<u>41,559</u>	<u>129,391</u>	<u>8,538</u>	<u>580,948</u>
Balance on January 1, 2021	\$	39,958	15,052	193,039	10,441	175,293	24,206	-	34,237	795	493,021
Recognized in profit or loss		-	(1,817)	34,196	1,086	(33,373)	(3,090)	-	55,623	1,627	54,252
Balance on December 31, 2021	\$	<u>39,958</u>	<u>13,235</u>	<u>227,235</u>	<u>11,527</u>	<u>141,920</u>	<u>21,116</u>	<u>-</u>	<u>89,860</u>	<u>2,422</u>	<u>547,273</u>

- (v) The Company's income tax returns have been examined by the tax authority through the years to 2020.

(q) Capital and other equity

(i) Ordinary Shares

As of December 31, 2022 and 2021, the nominal ordinary shares both amounted to \$5,500,000. Par value of each share is \$10 (dollars), which means in total there were 550,000 thousand authorized ordinary shares, of which 458,289 thousand and 455,263 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

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Reconciliation of shares outstanding for the years ended December 31, 2022 and 2021, were as follows:

	Ordinary shares (in thousands of shares)	
	2022	2021
Balance on January 1	455,263	450,898
Issuance of restricted stock	3,555	4,540
Cancellation of restricted stock	(529)	(175)
Balance on December 31	<u>458,289</u>	<u>455,263</u>

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Additional paid-in capital	\$ 945,508	846,187
Employee stock options	259,401	259,401
Restricted employee stock options	351,458	263,389
Long-term stock investment	<u>573,541</u>	<u>389,803</u>
	<u>\$ 2,129,908</u>	<u>1,758,780</u>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital increase via transferring of the paid-in capital, in excess of par value, should not exceed 10% of the total common stock outstanding.

Tymphany Huizhou, a subsidiary of Company, repurchased shares from employee stock ownership plan in cash and cancelled such shares for a capital reduction in May 2022, resulting in an increase of the shareholding of the Company from 71.43% to 77.01%. The Company recognized the change in its ownership interest in the subsidiary as capital surplus-long-term equity investments. Please refer to note 6(t) of the Company's consolidated financial statements for the year ended December 31, 2022.

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(iii) Retained earnings

According to the articles of the Company, when allocating the earnings for each year, the Company shall first offset its losses in previous year and set aside a legal capital reserve at 10% of the earning left over, until the accumulated legal capital reserve has equaled the total capital of the Company; then set aside a special capital reserve in accordance with relevant laws, the balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed according to the distribution plan proposed by the board of directors and submitted to the stockholders' meeting for resolution.

The Company is at the growth stage and considers its future cash demand, long-term financial plans, benefits to stockholders, and balanced dividends. Earnings distribution is made by stock dividend and cash dividend. The cash dividend shall not be less than 10 percent of the total dividends and could be adjusted depending on the Company's operating condition.

1) Legal reserve

If the Company experiences profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by \$97,300 by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with the FSC, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. As of December 31, 2022 and 2021, the carrying amount of special reserve both amounted to \$97,300.

In accordance with the FSC, a portion of earnings shall be allocated as special earnings reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

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3) Earnings distribution

On May 26, 2022, the shareholders' meeting resolved to distribute the 2021 earnings. The appropriation of earnings for 2020 reached legal requirement through the electronic voting on May 25, 2021, and was resolved during the shareholders' meeting on July 13, 2021.

The distributions for 2021 and 2020 were NT\$3.1(dollars) and NT\$ 3(dollars) per share, which amounted to \$1,411,230 and \$1,354,873, respectively.

(r) Share-based payment

(i) As of December 31, 2022, the outstanding restricted stock of the Company was as follows:

	Plan 4 (note 1)		Plan 5 (note 1)		Plan 6 (note 1)		Plan 7 (note 1)		Plan 8 (note 1)
Grant date	February 8, 2018	September 13, 2018	November 21, 2019	February 20, 2020	July 30, 2020	January 25, 2021	October 18, 2021	February 9, 2022	August 9, 2022
Fair value on grant date (per share)	76.70	46.85	64.30	53.20	41.75	55.80	50.40	53.90	69.70
Exercise price	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants
Granted units (thousand shares)	1,100	900	1,820	180	2,260	740	3,800	200	3,355
Vesting period	1~3 years (note 2)	1~3 years (note 2)	1~3 years (notes 2 and 4)	1~3 years (note 2)	1~5 years (notes 2, 3, 4 and 5)	1~3 years (notes 2, 3 and 4)	1~3 years (note 2)	1~3 years (note 2)	1~3 years (note 2)

Note 1: Plan 4 was resolved by the stockholders' meeting held on May 25, 2017, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,100 thousand shares and 900 thousand shares on January 31 and August 10, 2018, respectively.

Plan 5 was resolved by the stockholders' meeting held on June 18, 2019, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,820 thousand shares and 180 thousand shares on November 12, 2019 and February 18, 2020, respectively.

Plan 6 was resolved by the stockholders' meeting held on June 23, 2020, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 2,260 thousand shares and 740 thousand shares on July 30, 2020 and January 22, 2021, respectively.

Plan 7 was resolved by the stockholders' meeting held on July 13, 2021, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 3,800 thousand and 200 thousand shares on August 24, 2021 and January 21, 2022, respectively.

Plan 8 was resolved by the stockholders' meeting held on May 26, 2022, and has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 3,355 thousand shares on August 5, 2022.

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Note 2: If the employees continue to provide service to the employer company and meet the prior year's performance indicator, 30%, 30% and 40% shall be vested in the first year, second year and third year, respectively, after the grant date.

Note 3: If the employees continue to provide service to the employer company and meet the prior year's performance indicator, 50% of the restricted stock shall be vested in the first year after the grant date, and the remaining 50% shall be vested in second year after the grant date.

Note 4: If the employees continue to provide service to the employer company and meet the prior year's performance indicator, the restricted stock shall be vested in the first year after the grant date.

Note 5: If the employees continue to provide service to the employer company and meet the prior year's performance indicator, 15%, 15%, 20%, 20% and 30% shall be vested in the first year, second year, third year, fourth year and fifth year, respectively, after the grant date.

The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or, by any other means, disposed of to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian will act based on law and regulations. If the shares remain unvested after the vesting period, the Company will cancel the unvested shares thereafter.

- 1) The related information on restricted stock of the Company was as follows:

(Thousand shares)	2022	2021
Outstanding on January 1	6,487	4,103
Granted during the year	3,555	4,540
Vesting during the year	(2,365)	(1,995)
Expired during the year	(529)	(161)
Outstanding on December 31	<u>7,148</u>	<u>6,487</u>

- (ii) Expenses attributable to share-based payment were as follows:

	2022	2021
Restricted stock	<u>\$ 123,795</u>	<u>103,813</u>

(Continued)

PRIMAX ELECTRONICS LTD.
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(s) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2022 and 2021, based on the profit and the weighted-average number of ordinary shares outstanding was as follows:

	2022	2021
Profit of the Company for the year	\$ <u><u>2,742,609</u></u>	<u><u>2,298,282</u></u>
Weighted-average number of ordinary shares (thousand shares)	<u><u>449,522</u></u>	<u><u>447,640</u></u>
Basic earnings per share (NT dollars)	\$ <u><u>6.10</u></u>	<u><u>5.13</u></u>

Weighted-average number of ordinary shares (thousand shares)

	2022	2021
Ordinary shares on January 1	<u>448,777</u>	<u>446,782</u>
Vesting of restricted stock	<u>745</u>	<u>858</u>
Ordinary shares on December 31	<u><u>449,522</u></u>	<u><u>447,640</u></u>

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2022 and 2021, based on the profit and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	2022	2021
Profit of the Company for the year	\$ <u><u>2,742,609</u></u>	<u><u>2,298,282</u></u>
Weighted-average number of ordinary shares (diluted / thousand shares)	<u><u>455,337</u></u>	<u><u>451,819</u></u>
Diluted earnings per share (NT dollars)	\$ <u><u>6.02</u></u>	<u><u>5.09</u></u>

