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NEXCOM International Co., Ltd.

## 2022 Annual Report

Annual report website: <http://mops.twse.com.tw>

Company website: <http://www.nexcom.tw>

Printing Date: April 29, 2023

[www.nexcom.com](http://www.nexcom.com)

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**IV. Attesting CPAs of the annual financial statements for the most recent year, CPA firm, address, website, and contact number**

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CPA firm: PwC Taiwan

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**V. The name of the exchanges where the Company's marketable securities are listed offshore, and the method by which to access information on the offshore securities: None.**

**VI. The Company's website: <http://www.nexcom.com.tw/>**

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# One. Letter to Shareholders

Ladies and Gentlemen:

## I. 2022 business results

In 2022, the Company's consolidated revenue stood at NT\$7.91670 billion, an increase of 16.76% from NT\$6.78058 billion in 2021; 2022 net profits after tax at NT\$902.19 million and basic earnings per share at NT\$6.39, a increase of 537% from NT\$141.55 million in 2021 and a increase of 539% from NT\$1.00, respectively.

The global pandemic has subsided since last year, and the economy has been recovering. Despite the component shortage in the first half of the year, demands have significantly grown, especially when the Company's downstream clients have won long-term contracts packed with orders. In addition, products and solutions that have been held back by the trade war and pandemic in the past three years, such as robots, smart manufacturing, smart transportation, and webcams, have all returned back on the growth track.

Although the sale of the subsidiary NEXCOM China Co., Ltd. has led to a decline in revenue, the overall consolidated revenue of the last year still increased by 17% with a significant growth in profit due to said sale. On the other hand, NEXCOM has also been harvesting the fruits of its development in Industry 4.0 solutions, and its leadership in the industry has thus been affirmed. In the coming year, a conspicuous growth is foreseeable.

### 1. Financial income and expenses; profitability

Unit: NT\$ thousand

Item		2021	2022
Financial income and expenses	Net sales revenue	6,780,580	7,916,697
	Net profits before tax	205,295	1,353,491
Profitability	Return on Assets (%)	2.23	11.16
	Return on Shareholders' Equity (%)	5.40	29.72
	Ratio of operating profit to paid-in capital (%)	12.47	29.03
	Net profits before tax to paid-in capital (%)	14.54	95.84
	Net profit margin (%)	2.09	11.40
	Basic earnings per share	1.00	6.39

## 2. R&D status

Unit: NT\$ thousand

Item	2021	2022
Research and development expenses	593,414	551,492
Ratio of research and development expense to net sales revenue (%)	8.75	6.97

## 3. Technology and products successfully developed in 2022:

- (1) 400G high-end network switch
- (2) 5G disaggregated cell site gateway (DCSG) router
- (3) 5G mmWave smart enterprise wireless network gateway
- (4) Efficient and multi-functional 5G/cyber-security application platform
- (5) Industrial cyber-security gateway and switch.
- (6) Developed the VIC series, which successfully introduced the RPA computer applications to the semiconductor industry and the packaging industry.
- (7) Developed the Autonomous Mobile Robots (AMR) under the brand of NexMOV for conveyance within an electronics factory and a tourist hotel.
- (8) Developed an enterprise ground-end data middle platform under the brand of NexDATA supporting microservices to form a data service platform for big data analysis and ESG carbon tracking for enterprises.
- (9) Developed the robot safety control platform SCB100 (Functional Safety SIL2-3), which is the first solution in the world to feature an Intel processor as a control unit.
- (10) Developed the algorithm for an end effector that can track objects in a curved path, and successfully developed a robotic arm that can operate an automated optical inspection (AOI) equipment for curved objects.
- (11) Developed the advanced I/O controllers nPAC and nDAS series for Level 1 of the iAT2000 system and a controller that integrates the host, the I/O module, the wireless communication, and the VIC-Flow editing software.
- (12) Servo-driven network speed dome, which significantly enhances the detection accuracy and stability.
- (13) Developed eSAF Frontier X series products for the prevention of malware and cyberattacks, providing comprehensive IT/OT network protection.
- (14) Developed eSAF Frontier V series products that provide comprehensive OT web mining and deep packet inspection and protection.

- (15) The subsidiary TMR Technologies Co., Ltd. received the 2022 “Digital Transformation Leader Award” hosted by the Taiwan Electrical and Electronic Manufacturers’ Association and National Development Council, for its effort in providing comprehensive industrial cyber security protection solutions for the digital transformation of smart manufacturing. It was the only cyber security company to receive this award.