Weighted-average number of ordinary shares (diluted) (thousand shares)

	2022	2021
Weighted-average number of ordinary shares on December 31 (basic)	<u>449,522</u>	<u>447,640</u>
Estimated effect of employee stock bonuses	<u>2,074</u>	<u>1,702</u>
Effect of restricted stock	<u>3,741</u>	<u>2,477</u>
Weighted-average number of ordinary shares on December 31 (diluted)	<u><u>455,337</u></u>	<u><u>451,819</u></u>

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	2022		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	\$ 24,672,245	17,356,247	42,028,492
Service rendered	115,890	550,138	666,028
	\$ 24,788,135	17,906,385	42,694,520

	2021		
	Computer Peripherals	Non-computer Peripherals	Total
Goods sold	\$ 30,167,473	11,723,435	41,890,908
Service rendered	152,334	462,778	615,112
	\$ 30,319,807	12,186,213	42,506,020

	2022	2021
Mainland China	\$ 22,671,715	26,728,170
Europe	4,625,836	4,246,417
America	9,307,917	8,930,804
Other	6,089,052	2,600,629
	\$ 42,694,520	42,506,020

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable (including related parties)	\$ 7,877,457	7,727,218	7,164,126
Less: allowance for impairment	(66,224)	(13,136)	(24,844)
	\$ 7,811,233	7,714,082	7,139,282
Contract liabilities (recorded as other current liabilities)	\$ 123,253	118,882	121,554

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$118,882 and \$121,554, respectively.

The contract liabilities primarily relate to the advance consideration received from contracts with goods sold, for which revenue is recognized when products are delivered to customers.

(Continued)

PRIMAX ELECTRONICS LTD.
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(u) Employee's, directors' and supervisors' remuneration

In accordance with the Articles of incorporation, the Company should contribute 2 to 10 percent of the profit as employee remuneration and less than 2 percent as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

Details of remuneration to employees and directors for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Employee remuneration	\$ 99,830	85,799
Directors' remuneration	49,915	42,899
	\$ 149,745	128,698

The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during each period. The differences between the amounts distributed and those accrued in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year.

The differences between the amounts approved in the directors' meeting and those recognized in the financial statements for the distributions of earnings for 2021 and 2020 were as follows:

	2021		
	Actual earnings distributed	Accrued in the financial statements	Difference
Employee remuneration – Cash	\$ 85,798	85,799	1
Directors' remuneration	42,899	42,899	-

	2020		
	Actual earnings distributed	Accrued in the financial statements	Difference
Employee remuneration – Cash	\$ 72,645	72,645	-
Directors' remuneration	36,322	36,323	1

The aforementioned differences were accounted for as changes in accounting estimates and recognized as profit or loss in the years 2022 and 2021. Information on the remuneration to employees and directors, approved in the board of directors' meetings, can be accessed in the Market Observation Post System website.

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PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(v) Other income

The details of other income for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Rent income	\$ 12,007	12,030
Cash dividend income	8,337	304
	\$ 20,344	12,334

(w) Other gains and losses

The details of other gains and losses for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Net losses on financial assets/liabilities measured at FVTPL	\$ (646,954)	(449,302)
Foreign currency exchange gains, net	741,692	1,095,482
Other	105,778	63,959
	\$ 200,516	710,139

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

For information on the Company's concentration of credit risk, please refer to note 6(y).

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PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years	Over 5 years
December 31, 2022						
Non-derivative financial liabilities:						
Notes and accounts payable	\$ 301,600	301,600	301,600	-	-	-
Accounts payable to related parties	9,050,436	9,050,436	9,050,436	-	-	-
Other payables	1,903,296	1,903,296	1,903,296	-	-	-
Salaries payable	493,350	493,350	493,350	-	-	-
Lease liabilities	1,193,373	1,370,316	96,733	99,521	300,852	873,210
Refund liabilities	1,851,815	1,851,815	1,851,815	-	-	-
Long-term borrowings	464,000	482,562	6,256	22,923	453,383	-
Guarantee deposits	2,091	2,091	-	-	-	2,091
Derivative financial liabilities:	1,013,985	-	-	-	-	-
Outflow	-	16,277,841	16,277,841	-	-	-
Inflow	-	(15,263,856)	(15,263,856)	-	-	-
	<u>\$ 16,273,946</u>	<u>16,469,451</u>	<u>14,717,471</u>	<u>122,444</u>	<u>754,235</u>	<u>875,301</u>
December 31, 2021						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 332,000	332,259	332,259	-	-	-
Notes and accounts payable	61,240	61,240	61,240	-	-	-
Accounts payable to related parties	9,799,684	9,799,684	9,799,684	-	-	-
Other payables	1,312,306	1,312,306	1,312,306	-	-	-
Salaries payable	440,409	440,409	440,409	-	-	-
Lease liabilities	1,258,713	1,461,453	94,368	95,449	295,179	976,457
Refund liabilities	1,612,963	1,612,963	1,612,963	-	-	-
Long-term borrowings	429,500	443,434	3,517	3,518	436,399	-
Guarantee deposits	1,991	1,991	-	-	-	1,991
Derivative financial liabilities:	602,978	-	-	-	-	-
Outflow	-	3,891,271	3,891,271	-	-	-
Inflow	-	(3,288,293)	(3,288,293)	-	-	-
	<u>\$ 15,851,784</u>	<u>16,068,717</u>	<u>14,259,724</u>	<u>98,967</u>	<u>731,578</u>	<u>978,448</u>

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 339,559	30.708	10,427,172	350,119	27.690	9,694,783
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:TWD	420,929	30.708	12,925,887	453,659	27.690	12,561,816

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables (including related parties), notes and accounts payable (including related parties), and other payables (including related parties) that are denominated in foreign currency. A weakening (strengthening) of 5% of the TWD against the USD as of December 31, 2022 and 2021, would have decreased or increased the net profit before tax by \$124,936 and \$143,352, respectively. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses on monetary items

The Company's exchange gains and losses on monetary items (including realized and unrealized) translated to functional currency were as follows:

	2022		2021	
	Exchange gains and losses	Average exchange rate	Exchange gains and losses	Average exchange rate
TWD	\$ 741,692	1	1,095,482	1

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(iv) Interest rate analysis

Please refer to the paragraph of liquidity risk management for the interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, and assumed all other variables remain constant, the net profit before tax would have increased or decreased by \$5,928 and by \$3,184 for the years ended December 31, 2022 and 2021, respectively. This is mainly due to borrowings and bank savings with variable interest rates.

(v) Other price risk

If the market price of the equity securities had changed on the reporting date, the influence on other comprehensive income is as follows (The analysis is performed on the same basis for both periods and assumes all other variable remain constant):

Prices of securities at the reporting date	2022	2021
	Other comprehensive income before tax	Other comprehensive income before tax
Increasing 10%	\$ 28,867	22,155
Decreasing 10%	\$ (28,867)	(22,155)

(vi) Fair value

1) Kinds of financial instruments and fair value

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2022				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	\$ <u>367,032</u>	-	-	367,032	367,032
Financial assets at FVOCI – non current	\$ <u>288,671</u>	-	-	288,671	288,671

(Continued)