## **II. Summary of the Business Plan for 2023**

NEXCOME has transformed into an innovative entrepreneurial group that provides Industry 4.0 total solutions and AIoT digital transformation. All business units, both the hardware platform units and the solutions units, have become the growth engines by collaborating with each other and focusing on their professional domain. While continuing to grow its hardware product portfolio, NEXCOM has become an industry leader for its ventures in robots, smart manufacturing, manufacturing cyber security, smart health care, and in all respects concerning industry 4.0 and AIoT solutions, not to mention its undertaking of smart factory turnkey projects. It has also modularized and platformized all of its technologies and products and made them free for download and painless development, in order to construct a network platform and ecosystem for sharing, co-creation, and mutual prosperity. The business focus for 2023 will be the following:

1. NEXCOME will respond to the government’s incentive policy to actively engage in the business of whole smart plant output; it will also act in phase to develop ecological systems among different industries, play the national team, and actively participate in associations to advance its discourse right.
2. NEXCOME will continue to market its hardware products in the form of industry 4.0 total solutions. Meanwhile, NEXCOME will continue its “cross-industry alliance and whole plant export” strategy in Taiwan, and tap deeply into the markets of the US, China, and emerging countries in the Southeast Asia and scale up, so as to seize the growing opportunities.
3. NEXCOM will continue to enhance the relationship with its Solution Partners and important strategic alliance partners (e.g., ERP companies, CNC companies, and ESG carbon footprint verification companies) in scale and in depth by means of product collaborations and joint marketing, and thus form a long-term partnership for further growth, which on the other hand adds value to NEXCOM’s products.
4. Capitalizing on NEXCOM’s leading software and hardware products and technologies in connection with smart manufacturing and smart machinery, NEXCOM, on the subsidiary All IoT Cloud Corp.’s website, offers free downloads, experience, and developments to schools, enterprises, and startup companies, and sells standard modules and all related software and

hardware packages of robots, smart manufacturing, industrial IoT, enterprise situation rooms, and solutions to assist Taiwan and the world in the development of talents and entrepreneurs for Industry 4.0 and AIoT digital transformation. Thereby, it expands the outlets for IPC hardware by providing solutions and subsequently spreads over the network ecosystem.

Sales volume forecast and the basis therefor

Item	Estimated sales amount for 2023
Single-board computer (piece)	155,000
System product (unit)	520,000
Industrial computer peripherals (article)	175,000

Basis: The Company's estimated sales volume is forecast based on consideration of the industrial environment, market supply and demand in the future, R&D plan, business development, and the orders currently on hand.

Compared with 2022, NEXCOM will make progress in terms of products, organization, global deployment, and management team, and so its market competitiveness will only be even greater. So will be its customer base in terms of number and scale. Aided by new products, new markets, and supports from strategic partners, NEXCOM will boost its reach to brand new areas and construct much more powerful growth engines. The new year will bring new harvest to NEXCOM.

In 2022, NEXCOM's sales and profit both significantly grew due to the subsidence of the COVID-19 pandemic and material shortages, giving rise to the increase in both demand and supply. Although the inflation and war in this year has caused adverse impacts on the economy and put investor confidence at stake, the market for Industry 4.0 smart manufacturing and AIoT digital transformation has been gaining momentum along with the trend to establish smart factories for a resilient supply chain, and many of NEXCOM's ventures have just started to make significant revenue contributions. Moreover, the new products, major customers, and new projects have all given rise to strong demands for NEXCOM's leading products, so, in spite of these mixed factors, NEXCOM still looks forward to a prosperous year in 2023. This is no doubt the result of the efforts of all staff and the support of all shareholders. This year, under the guidance and supervision of the Board of Directors, NEXCOM expects to deliver more good news.

We wish you good health, and may all your wishes come true.

**Chairperson: Lin Mao-Chang**

**President: Yang Chien-Hsing**

**Head of Accounting: Chen  
Yuan-Pin**



## Two. Company Profile

### I. Date of incorporation: November 14, 1992

### II. Company History

1992	<ul style="list-style-type: none"> <li>• Incorporated at 14F., No. 76, Sec. 2, Dunhua S. Rd., Taipei City, with the main business being high-end graphic workstation.</li> <li>• Authorized capital stood at NT\$10,000,000.</li> </ul>
1993-1994	<ul style="list-style-type: none"> <li>• Launched the world's first NextStep 486, a compatible graphic workstation, and obtained an ODM order from Canon USA.</li> <li>• Engaged in developing industrial single board computers (SBCs) and launched the PEAK series, which were recognized by customers and peers due to their stability and feature of advanced technology.</li> </ul>
1995	<ul style="list-style-type: none"> <li>• Engaged in developing industrial single board computers (SBCs) and launched the PEAK series, the first industrial computer with dual Pentium® Pro, opening the entrance to fields of advanced application and leading the industrial computer application into the dual Pentium Pro era.</li> </ul>
1996-1997	<ul style="list-style-type: none"> <li>• Actively cultivated the R&amp;D team; swiftly tapped into the market with the newest and unique products; fully enhanced the technology support team; and swiftly solved customers' problems, so as to enhance customer loyalty.</li> <li>• Set the record of developing numerous global champion products, such as the Dual Pentium® III based SBC, Compact PCI, and the ATX series.</li> </ul>
1998	<ul style="list-style-type: none"> <li>• Established own distribution channels and marketed own brand, namely NEXCOM, at home and abroad.</li> <li>• The authorized capital and paid-in capital both increased to NT\$80,000,000.</li> </ul>
1999	<ul style="list-style-type: none"> <li>• Obtained the ISO 9001 Quality Management System certificate from TÜV</li> <li>• Established the Britain subsidiary and the US subsidiary.</li> <li>• The authorized capital and paid-in capital both increased to NT\$136,000,000.</li> </ul>
2000	<ul style="list-style-type: none"> <li>• The paid-in capital increased to NT\$300,000,000.</li> <li>• Established the Germany subsidiary and the Japan subsidiary.</li> <li>• Developed the world-leading first-generation blade server, which was adopted by NTT DoCoMo from Japan.</li> </ul>
2001	<ul style="list-style-type: none"> <li>• Relocated the factory and office to 18F, No. 716, Zhongzheng Rd., Zhonghe City.</li> <li>• The 2nd-generation blade server was selected as "Product of the Year" by the US Communication Magazine.</li> </ul>
2002	<ul style="list-style-type: none"> <li>• Passed the Intel ACPP (Applied Computing Platform Provider) membership certification.</li> <li>• Obtained the ISO 9001 2000 Quality Management System certificate from TÜV</li> <li>• Closed the Germany subsidiary.</li> </ul>
2003	<ul style="list-style-type: none"> <li>• The 3rd-generation NexBlade defeated major brands e.g., IBM, HP, DELL, and SUN to be adopted by iconic customers at home and abroad, including the U.S. FBI, Department of Energy, and Department of Defense, and the Computer and Information Networking Center of the National Taiwan University.</li> <li>• Became a member of Intel Communications Alliance(ICA).</li> <li>• Established the three core product segments, namely blade servers, cyber-security system and surveillance system, and industrial computers.</li> </ul>
2004	<ul style="list-style-type: none"> <li>• Established the Beijing office to develop the Greater China market.</li> <li>• The 4th- and 5th-generation 64-bit blade servers came to market, ensuring NEXCOM's role as a leader in the blade server industry.</li> <li>• The 4th-generation HS416 blade server was awarded in Computex Taipei 20 "Best Product of the Year" and "Excellent Information Product of the Information Month".</li> <li>• Listed on the emerging stock market on September 6, 2004.</li> </ul>