PRIMAX ELECTRONICS LTD.
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		December 31, 2022			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,961,693				
Accounts receivable (including related parties)	7,811,233				
Other receivables	90,840				
Refundable deposits	27,379				
Total	<u>\$ 10,891,145</u>				
Financial liabilities at FVTPL – current	<u>\$ 1,013,985</u>	-	-	1,013,985	1,013,985
Financial liabilities measured at amortized cost					
Borrowings	\$ 464,000				
Notes and accounts payable (including related parties)	9,352,036				
Other payables	1,903,296				
Salaries payable	493,350				
Lease liabilities	1,193,373				
Refund liabilities	1,851,815				
Guarantee deposits	2,091				
Total	<u>\$ 15,259,961</u>				
		December 31, 2021			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL – current	<u>\$ 153,676</u>	-	-	153,676	153,676
Financial assets at FVOCI – non current	<u>\$ 221,547</u>	-	-	221,547	221,547
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,945,651				
Accounts receivable (including related parties)	7,714,082				
Other receivables	152,352				
Refundable deposits	28,478				
Total	<u>\$ 9,840,563</u>				
Financial liabilities at FVTPL – current	<u>\$ 602,978</u>	-	-	602,978	602,978

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

		December 31, 2021			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	\$ 761,500				
Notes and accounts payable (including related parties)	9,860,924				
Other payables	1,312,306				
Salaries payable	440,409				
Lease liabilities	1,258,713				
Refund liabilities	1,612,963				
Guarantee deposits	1,991				
Total	<u>\$ 15,248,806</u>				

2) Fair value valuation techniques for financial instruments measured at fair value

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. The quoted price of a financial instrument obtained from major exchanges and over-the counter markets are the basis used to determine the fair value of a listed company's stock and the quoted prices in an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If these conditions can not be reached, then the market is non-active. In general, a market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The Company uses the following methods in determining the fair value of its financial instruments without a quoted price in an active market:

- a) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated on the basis of the contract's spot exchange rate and swap point.
 - b) Financial assets at FVOCI – non-current are investments in domestic or foreign non-listed stock. The estimated fair value is based on the market approach of comparable business and lack of liquidity. When prices are available, the fair value is estimated on the basis of unadjusted prior trade prices.
- 3) In 2022 and 2021, there were no transfers between Levels.

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PRIMAX ELECTRONICS LTD.
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4) Reconciliation of Level 3 fair values

	2022			2021		
	FVTPL	FVOCI	Total	FVTPL	FVOCI	Total
Balance on January 1	\$ (449,302)	221,547	(227,755)	(171,184)	94,263	(76,921)
Recognized in profit or loss	(646,953)	-	(646,953)	(449,302)	-	(449,302)
Recognized in other comprehensive income	-	22,345	22,345	-	93,397	93,397
Acquisition / disposal	449,302	44,779	494,081	171,184	33,887	205,071
Balance on December 31	\$ (646,953)	288,671	(358,282)	(449,302)	221,547	(227,755)

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

The fair value measurements of the Company which are categorized within level 3 are classified as financial assets and liabilities at FVTPL – derivative instruments not used for hedging and financial assets at FVOCI – equity investment without an active market. The quantitative information about significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Financial assets at FVOCI – equity investment without an active market	(note 1)	(note 1)	(note 1)
Financial assets and liabilities at FVTPL – derivative instruments not used for hedging	(note 2)	(note 2)	(note 2)

note 1: The fair value is based on the market value, and it has considered the recent financing activities, comparable business, market and other economic conditions etc., to determine the assumptions. Also, the significant unobservable inputs are marketability discount, but any changes of marketability discount would not result in significant potential financial impact, therefore there is no need to show the quantified information on it.

note 2: The fair value is based on the quotation of a third party, therefore there is no need to show the sensitivity analysis of unobservable inputs.

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PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(y) Financial risk management

(i) Overview

The Company has exposure to the following risks from financial instruments:

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

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

(ii) Structure of risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's board of directors oversees the management's monitoring of the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, accounts receivables (including related parties), and derivative instruments.

1) Cash and cash equivalents

The Company had deposited \$2,697,679 (including restricted deposits) in HSBC Bank and 7 other financial institutions, and \$1,632,556 (including restricted deposits) in HSBC Bank and 5 other financial institutions, representing 8% and 5% of total assets, as of December 31, 2022 and 2021, respectively. The Company believes that there is no significant credit risk from the above-mentioned financial institutions.

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PRIMAX ELECTRONICS LTD.
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2) Accounts receivable

Sales to individual customers (including related parties) constituting over 10% of total revenue for the years ended December 31, 2022 and 2021, totaled 42% and 45%, respectively; also 49% and 42%, respectively, of the ending balance of accounts receivable (including related parties) were accounted for by those customers. In order to reduce credit risk, the Company assesses the financial status of each customer and the possibility of collection of receivables on a regular basis. The above-mentioned customers are profitable and have a good credit record; hence, and the Company did not suffer any significant credit loss from those customers during the financial reporting period.

3) Derivative instruments

The Company entered into derivative instrument contracts with reputable and creditworthy financial institutions. The Company believes that the risk that these financial institutions may default on these contracts is relatively low and anticipates no significant credit loss.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company had unused credit line of \$13,379,228 and \$10,804,490 as of December 31, 2022 and 2021, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the functional currency. These transactions are denominated in USD.

The Company uses forward exchange contracts and foreign exchange swap contracts to hedge its currency risk. The Company makes performance reports and reviews operating strategy regularly, and believes that there is no significant risk because the gains or losses from exchange rate fluctuation will mostly be offset by the hedged item.

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PRIMAX ELECTRONICS LTD.
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2) Interest rate risk

The Company's main assets and liabilities with a floating-interest-rate basis are deposits and borrowings. The Company believes that cash flow risk arising from interest rate fluctuation is insignificant.

(z) Capital management

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

The Company sets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to stockholders, to safeguard the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

The Company's debt ratio as of December 31, 2022 and 2021, were 54% and 57%, respectively.

(aa) Changes of liabilities from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Cash flows	Effect of changes in exchange rate	Change in lease payments	December 31, 2022
Short-term borrowings	\$ 332,000	(332,000)	-	-	-
Long-term borrowings	429,500	34,500	-	-	464,000
Lease liabilities	<u>1,258,713</u>	<u>(68,544)</u>	<u>-</u>	<u>3,204</u>	<u>1,193,373</u>
Total liabilities from financing activities	<u>\$ 2,020,213</u>	<u>(366,044)</u>	<u>-</u>	<u>3,204</u>	<u>1,657,373</u>

	January 1, 2021	Cash flows	Effect of changes in exchange rate	Change in lease payments	December 31, 2021
Short-term borrowings	\$ 280,000	52,000	-	-	332,000
Long-term borrowings	-	429,500	-	-	429,500
Lease liabilities	<u>265,334</u>	<u>(72,381)</u>	<u>-</u>	<u>1,065,760</u>	<u>1,258,713</u>
Total liabilities from financing activities	<u>\$ 545,334</u>	<u>409,119</u>	<u>-</u>	<u>1,065,760</u>	<u>2,020,213</u>

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PRIMAX ELECTRONICS LTD.
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(7) Related-party transactions:

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
Primax Industries (Cayman Holding) Ltd. (Primax Cayman)	A subsidiary
Primax Technology (Cayman Holding) Ltd. (Primax Tech.)	A subsidiary
Destiny Technology Holding Co., Ltd. (Destiny BVI.)	A subsidiary
Primax Destiny Co., Ltd. (Destiny Japan)	A subsidiary
Diamond (Cayman) Holdings Ltd. (Diamond)	A subsidiary
Gratus Technology Corp. (Gratus Tech.)	A subsidiary
Primax AE (Cayman) Holdings Ltd. (Primax AE)	A subsidiary
Primax Electronics (Singapore) Pte. Ltd. (Primax Singapore)	A subsidiary
Primax Industries (Hong Kong) Ltd. (Primax HK)	A subsidiary
Polaris Electronics Inc.(Polaris)	A subsidiary
Destiny Electronic Corp. (Destiny Beijing)	A subsidiary
Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	A subsidiary
Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	A subsidiary
Primax Electronics (Kun Shan) Corp., Ltd. (PKS1)	A subsidiary
Primax Electronics (Thailand) Pte. Ltd. (Primax Thailand)	A subsidiary
Tymphany Worldwide Enterprises Ltd. (TWEL)	A subsidiary
Tymphany Acoustic Technology (Huizhou) Co., Ltd. (Tymphany Huizhou)	A subsidiary
Tymphany Acoustic Technology HK Ltd. (TYM Acoustic HK)	A subsidiary
Dongguan Tymphany Acoustic Technology Co., Ltd. (Tymphany Dongguan)	A subsidiary
TYMPHANY ACOUSTIC TECHNOLOGY (UK) LIMITED (TYM UK)	A subsidiary
Tymphany Acoustic Technology Europe, s.r.o. (TYM Acoustic Europe)	A subsidiary
Tymphany HK Ltd.(TYM HK)	A subsidiary
TYP Enterprises, Inc.(TYP)	A subsidiary

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PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

Name of related party	Relationship with the Group
Tymphony Acoustic Technology Limited (TYM Acoustic)	A subsidiary
Tymphony Acoustic Technology (Thailand) Co., Ltd. (TYTH)	A subsidiary
Dong Guan Dong Cheng Tymphony Acoustic Technology Co., Ltd. (TYDC)	A subsidiary
TYMPHANY LOGISTICS, INC (TYML)	A subsidiary
ALT International Co., Ltd. (Cayman) (AIC)	An associate
De Amertek Technology Inc. (US) (DAT)	An associate
Advanced Micro Electronics Co.,LTD. (AME)	An associate
Advanced Leading Technology (Shanghai) Co. (ALT (Shanghai))	An associate
Advanced Leading Technology Co. (ALT)	An associate
(b) Significant transactions with related-party	
(i) Sales	

The amounts of sales by the Company to related parties and the outstanding balances were as follows:

	Sales		Accounts receivable – related parties	
	2022	2021	December 31, 2022	December 31, 2021
Primax Singapore	\$ 12,661,309	10,236,528	2,354,802	1,886,842
Others (note)	4,133,648	3,916,426	625,964	655,447
	<u>\$ 16,794,957</u>	<u>14,152,954</u>	<u>2,980,766</u>	<u>2,542,289</u>

Note: Individual amount not exceeding 10%.

- 1) The Company sells semi-finished products to its subsidiaries for processing and production. The finished products are then repurchased back by the Company through triangular trade and sold to the customers. The amount of semi-finished products sold in 2022 and 2021 were \$1,289,967 and \$507,569, respectively, which were written off against the related cost of goods sold; therefore, the Company did not recognized the above transaction as sales in the parent company only financial statements. As of December 31, 2022 and 2021, the accounts receivable arising from the sales of semi-finished products to subsidiaries amounted to \$299,571 and \$148,362, respectively.
- 2) There were no significant differences in the selling prices offered to related parties and those of other customers. The trading terms to other customers are 45 days to 120 days, can be lengthened for related parties.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(ii) Purchases

The amounts of purchases by the Company from related parties and the outstanding balances were as follows:

	Purchases		Accounts payable – related parties	
	2022	2021	December 31, 2022	December 31, 2021
PCH2	\$ 25,430,611	26,145,940	5,972,525	5,894,516
PCQ1	7,499,967	8,761,385	2,488,994	2,778,070
PKS1	1,814,952	2,293,035	852,654	1,216,447
Primax Thailand	1,218,267	1,268,153	63,738	128,050
	\$ 35,963,797	38,468,513	9,377,911	10,017,083

Note: Individual amount not exceeding 10%.

- 1) As of December 31, 2022 and 2021, the amount of accounts payable arising from the transactions mentioned in note 7(b)(i) amounted to \$945,146 and \$249,204, respectively.
- 2) The prices of purchases from related parties were determined based on the cost, plus a reasonable profit margin. The payment terms of related parties and other vendors are 60 days and 30 days to 120 days, respectively.
- 3) The accounts payable to subsidiaries which exceeded the normal payment terms and agreed by both parties were reclassified to other payables. As of December 31, 2022 and 2021, other payables to related parties were \$327,475 and \$217,399, respectively.

(iii) Purchase of service

The amounts of purchase of service by the Company from its related parties and the outstanding balances were as follows:

	Purchase of service		Other payables	
	2022	2021	December 31, 2022	December 31, 2021
Subsidiaries	\$ 57,587	43,745	9,477	4,869

(iv) Receivable and payable on behalf of related parties

The other receivables arising from the materials purchased and shipping fee paid on behalf of the subsidiaries amounted to \$64,559 and \$64,978 on December 31, 2022 and 2021, respectively.

The other payables arising from the shipping fee paid by subsidiaries on behalf of the Company amounted to \$9,016 and \$8,201 on December 31, 2022 and 2021, respectively.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(v) Guarantees and endorsements

The amounts of guarantee the Company provided to PCH2 and Primax Singapore were as follows:

	December 31, 2022	December 31, 2021
Purchasing of raw materials	\$ 307,080	276,900
Shipping Guarantee	2,700,000	2,700,000
	\$ 3,007,080	2,976,900

(vi) Lease

The Company leased out its investment properties to its subsidiaries as office buildings and entered into 15-years lease contract by reference of the rental price of the nearby offices. The rental income in 2022 and 2021 amounted to \$9,919 and \$9,910, respectively, and there were no outstanding receivables on December 31, 2022 and 2021. Please refer to note 6(n) for lease receivable in the future.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	\$ 136,986	118,610
Post-employment benefits	1,315	1,397
Share-based payments	65,799	65,318
	\$ 204,100	185,325

Please refer to note 6(r) for information related to share-based payments.

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2022	December 31, 2021
Property, plant and equipment	Loan collateral	\$ 769,580	769,580

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(9) Significant commitments and contingencies:

- (a) For the detail of the Company's guarantees provided to subsidiaries, please refer to notes 7 and 13.
- (b) The following are guarantee letters issued by the banks to customs and business partner as guarantee deposits.

	December 31, 2022	December 31, 2021
Guarantee letters	\$ 38,108	6,600

- (c) Guarantee notes provided as part of agreements with banks to sell its accounts receivable and to acquire long-term borrowings were as follows:

	December 31, 2022	December 31, 2021
Sales of accounts receivable	\$ 412,155	238,838
Long-term borrowings	\$ 1,800,400	1,800,400

(10) Losses due to major disasters: None

(11) Subsequent events:None

(12) Other:

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salaries	157,468	1,670,946	1,828,414	106,252	1,504,921	1,611,173
Labor and health insurance	7,140	102,784	109,924	6,632	91,380	98,012
Pension	3,517	54,070	57,587	3,266	48,361	51,627
Remuneration of directors	-	76,892	76,892	-	63,500	63,500
Others	2,516	64,419	66,935	1,753	54,685	56,438
Depreciation	1,426	118,281	119,707	1,510	116,484	117,994
Amortization	10	28,729	28,739	10	25,963	25,973

The following were the additional information on the Company's employees and employee benefits for the years ended December 31, 2022 and 2021:

	2022	2021
Numbers of employees	922	869
Numbers of directors, but not employees concurrently	6	7
The average employee benefits	\$ 2,252	2,108
The average salaries and wages	\$ 1,996	1,869
Adjustment of the average salaries and wages	6.80 %	
Remuneration to supervisors	\$ -	-

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PRIMAX ELECTRONICS LTD.
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The Company's remuneration policy to directors, supervisors, managers and employees are as follows:

The Company's remuneration to directors includes directors' remuneration and bonuses. According to the policy stipulated in the Articles of incorporation, wherein no more than 2% of the profit, if applicable, shall be allocated as remuneration to directors. The remuneration distributed to directors shall be resolved by a majority vote at the Board of Directors attended by directors representing two-thirds or more of the voting rights, and be reported during the shareholders' meeting. The bonuses to directors are proposed by the Human Resource Department based on the considerations for the competitive environment and operational risks and in line with the corporate management policy and bonus plan, which are then sent to the Board of Directors for resolution after the Remuneration Committee evaluates the performance results and approves the proposal.