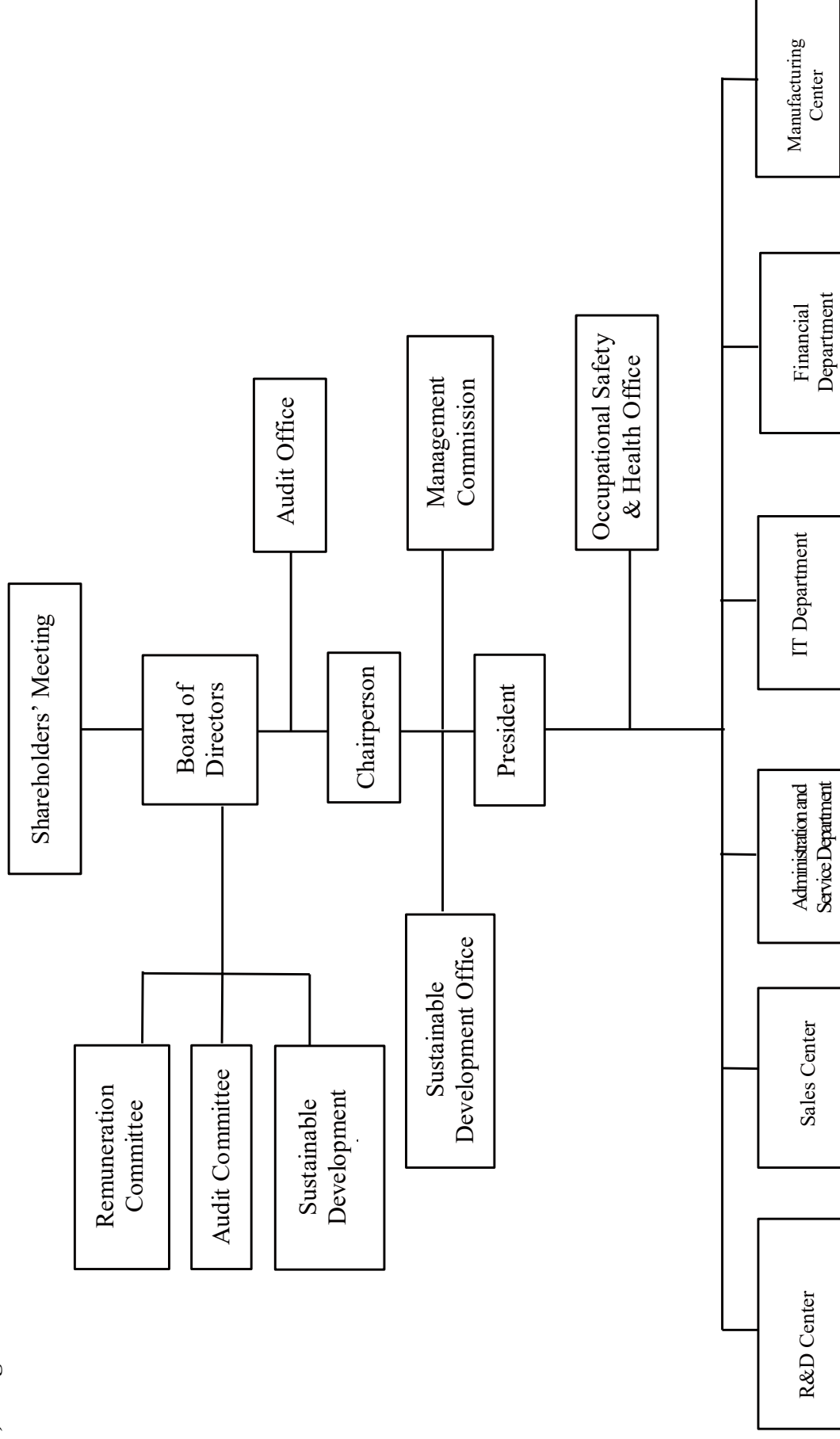
2005	<ul style="list-style-type: none"> <li>• Annual revenue broke NT\$1 billion, with the largest increase rate among peers traded on TWSE, TPEx, or the emerging stock market, making NEXCOM's being selected by the Business Weekly as Taiwan Top 150, the only one industrial computer company included.</li> <li>• Held the NEXCOM Global Partners Conference as well as the Solutions Day in large scale to actively improve NEXCOM's global brand visibility.</li> <li>• Obtained the ISO14001 Environmental management systems certificate from TUV.</li> <li>• Paid-in capital increased to NT\$398,750,000.</li> <li>• New products such as ICS, NSA, and HCP were recognized and purchased by internationally renowned companies; for instance, NEC adopted such products for its Japan Post Offices Network Connection Hardware Platform Program.</li> </ul>
2006	<ul style="list-style-type: none"> <li>• Upgraded the Beijing office to a subsidiary (Beijing NEXCOM Computer Co., Ltd.)</li> <li>• Paid-in capital increased to NT\$442,450,000.</li> <li>• Shares were issued in a dematerialized form on October 5, 2016.</li> <li>• Obtained invention patents, namely the high-intensity computer system, and the computer system with two processors, a card slot, and a mechanism that monitors and switches the interrupt request via communication network.</li> </ul>
2007	<ul style="list-style-type: none"> <li>• Paid-in capital increased to NT\$595,235,550.</li> <li>• Shares were officially traded OTC on June 7, 2007.</li> <li>• Established the Germany subsidiary and the France subsidiary.</li> <li>• The Beijing subsidiary established the Central China Office (Shanghai/Nanjing).</li> </ul>
2008	<ul style="list-style-type: none"> <li>• Paid-in capital increased to NT\$735,099,240.</li> <li>• Established the Italy subsidiary.</li> <li>• Ranked 826th at the "Top 1,000 Enterprises in Taiwan" organized by the CommonWealth Magazine.</li> <li>• Ranked 33rd at the "Top 100 Technology Enterprises" organized by DIGITIMES in June.</li> <li>• Obtained an invention patent respecting the improvement in heat dissipation structure for industrial computers.</li> </ul>
2009	<ul style="list-style-type: none"> <li>• Paid-in capital increased to NT\$808,609,160.</li> <li>• Obtained an invention patent respecting the computer retention bracket with a modem riser.</li> </ul>
2010	<ul style="list-style-type: none"> <li>• Paid-in capital increased to NT\$870,946,260.</li> <li>• Obtained the utility model patent respecting an improved adapter (patent certificate number: M377719).</li> </ul>
2011	<ul style="list-style-type: none"> <li>• Relocated the plant to Sanmin Road, Banqiao District in January 2011.</li> <li>• Relocated the global headquarter to No. 920, Zhongzheng Road in September 2011.</li> <li>• Paid-in capital increased to NT\$962,030,890.</li> <li>• Obtained an invention patent in Korea respecting a system and method for processing video signals (10-2008-0100127).</li> </ul>
2012	<ul style="list-style-type: none"> <li>• Established the IDS (Intelligent Digital Security) business unit.</li> <li>• Paid-in capital increased to NT\$1,110,732,530.</li> </ul>
2013	<ul style="list-style-type: none"> <li>• Signed the Greater China RTX Instant Software Technology and Sale Master Agent Agreement with the software giant IntervalZero on January 22.</li> <li>• Obtained the design patents respecting NISE300 and NISE4000 industrial computer host in Taiwan and China, respectively.</li> <li>• Paid-in capital increased to NT\$1,280,328,410.</li> </ul>