The remuneration to employees and managers consists of fixed salary and variable rewards. The fixed salary is the basic salary of the employees, and the variable rewards are mainly linked to the Company's (or various business units') operational performance and strategic goal achieving status. The rewards policy is proposed by the Human Resource Department based on the corporate salary policy and bonus plan. The bonus plan for the managers has to be evaluated and approved by the Remuneration Committee, and thereafter, proposed to the Board of Directors for resolution.

(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions required by the Regulations for the Company:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	PKS1	The Company	Other receivables	Y	327,475	327,475	327,475	0	Short-term loan to other parties	-	Operating capital	-	-	-	795,945	795,945
2	TYM Acoustic Europe	Tymphony Dongguan	"	"	14,490	-	-	0	"	-	"	-	-	-	151,542	303,084

Note 1: After the approval from the Board of directors, the loan provided to an individual entity shall not exceed the net worth of PKS1 in the latest financial statements to its parent company, and also to subsidiaries wherein its parent owns 100%, directly and indirectly, of its voting shares. Also, the criterion for the amount available for financing is the same as that offered to an individual entity mentioned above.

Note 2: Due to the short-term financing need, the loan provided to an individual entity shall not exceed 20% of the net worth of TYM Acoustic Europe in its latest financial statements. However, the amount available for financing shall not exceed 40% of the net worth of TYM Acoustic Europe in its latest financial statements.

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PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	PCH2	The subsidiary of Primax HK and Primax Tech.	4,904,128	322,100	307,080	4,446	-	1.88 %	13,077,675	Y	N	Y
"	"	Primax Singapore	Subsidiary	4,904,128	2,700,000	2,700,000	393,209	-	16.52 %	13,077,675	Y	N	N
1	Tymphony Huizhou	TYM Acoustic HK	"	1,953,125	4,832	4,606	-	-	0.07 %	3,255,209	N	N	N

Note 1: The amount of the guarantee to a company shall not exceed 30% of the Company's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 80% of the Company's net worth in the latest financial statements.

Note 2: The amount of the guarantee to a company shall not exceed 30% of the Tymphony Huizhou's net worth in the latest financial statements. The total amount of the guarantee to total company shall not exceed 50% of the Tymphony Huizhou's net worth in the latest financial statements.

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

Company Ending balance holding securities	Security type and name	Relationship with company	Account	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stocks (equities):							
	Green Rich Technology Co., Ltd.	-	Financial assets at FVOCI	359	-	3.59	-	
	Changing Information Technology Inc.	-	"	223	7,535	1.34	7,535	
	Formosoft International Inc.	-	"	11	-	0.41	-	
	Syntronix Corp.	-	"	7	250	0.02	250	
	Ricavision International Inc.	-	"	917	-	2.04	-	
	Grove Ventures L.P.	-	"	-	183,766	2.73	183,766	
	Grove Ventures II, L.P.	-	"	-	85,267	3.29	85,267	
	Grove Ventures III, L.P.	-	"	-	11,853	2.23	11,853	
	Storm Ventures Fund VII, L.P.	-	Other non-current asset	-	2,662	0.49	2,662	
					<u>291,333</u>			
Primax Tech.	Stocks:							
	Echo. Bahn.	-	Financial assets at FVOCI	400	-	11.90	-	
Tymphony Huizhou	Stocks:							
	Shenzhen Mees Hi-Tech Co., Ltd.	-	Financial assets at FVOCI	556	<u>62,117</u>	10.00	62,117	

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Notes to the Parent Company Only Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TW 300 million or 20% of the Company's paid-in capital: None
- (v) Acquisition of individual real estate with amount exceeding the lower of TW 300 million or 20% of the Company's issued capital: None
- (vi) Disposal of individual real estate with amount exceeding the lower of TW 300 million or 20% of the Company's issued capital: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TW 100 million or 20% of the Company's issued capital:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Primax Singapore	Subsidiary	(Sale)	(12,661,309)	(30) %	60 days	Price agreed by both side	The same as general selling	2,354,802	30%	
"	PCH2	The subsidiary of Primax HK	Purchase	25,431,704	69 %	"	"	The same as general purchasing	(5,972,525)	(64)%	
"	PKS1	"	Purchase	1,814,952	5 %	"	"	"	(525,179)	(6)%	
"	PCQ1	"	Purchase	7,499,967	20 %	"	"	"	(2,488,994)	(27)%	
"	Polaris	The subsidiary of Primax Tech.	(Sale)	(3,915,475)	(9) %	90 days	"	The same as general selling	309,736	4%	
"	Primax Thailand	The subsidiary of Primax Singapore.	Purchase	1,218,267	3 %	60 days	"	The same as general purchasing	(63,738)	(1)%	
"	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(217,966)	(1) %	"	"	The same as general selling	16,657	-%	
Primax Singapore	The Company	Parent	Purchase	12,661,309	95 %	"	"	The same as general purchasing	(2,354,802)	(94)%	
"	PCH2	The subsidiary of Primax HK	Purchase	588,797	4 %	"	"	"	(56,440)	(2)%	
PCH2	The Company	The parent of Primax Cayman	(Sale)	(25,431,704)	(83) %	"	"	The same as general selling	5,972,525	85%	
"	Primax Singapore	The subsidiary of the Company	(Sale)	(588,797)	(2) %	"	"	"	56,440	1%	
"	PCQ1	The subsidiary of Primax HK	(Sale)	(100,528)	- %	"	"	"	14,034	-%	
PKS1	The Company	The parent of Primax Cayman	(Sale)	(1,814,952)	(100) %	"	"	"	525,179	100%	
PCQ1	"	"	(Sale)	(7,499,967)	(76) %	"	"	"	2,488,994	84%	
"	PCH2	The subsidiary of Primax HK	Purchase	100,528	1 %	"	"	The same as general purchasing	(14,034)	(1)%	
Primax Thailand	The Company	The parent of Primax Singapore.	(Sale)	(1,218,267)	(96) %	"	"	The same as general selling	63,738	72%	
Polaris	"	The parent of Primax Tech.	Purchase	3,915,475	100 %	90 days	"	The same as general purchasing	(309,736)	(100)%	
Tymphony Huizhou	TYM Acoustic HK	Subsidiary	(Sale)	(4,464,306)	(44) %	60 days	"	The same as general selling	980,016	44%	
"	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(4,863,608)	(48) %	"	"	"	1,076,351	48%	
"	"	"	Purchase	182,344	2 %	"	"	The same as general purchasing	(25,454)	(1)%	

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PRIMAX ELECTRONICS LTD.
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Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Tymphony Huizhou	TYM Acoustic Europe	The subsidiary of TYM Acoustic HK	(Sale)	(329,505)	(3) %	60 days	Price agreed by both side	The same as general selling	82,247	4%	
"	Tymphony Dongguan	Subsidiary	Purchase	150,055	2 %	"	"	The same as general purchasing	(64,973)	(3)%	
Tymphony Dongguan	TYM HK	The subsidiary of TYM Acoustic HK	Purchase	546,468	8 %	"	"	"	(196,895)	(14)%	
"	"	"	(Sale)	(6,468,924)	(77) %	"	"	The same as general selling	1,048,412	65%	
"	Tymphony Huizhou	Parent	(Sale)	(150,055)	(2) %	"	"	"	64,973	4%	
"	TYM Acoustic Europe	The subsidiary of TYM Acoustic HK	(Sale)	(474,264)	(6) %	"	"	"	220,812	14%	
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(725,264)	(9) %	"	"	"	88,439	6%	
"	TYTH	The subsidiary of TYM Acoustic HK	(Sale)	(210,927)	(3) %	"	"	"	37,544	2%	
"	TYDC	Subsidiary	(Sale)	(179,483)	(2) %	"	"	"	88,866	6%	
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(1,767,682)	(37) %	"	"	"	740,747	43%	
"	"	"	Purchase	304,285	7 %	"	"	The same as general purchasing	(80,264)	(5)%	
"	Tymphony Dongguan	Parent	Purchase	179,483	4 %	"	"	"	(88,866)	(6)%	
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	(Sale)	(2,714,098)	(58) %	"	"	The same as general selling	899,008	52%	
TYM Acoustic HK	TYM Acoustic Europe	Subsidiary	Purchase	2,851,454	26 %	"	"	The same as general purchasing	(537,326)	(20)%	
"	Tymphony Huizhou	Parent	Purchase	4,464,306	41 %	"	"	"	(980,016)	(36)%	
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	725,264	7 %	"	"	"	(88,439)	(3)%	
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	2,714,098	25 %	"	"	"	(899,008)	(33)%	
"	Specialty	Other related party	(Sale)	(151,367)	(1) %	"	"	The same as general selling	54,587	2%	
TYM Acoustic Europe	TYM Acoustic HK	Parent	(Sale)	(2,851,454)	(86) %	"	"	"	537,326	98%	
"	Tymphony Huizhou	The parent of TYM Acoustic HK	Purchase	329,505	12 %	"	"	The same as general purchasing	(82,247)	(11)%	
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	474,264	18 %	"	"	"	(220,812)	(30)%	
TYM HK	Tymphony Huizhou	The parent of TYM Acoustic HK	Purchase	4,863,608	25 %	"	"	"	(1,076,351)	(31)%	
"	"	"	(Sale)	(182,344)	(1) %	"	"	The same as general selling	25,454	1%	
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	6,468,924	34 %	"	"	The same as general purchasing	(1,048,412)	(31)%	