2014	<ul style="list-style-type: none"> <li>● Obtained the Technology Innovator Accelerated Award under the best industrial solutions category at the Intel Developer Forum on September 10 (US time).</li> <li>● “NEXCOM Computer Co., Ltd.” Changed its name to “NEXCOM International Co., Ltd.” on July 25 due to business development requirements.</li> <li>● Established the Healthcare and Medical Infomatics business unit.</li> <li>● Established the Taiwan subsidiary - NexAIOT Co., Ltd.</li> <li>● Established the Shanghai subsidiary - Nexcom Shanghai Co., Ltd.</li> <li>● Paid-in capital increased to NT\$1,380,454,720.</li> </ul>
2015	<ul style="list-style-type: none"> <li>● Restructured the Industrial Computing Solutions Business Unit (ICS) and renamed it IoT Automation Solutions (IAS) Business Group to realize the industrial IoT visions</li> <li>● Established the Taiwan subsidiary - All IoT Cloud Corp.</li> <li>● Established the Shenzhen subsidiary - NEXCOM Surveillance Technology Corp.</li> <li>● Established the Shanghai subsidiary - NEXCOM United System Service Corp.</li> <li>● Paid-in capital increased to NT\$1,402,624,720.</li> </ul>
2016	<ul style="list-style-type: none"> <li>● Restructured the Healthcare and Medical Infomatics business unit and renamed it IoT business group to tap into the IoT market.</li> <li>● Paid-in capital increased to NT\$1,403,284,720.</li> </ul>
2017	<ul style="list-style-type: none"> <li>● Established the Chongqing subsidiary - NEXGOL Co.,Ltd</li> <li>● Established the Taiwan subsidiary - TMR Technologies Co.,Ltd.</li> <li>● Paid-in capital increased to NT\$1,412,264,720.</li> </ul>
2018	<ul style="list-style-type: none"> <li>● Established the Beijing subsidiary - Beijing Nexgemo Technology Co., Ltd.</li> <li>● Established the Taiwan subsidiary - NexCOBOT Taiwan CO.,Ltd.</li> <li>● Established the Huaya plant in Linkou.</li> <li>● The subsidiary - NEXCOM China Co., Ltd. was traded on China’s National Equities Exchange and Quotations (NEEQ).</li> </ul>
2019	<ul style="list-style-type: none"> <li>● Formed a strategic alliance with SAP to become the global smart production partner of the other in April 2019.</li> <li>● Formed an alliance with Fair Friend Group to become the global smart production partner of the other in August 2019.</li> </ul>
2020	<ul style="list-style-type: none"> <li>● Officially became a smart production partner of China’s Lenovo Group Ltd.</li> <li>● Successfully transformed into an innovative startup group that provided industry 4.0 total solutions.</li> </ul>
2021	<ul style="list-style-type: none"> <li>● Received the 2021 Intel Partner Alliance membership.</li> <li>● NEXCOM’s 3 in-vehicle/railway computer products won the Taiwan Excellence Award</li> </ul>
2022	<ul style="list-style-type: none"> <li>● Obtained the ESG sustainable development verification opinion statement</li> <li>● Obtained the greenhouse gas emissions verification opinion statement in accordance with the ISO 14064-1:2018 requirements</li> </ul>