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PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	(Sale)	(546,468)	(3) %	60 days	Price agreed by both side	The same as general selling	196,895	6%	
"	TYDC	The subsidiary of Tymphony Dongguan	Purchase	1,767,682	9 %	"	"	The same as general purchasing	(740,747)	(22)%	
"	"	"	(Sale)	(304,285)	(1) %	"	"	The same as general selling	80,264	3%	
"	TYTH	The subsidiary of TYM Acoustic HK	Purchase	5,762,869	30 %	"	"	The same as general purchasing	(467,746)	(14)%	
"	The Company	The parent of Daimond Holdings Ltd.	Purchase	217,966	1 %	"	"	"	(16,657)	-%	
"	Specialty	Other related party	(Sale)	(137,379)	(1) %	"	"	The same as general selling	-	-%	
TYTH	TYM HK	The subsidiary of TYM Acoustic HK	(Sale)	(5,762,869)	(100) %	"	"	"	467,746	100%	
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	Purchase	210,927	4 %	"	"	The same as general purchasing	(37,544)	(3)%	

(viii) Receivables from related parties with amounts exceeding the lower of TWD\$100 million or 20% of the Company's paid-in capital:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	Primax Singapore	Subsidiary	2,354,802	5.97	-	-	1,510,043	-
"	Polaris	The subsidiary of Primax Tech.	309,736	10.73	-	-	357,960	-
"	PCH2	The subsidiary of Primax HK	299,571 (note 2)	5.79	-	-	117,000	-
"	"	"	3,760	(note 3)	-	-	2,279	-
PCH2	The Company	The parent of Primax Cayman	5,972,525	4.29	-	-	1,638,861	-
"	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	110,868	(note 3)	-	-	33,252	-
"	PBK1	The subsidiary of Primax Singapore	191,401	(note 3)	-	-	18,703	-
PKS1	The Company	The parent of Primax Cayman	525,179	2.38	-	-	323,607	-
"	"	"	327,475	(note 4)	-	-	-	-
PCQ1	"	"	2,488,994	2.85	-	-	685,151	-
Tymphony Huizhou	TYM Acoustic HK	Subsidiary	980,016	5.39	-	-	460,620	-
"	TYM HK	The subsidiary of TYM Acoustic HK	1,076,351	4.93	-	-	153,540	-
Tymphony Dongguan	"	"	1,048,412	5.59	-	-	214,956	-
"	"	"	1,970	(note 3)	-	-	-	-
"	TYM Acoustic Europe	"	220,812	3.12	-	-	73,867	-
"	TYDC	Subsidiary	88,866	2.11	-	-	31,635	-
"	"	"	25,554	(note 3)	-	-	-	-

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PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Allowance for bad debts
					Amount	Action taken		
TYDC	TYM HK	The subsidiary of TYM Acoustic HK	740,747	2.48	-	-	154,807	-
"	TYM Acoustic HK	The subsidiary of Tymphony Huizhou	899,008	5.04	-	-	425,146	-
TYM Acoustic Europe	"	Parent	537,326	5.90	-	-	353,371	-
TYM HK	Tymphony Dongguan	The subsidiary of Tymphony Huizhou	196,895	3.79	-	-	49,133	-
"	"	"	645,771	(note 3)	-	-	-	-
"	TYDC	The subsidiary of Tymphony Dongguan	80,264	4.72	-	-	23,684	-
"	"	"	298,219	(note 3)	-	-	296,802	-
"	Tymphony Huizhou	The parent of TYM Acoustic HK	25,454	1.90	-	-	25,454	-
"	"	"	293,158	(note 3)	-	-	121,309	-
"	TYM Acoustic HK	Parent	192,098	(note 3)	-	-	192,098	-
TYTH	TYM HK	The subsidiary of TYM Acoustic HK	467,746	10.96	-	-	461,953	-

Note 1: Amounts collected as of February 10, 2023.

Note 2: The Company sells semi-finished products to its subsidiaries for processing and production. The finished products are then repurchased back by the Company and sold to the customers. The amount of semi-finished products sold in the year ended December 31, 2022 was \$1,289,967, which was written off with related cost of goods sold, and not regarded as sales for the Company.

Note 3: The receivables arise from service rendering for intercompany or material purchasing on behalf of intercompany or related parties.

Note 4: The other receivables arise from intercompany loans.

(ix) Trading in derivative instruments: Please refer to note 6(b) in the consolidated financial statements for the year ended December 31, 2022.

(b) Information on investees:

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Primax Cayman	Cayman Islands	Holding company	2,540,588	2,540,588	8,147,636	100.00	7,688,347	715,354	777,426	Note 2
"	Primax Tech.	Cayman Islands	Holding company	897,421	897,421	285,067	100.00	2,850,752	195,433	191,092	Note 2
"	Destiny BVL	Virgin Island	Holding company	30,939	30,939	1,050	100.00	(2,169)	4,010	4,010	Note 2
"	Destiny Japan	Japan	Market development of and customer service for computer peripherals, mobile device components, and business devices	7,032	7,032	0.50	100.00	15,816	321	321	Note 2
"	Diamond	Cayman Islands	Holding company	3,889,798	3,889,798	129,050	100.00	6,477,691	402,038	399,582	Note 2
"	Gratus Tech.	USA	Market development of and customer service for computer peripherals, mobile device components, and business devices	9,330	9,330	300	100.00	15,564	1,188	1,188	Note 2
"	Primax AE	Cayman Islands	Holding company	1,431,540	1,431,540	48,200	100.00	61,809	(194,309)	(194,309)	Note 2
"	Primax Singapore	Singapore	Sale of computer peripherals and mobile device components	1,181,150	904,150	40,100	100.00	722,673	(60,299)	(60,479)	
	Total			9,987,798	9,710,798			17,830,483	1,063,736	1,118,831	