# Three. Corporate Governance Report

## I. Organizational system

### (I) Organizational structure



## (II) Responsibilities of main departments

Department	Main responsibilities
Audit Office	Inspect and assess whether the internal control system is sound, and submit analysis, assessment, and suggestions.
Management Commission	<ol style="list-style-type: none"> <li>1. Plan, review, and formulate the Company's business philosophy, vision and mission, corporate culture, new product strategy, and new business.</li> <li>2. Inter-departmental business results presentation and review of each unit.</li> <li>3. Overseas subsidiary business results presentation and review.</li> </ol>
Sustainable Development Office	<ol style="list-style-type: none"> <li>1. Acting as an inter-departmental platform that enhances vertical and horizontal communication.</li> <li>2. Identifying sustainable topics of concern to the Company's operations and stakeholders.</li> <li>3. Formulating strategies and policies.</li> <li>4. Setting budget and plans for various organizations and sustainable development events.</li> <li>5. Implementing the annual plan, monitoring results thereof, and ensuring daily practices of the sustainable development strategy in the Company.</li> </ol>
Occupational Safety & Health Office	<ol style="list-style-type: none"> <li>1. Devise the occupational accidents prevention plan.</li> <li>2. Plan and supervise each department's labor safety and health management and facilities inspection.</li> <li>3. Working environment monitoring; fire prevention safety and health educational training.</li> <li>4. Regular employee health check and company security related affairs.</li> </ol>
R&D Center	<ol style="list-style-type: none"> <li>1. New technology research and development and intellectual property management.</li> <li>2. New products and customized products R&amp;D and design services.</li> <li>3. New products, customized products, and components testing and verification.</li> <li>4. Solve production technology issues, assist in production process improvement, and design reasonable operation.</li> <li>5. Customer technology support and service.</li> </ol>
Sales Center	<ol style="list-style-type: none"> <li>1. Develop business strategy and plans to expand the Company's global business.</li> <li>2. Key customer relationship management and customer service related matters.</li> <li>3. New market, new customer, new industry, new field development and new product description and training.</li> <li>4. Major project management and sales forecast.</li> <li>5. Focus on customer service and improve the Company's operation and product quality management.</li> <li>6. Formulation of the Company's quality policy; coordinate the management of the overall quality control operations.</li> <li>7. Product technical support coordination; after-sales service such as maintenance and repair.</li> </ol>
Administration and Service Department	<ol style="list-style-type: none"> <li>1. Formulate, plan, and implement the personnel policy and other regulations governing salary and benefits, human resource planning, education and training, and administrative management.</li> <li>2. Operation regarding general administration and general affairs; supports for factory affairs.</li> </ol>
IT Department	Plan and maintain the Company's information system; maintain and support the network and the software and hardware of computer equipment, and solve any problems arising therefrom; formulate and implement information security and management standards.

Department	Main responsibilities
Financial Department	<ol style="list-style-type: none"> <li>1. Solely responsible for budget development, accounting affairs, preparation of statements, variance analysis, taxation, financial affairs, fund, asset, and investment management; and stock affairs planning, handling, and control.</li> <li>2. Preparation and analysis of the financial statements of domestic and foreign operations.</li> <li>3. Supervise, coordinate, and assist in the administrative process of the financial affairs of subsidiaries.</li> </ol>
Manufacturing Center	<ol style="list-style-type: none"> <li>1. Schedule the production against orders, control the progress, manage the production lines.</li> <li>2. Procurement of raw materials and instruments and equipment, and negotiate the price and control the cost thereof; enhance materials management.</li> <li>3. Coordinate the production process; improve and manage jigs; assemble and test systems.</li> <li>4. Coordinate the support for production, production management, materials control, warehousing, inventory, order processing, and matters relating to the shipping date.</li> <li>5. Manage import and export.</li> </ol>

## II. Information on directors, supervisors, president, vice president, associate vice president, and officer of each department and branch