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
Primax Singapore	Primax Thailand	Thailand	Manufacturing and sale of computer peripherals, mobile device components, and business devices	1,162,928	872,151	1,244	99.99	735,534	(57,021)	(57,021)	Note 2
Primax Cayman	Primax HK	Hong Kong	Holding company and customer service	2,375,164	2,375,164	602,817	100.00	7,752,703	714,663	714,663	Note 2
Primax Tech.	Polaris	USA	Sale and purchase of computer peripherals, mobile device components, and business devices	52,680	52,680	1,600	100.00	432,254	10,272	10,272	Note 2
Diamond	TWEL	Cayman Islands	Holding company	4,083,950	4,083,950	192,251	100.00	6,549,715	479,177	402,006	Note 2
Primax AE	AIC	Cayman Islands	Holding company	1,356,995	1,356,995	30	37.00	-	(158,601)	(42,489)	Note 3
Tymphony Huizhou	TYM Acoustic HK	Hong Kong	R&D, design, and sales of various speaker accessories, speakers, and their components, as well as holding business	1,592,954	1,592,954	418,090	100.00	2,777,643	(16,298)	(16,298)	Note 2
TYM Acoustic HK	TYM HK	Hong Kong	Holding company; sales of, market development of and customer service for various speaker accessories, speakers and their components	76,280 (note 1)	76,280 (note 1)	144,395	100.00	1,229,728	(416,840)	(416,840)	Note 2
"	TYP	USA	Market development of and customer service for speakers and their components	15 (note 1)	15 (note 1)	0.50	100.00	35,305	5,420	5,420	Note 2
"	TYM UK	United Kingdom	R&D and design of various speaker accessories as well as speakers and their components	15,631	15,631	400	100.00	35,298	4,093	4,093	Note 2
"	TYM Acoustic Europe	Czech	Manufacturing, installation, and maintenance of various speaker accessories and their components	653,796	653,796	187,800	100.00	915,463	72,432	72,432	Note 2
"	Tymphony Acoustic	Taiwan	R&D and design of various speaker accessories as well as speakers and their components	48,318	48,318	5,000	100.00	296,672	73,454	73,454	Note 2
"	TYTH	Thailand	Manufacturing and sales of various speaker accessories, speakers, and their components	725,091	725,091	7,789	99.99	591,681	67,646	67,646	Note 2
TYM HK	TYML	USA	Sales of various speaker accessories, speakers, and their components	6,628	6,628	200	100.00	9,321	(1,360)	(1,360)	Note 2

Note 1: The amount is the initial investment costs from the original stockholders prior to the acquisition of the Company through Diamond.

Note 2: The subsidiary of the Company.

Note 3: The associate of the Company.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022 (note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022 (note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
PCH2	Manufacturing and sale of computer peripherals, mobile device components, and business devices	1,966,235	Indirect investment through Primax Cayman and Primax Tech.	1,519,324	-	-	1,685,001	526,046	100%	526,046	7,083,084	-
Destiny Beijing	R&D of computer peripheral and business devices	38,950	Indirect investment through Destiny BVI.	29,075	-	-	32,243	4,010	100%	4,010	(2,173)	-
PKS1	Production of computer peripheral products	860,949	Indirect investment through Primax Cayman	609,180	-	-	675,576	(9,858)	100%	(9,858)	795,945	-
PCQ1	Production of computer peripheral products	841,404	"	553,800	-	-	614,160	371,216	100%	371,216	2,155,259	-
Tymphony Huizhou	Manufacturing, R&D, design and sale of various speaker accessories, speakers, and their components	1,668,961	Indirect investment through Diamond	3,572,010	-	-	3,961,332	632,488	77.01%	480,008	5,013,732	-
Tymphony Dongguan	"	153,540	"	13,845	-	-	15,354	26,814	77.01%	17,377	636,992	-
TYDC	"	88,184	"	-	-	-	-	39,234	77.01%	29,130	165,954	-

Note 1: The above information on the exchange rate is as follows: HKD:TWD3.9386 ; USD:TWD 30.7080; CNY:TWD 4.4092.

Note 2: The differences between the accumulated out flow of investments and paid in capital was derived from the currency exchange on translation, capital increase from retained earning and working capital.

(ii) Limitation on investment in Mainland China:

Name of Company	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	7,437,387	8,706,005	None (note)

Note: The Company has received the Certificate issued by the Industrial Development Bureau, Ministry of Economic Affairs, allowing it to start the operating of its headquarters.

The above investment income (losses) in mainland China, except for PCH2, Destiny Beijing, PKS1 and PCQ1 which were based on financial statements audited by the Company's auditors, others were based on the audited results of other auditors.

(Continued)

PRIMAX ELECTRONICS LTD.
Notes to the Parent Company Only Financial Statements

(iii) Significant transactions:

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

(d) Major shareholders: No shareholders represented more than 5% of the total shares outstanding.

(14) Segment information:

Please refer to the Company’s consolidated financial statements for the year ended December 31, 2022, for details.

PRIMAX ELECTRONICS LTD.**Statement of cash and cash equivalents****December 31, 2022****(Expressed in thousands of New Taiwan Dollars)**

Item	Description	Amount
Cash on hand	USD 7 ; Exchange rate 30.708	\$ 212
	CNY 145 ; Exchange rate 4.4092	640
	HKD 7 ; Exchange rate 3.9386	26
	JPY 258 ; Exchange rate 0.2309	59
	EUR 5 ; Exchange rate 32.729	176
	TWD	50
Demand deposits and checking accounts	USD 78,084 ; Exchange rate 30.708	2,397,818
	CNY 965 ; Exchange rate 4.4092	4,256
	HKD 1,987 ; Exchange rate 3.9386	7,827
	JPY 6,166 ; Exchange rate 0.2309	1,424
	EUR 45 ; Exchange rate 32.729	1,457
	TWD	394,208
Time deposits	USD 5,000 ; Exchange rate 30.708 (due on 2023.02.01, interest rate 4.90%)	153,540
		\$ 2,961,693

Statement of accounts receivable

Item	Description	Amount
Accounts receivable:		
Corporation P	Operating revenue	\$ 1,481,282
Corporation M	"	257,806
Other (individual amount not exceeding 5%)	"	<u>3,157,603</u>
Total		4,896,691
Less: Allowance for doubtful accounts		<u>(66,224)</u>
Net accounts receivable		\$ 4,830,467

PRIMAX ELECTRONICS LTD.**Statement of accounts receivable from related parties****December 31, 2022****(Expressed in thousands of New Taiwan Dollars)**

Item	Description	Amount
Accounts receivable from related parties:		
Primax Singapore		\$ 2,354,802
Polaris		309,736
PCH2		299,571
Other (individual amount not exceeding 5%)		<u>16,657</u>
Total		<u>2,980,766</u>
Net accounts receivable		<u><u>\$ 2,980,766</u></u>

Statement of other receivables

Item	Description	Amount
Other receivables — related parties	Payable on behalf of related parties	\$ 64,559
Business tax refund receivables		25,604
Other (individual amount not exceeding 5%)		<u>677</u>
Total		<u><u>\$ 90,840</u></u>

PRIMAX ELECTRONICS LTD.**Statement of inventories****December 31, 2022****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Cost</u>	<u>Net realizable value</u>
Finished goods and merchandises	\$ 2,445,928	2,771,782
Less: Provision for finished goods and merchandises	<u>(64,398)</u>	
Subtotal	<u>2,381,530</u>	
Semi-finished products	56,097	55,217
Less: Provision for semi-finished products	<u>(897)</u>	
Subtotal	<u>55,200</u>	
Raw material	337,566	<u>339,535</u>
Less: Provision for raw material	<u>(2,081)</u>	<u>\$ 3,166,534</u>
Subtotal	<u>335,485</u>	
Net amount	<u><u>\$ 2,772,215</u></u>	

PRIMAX ELECTRONICS LTD.

Statement of changes in financial assets measure at fair value through other comprehensive income—non-current

From January 1 to December 31, 2022

(Expressed in thousands of New Taiwan Dollars and Shares)

Name of investee	Beginning Balance		Additions		Disposal		Other adjustments (note 1)		Ending Balance		Pledged or guaranteed
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	
Green Rich Technology Co., Ltd.	359	\$ -	-	-	-	-	-	-	359	-	None
WK Technology Fund IV Ltd.	40	60	-	-	-	-	(40)	(60)	-	-	"
Changing Information Technology Inc.	223	8,201	-	-	-	-	-	(666)	223	7,535	"
Formosoft International Inc.	11	-	-	-	-	-	-	-	11	-	"
Syntronix Corp.	7	350	-	-	-	-	-	(100)	7	250	"
Ricavision International Inc.	917	-	-	-	-	-	-	-	917	-	"
Grove Ventures, L.P	-	155,618	-	5,340	-	-	-	22,808	-	183,766	"
Grove Ventures II, L.P	-	57,318	-	26,415	-	-	-	1,534	-	85,267	"
Grove Ventures III, L.P	-	-	-	13,084	-	-	-	(1,231)	-	11,853	"
		<u>\$ 221,547</u>		<u>44,839</u>		<u>-</u>		<u>22,285</u>		<u>288,671</u>	

Note 1: Other adjustments comprise unrealized gains or losses and liquidation of financial assets at fair value through other comprehensive income.