### (I) Directors and supervisors:

#### 1. Background information of directors and supervisors:

March 31, 2023

Title	Nationality or place of registration	Name	Gender	Date elected (appointed)	Term of office	Date first elected	Shareholding at the time of election		Current shareholding		Shareholding of spouse and minor children now		Shareholding in the name of others		Main career (academic) achievements	Concurrent positions in the Company and other companies now	Spouse or relatives within second degree of kinship who are officers, directors or supervisors			Remarks
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Chairperson	R.O.C.	Lin Mao-Chang	Male 61-70	August 27, 2021	3 years	April 10, 2000	5,457,657 (Note 1)	3.86	5,457,657 (Note 1)	3.86 (Note 1)	5,118,755 (Note 1)	3.62 (Note 1)	0	0	National Chiao Tung University - Management Science National Taiwan University - Electrical Engineering Business Department of Mitac International Corporation Associate vice president	Chairperson of the Company Green Base Technology Corp. - Chairperson All IoT Cloud Corp. - Chairperson DIVIOTEC INC. - Chairperson NexAIOT Co., Ltd. - Director TMR Technologies Co., Ltd. - Director EMBUX Technology Co., Ltd. - Chairperson NexCOBOT Taiwan CO., Ltd. - Chairperson NEXCOM Surveillance Technology Corp./ Executive Director (Legal Representative) NEXCOM United System Service Corp./ Executive Director (Legal Representative) Nexcom Shanghai Co., Ltd. Executive Director (Legal person Representative) NEXGOL Co., Ltd. - Chairperson (Legal Representative) Guang Zhou NexCOBOT China Co., Ltd. Chairperson (Legal Representative) NEXCOM Europe Ltd. - Director Nex Computers, Inc. - Director NEXCOBOT Inc. - Director NEXCOM Japan Co., Ltd. - Director NEXCOM International Co., Ltd. (SAMOA) - Director	Associate vice president	Tu Shu-Ling	Spouse	None
Director	R.O.C.	Lin Jeng-Tay	Male 61-70	August 27, 2021	3 years	April 10, 2000	788,656	0.56	808,656	0.57	5,918	0.00	0	0	National Taiwan University - Electrical Engineering Victorian Technology Co., Ltd. - Chairperson	Tai Wang Investment Co., Ltd. Chairperson eTouch medical Inc. - Chairperson	None	None	None	None

Title	Nationality or place of registration	Name	Gender	Date elected (appointed)	Term of office	Date first elected	Shareholding at the time of election		Current shareholding		Shareholding of spouse and minor children now		Shareholding in the name of others		Main career (academic) achievements	Concurrent positions in the Company and other companies now	Spouse or relatives within second degree of kinship who are officers, directors or supervisors			Remarks
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Director	R.O.C.	Chen Wen-Chuan	Male 61-70	August 27, 2021	3 years	June 30, 2005	0	0	0	0	0	0	0	0	Soochow University - Department of Accounting Finance Department of Taiwan Chunshan Electronic Industrial Co., Ltd - Vice President National Taiwan University - Electrical Engineering	FNAMI Technology Corp. /Manager Advance Materials Corporation /Independent Director	None	None	None	None
Independent Director	R.O.C.	Wang Yun-Yuao	Male 61-70	August 27, 2021	3 years	June 30, 2005	0	0	0	0	0	0	0	0	TENX TECHNOLOGY, INC. - Chairperson and President PetaRay Inc. /Director	None	None	None	None	None
Independent Director	R.O.C.	Chen Ching-Yin	Male 61-70	August 27, 2021	3 years	June 30, 2005	0	0	0	0	99,064	0.07	0	0	Soochow University - Department of Economics Suzhou Yifu Financial Leasing Co., Ltd. - President Kanghe Leasing Co., Ltd. - Vice President	None	None	None	None	None
Independent Director	R.O.C.	Chen Hong-Ming	Male 61-70	August 27, 2021	3 years	June 26, 2015	0	0	0	0	0	0	0	0	University of Illinois Urbana-Champaign - Electrical Engineering AT&T Bell Labs - Researcher	National Taiwan University - Department of Electrical Engineering of the College of Electrical Engineering and Computer Science, Graduate Institute of Communication Engineering Distinguished Professor of the Graduate Institute of Networking and Multimedia	None	None	None	None
Independent Director	R.O.C.	Tai Cheng-Chieh	Male 61-70	August 27, 2021	3 years	June 26, 2015	16,760	0.01	16,760	0.01	0	0	0	0	State University of New York at Stony Brook - Electrical Engineering National Cheng Kung University - Department of Electrical Engineering ATE ENERGY INTERNATIONAL CO. LTD. - Vice President	ACCUVISION TECHNOLOGY INC. - Vice President ACCUVISION TECHNOLOGY INC. - Director SITRONIX TECHNOLOGY CORP. - Independent Director STL Technology Co., Ltd. - Director Zhengyu Investment Co., Ltd. - Director	None	None	None	None

Note 1: Excluding the 2,000,000 entrusted shares of which the holder retains the right to decide the allocation.