PRIMAX ELECTRONICS LTD.

Statement of changes in investment accounted for using equity method

From January 1 to December 31, 2022

(Expressed in thousands of New Taiwan Dollars and Shares)

Name of investee	Beginning Balance		Additions		Disposal		Other adjustments		Ending Balance			Market value or book value	Pledged of guaranteed
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount (note1)	Number of shares	Percentage of holding shares	Amount		
Primax Industries (Cayman Holding) Ltd.	8,147,636	\$ 6,810,110	-	-	-	-	-	878,237	8,147,636	100.00 %	7,688,347	7,761,777	None
Primax Technology (Cayman Holding) Ltd.	285,067	2,596,462	-	-	-	-	-	254,290	285,067	100.00 %	2,850,752	2,873,020	"
Destiny Technology Holding Co., Ltd	1,050	(6,120)	-	-	-	-	-	3,951	1,050	100.00 %	(2,169)	(2,169)	"
Primax Destiny Co., Ltd.	0.5	16,148	-	-	-	-	-	(332)	0.5	100.00 %	15,816	15,816	"
Diamond (Cayman) Holdings Ltd.	129,050	5,615,495	-	-	-	-	-	862,196	129,050	100.00 %	6,477,691	6,558,400	"
Gratus Technology Corp.	300	12,918	-	-	-	-	-	2,646	300	100.00 %	15,564	15,564	"
Primax AE (Cayman) Holdings Ltd.	48,200	227,456	-	-	-	-	-	(165,647)	48,200	100.00 %	61,809	61,809	"
Primax Electronics (Singapore) Pte. Ltd	30,100	459,641	10,000	277,000	-	-	-	(13,968)	40,100	100.00 %	722,673	733,455	"
		<u>\$ 15,732,110</u>		<u>277,000</u>		<u>-</u>		<u>1,821,373</u>			<u>17,830,483</u>	<u>18,017,672</u>	

Note 1: Adjustments under equity method valuation.

PRIMAX ELECTRONICS LTD.**Statement of changes in property, plant and equipment****From January 1 to December 31, 2022****(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(g) for property, plant and equipment.

Statement of changes in right-of-use assets

Please refer to note 6(h) for right-of-use assets.

Statement of changes in investment property

Please refer to note 6(i) for investment property.

Statement of changes in intangible assets

Please refer to note 6(j) for intangible assets.

PRIMAX ELECTRONICS LTD.**Statement of long-term borrowings****December 31, 2022****(Expressed in thousands of New Taiwan Dollars)**

<u>Bank</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Range of interest rate</u>	<u>Credit Line</u>	<u>Pledged on guaranteed</u>
E.SUN Bank	Secured bank loans	\$ <u><u>464,000</u></u>	5 years	1.03%~1.40%	1,800,000	Yes

Statement of other payables

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Expense payables	Research and development expense for projects and inspection	\$ 1,152,670
	Taxes related to income and tariff	338,908
	Intercompany loans	327,475
	Employee and director remuneration	228,818
	Accounts payable for pensions, labor and health insurance and employee benefits	143,501
Others (note)	Accounts payable for service, lawyer, travel expense and freight expense	67,266
Total		\$ <u><u>2,258,638</u></u>

Note : individual amount not exceeding 5%

PRIMAX ELECTRONICS LTD.**Statement of other current liabilities****December 31, 2022****(Expressed in thousands of New Taiwan Dollars)**

Item	Description	Amount
Remedy received in advance		\$ 446,376
Contract liabilities	Advance sales receipts — non-related parties	123,253
Advance receipts for purchasing inventory		117,514
Advance receipts for purchasing equipment		36,575
Other (note)		<u>3,666</u>
Total		<u><u>\$ 727,384</u></u>

Note : individual amount not exceeding 5%

Statement of other non-current liabilities

Item	Amount
Advance receipts on behalf of non-related parties	\$ 704,363
Deferred tax liabilities — non-current	254,884
Accrued pension liabilities	55,354
Other (note)	<u>5,111</u>
	<u><u>\$ 1,019,712</u></u>

Note : individual amount not exceeding 5%

PRIMAX ELECTRONICS LTD.

Statement of lease liabilities

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Lease Term	Discount rate	Ending Balance	Note
Lease liabilities — current					
	Buildings	2023.06~2035.12	2.13%~2.69%	\$ 70,087	
	Vehicles	2023.02~2026.01	1.13%~2.20%	2,207	
				<u>\$ 72,294</u>	
Lease liabilities — Non-current					
	Buildings	2024.06~2035.12	2.13%~2.69%	\$ 1,119,229	
	Vehicles	2024.01~2026.01	1.13%~2.20%	1,850	
				<u>\$ 1,121,079</u>	

Statement of operating revenue

From January 1 to December 31, 2022

Item	Quantity (in thousands)	Amount
Operating revenue:		
Computer peripherals	98,302	\$ 25,872,244
Non-Computer peripherals	30,236	17,450,829
		43,323,073
Less: Sales returns		(140,418)
Sales discounts		(1,154,163)
		42,028,492
Net service revenue		666,028
Net operating revenue		<u>\$ 42,694,520</u>

PRIMAX ELECTRONICS LTD.**Statement of operating costs****From January 1 to December 31, 2022****(Expressed in thousands of New Taiwan Dollars)**

Item	Amount
Raw material On January 1, 2022	\$ 300,525
Add: Purchases of raw materials	1,645,738
Gain on physical inventories	82
Less: Raw materials on December 31, 2022	(337,566)
Sales of raw material	(50,963)
Losses on disposal of raw materials	<u>(850)</u>
Raw materials used	1,556,966
Manufacturing overhead	<u>182,039</u>
Manufacturing cost	1,739,005
Add: Semi-finished products on January 1, 2022	34,026
Purchases of semi-finished products	756,738
Less: Semi-finished products on December 31, 2022	(56,097)
Sales of semi-finished products	(499,602)
Losses on disposal of semi-finished products	(13,328)
Cost of finished goods	1,960,742
Add: Finished goods and merchandises on January 1, 2022	3,579,536
Purchases of finished goods and merchandises	34,302,846
Less: Finished goods and merchandises on December 31, 2022	(2,445,928)
Losses on physical finished goods and merchandises	(463)
Losses on disposal of finished goods	<u>(13,720)</u>
Cost of finished goods and merchandises	37,383,013
Service costs	118,737
Sales of raw material and semi-finished products	550,565
Gain on inventory valuation, obsolescence and loss on physical inventories	(14,377)
Loss on disposal of inventories	<u>27,898</u>
Operating Costs	<u><u>\$ 38,065,836</u></u>

PRIMAX ELECTRONICS LTD.**Statement of selling, administrative, research and development expenses****From January 1 to December 31, 2022****(Expressed in thousands of New Taiwan Dollars)**

Item	Selling expenses	Administrative expenses	Research and development expenses
Salaries	\$ 323,270	410,375	1,014,193
Depreciation and amortization expense	17,083	34,761	95,166
Service expense	50,834	49,503	28,631
Insurance expense	47,033	20,071	65,181
Storage expense	84,990	-	-
Royalty expense	40,315	-	-
Other expense (note)	135,354	72,112	208,481
Total	\$ 698,879	586,822	1,411,652

Note : individual amount not exceeding 5%