2. Major shareholders of corporate shareholders: None.
3. Major shareholders of corporate shareholders of corporate shareholders: Not applicable.

**4. Disclosure of information on professional qualifications of directors and independence of independent directors:**

Criteria Name	Professional qualification and experience	Independence state	Number of independent directors concurrently serving in other public offering companies
Chairperson Lin Mao-Chang	<p>With work experiences in business, legal, financial, accounting, and business management skills required for company operations.</p> <p>The Company - Chairperson, Green Base Technology Corp. - Chairperson, All IoT Cloud Corp. - Chairperson, DIVIOTEC INC. - Chairperson NexAIOT Co., Ltd. - Director, TMR Technologies Co.,Ltd. - Director EMBUX Technology Co., Ltd. - Chairperson, NexCOBOT Taiwan CO.,Ltd. - Chairperson NEXCOM Surveillance Technology Corp. - Executive Director (Legal Representative), NEXCOM United System Service Corp. - Executive Director (Legal Representative), Nexcom Shanghai Co., Ltd. - Executive Director (Legal person Representative), NEXGOL Co.,Ltd - Chairperson (Legal Representative), Guang Zhou NexCOBOT China Co.,Ltd. - Chairperson (Legal Representative), NEXCOM Europe Ltd. - Director, Nex Computers, Inc. - Director, NEXCOBOT Inc. - Director, NEXCOM Japan Co.,Ltd. - Director, NEXCOM InternationalCo.,Ltd. (SAMOA) - Director</p> <p>Not exhibiting any of the circumstances specified under Article 30 of the Company Act.</p>	Not applicable	None

Criteria Name	Professional qualification and experience	Independence state	Number of independent directors concurrently serving in other public offering companies
Director Lin Jeng-Tay	With work experiences in business, legal, financial, accounting, and business management skills required for company operations. Serving as: Tai Wang Investment Co., Ltd. - Chairperson, eTouch medical Inc. - Chairperson Not exhibiting any of the circumstances specified under Article 30 of the Company Act.	Not applicable	None
Director Chen Wen-Chuan	With work experiences in business, legal, financial, accounting, and business management skills required for company operations. Serving as: FNAMI Technology Corp. - Manager, Advance Materials Corporation - Independent Director Not exhibiting any of the circumstances specified under Article 30 of the Company Act.	Not applicable	1

Criteria Name	Professional qualification and experience	Independence state	Number of independent directors concurrently serving in other public offering companies
Independent Director Wang Yun-Yuao	<p>With work experiences in business, legal, financial, accounting, and business management skills required for company operations.</p> <p>Served as: PetaRay Inc. - Director, TENX TECHNOLOGY, INC. - Chairperson and President</p> <p>Not exhibiting any of the circumstances specified under Article 30 of the Company Act.</p>	<ol style="list-style-type: none"> <li>1. The independent director, their spouse, or relatives within the second degree of kinship are not serving as a director, supervisor or employee of the Company or its affiliates.</li> <li>2. The independent director, their spouses or relatives within the second degree of kinship (or in the name of others) are not holding any company shares.</li> <li>3. The independent director is not serving as a director, supervisor or an employee of a company with which the Company has a specific relationship.</li> <li>4. The independent director did not receive compensation for providing commercial, legal, financial, accounting, or related services to the Company or any affiliate of the Company within the past two years.</li> </ol>	None

Criteria Name	Professional qualification and experience	Independence state	Number of independent directors concurrently serving in other public offering companies
Independent Director Chen Ching-Yin	<p>With work experiences in business, legal, financial, accounting, and business management skills required for company operations.</p> <p>Suzhou Yifu Financial Leasing Co., Ltd. - President, Kanghe Leasing Co., Ltd. - Vice President</p> <p>Not exhibiting any of the circumstances specified under Article 30 of the Company Act.</p>	<ol style="list-style-type: none"> <li>1. The independent director, their spouse, or relatives within the second degree of kinship are not serving as a director, supervisor or employee of the Company or its affiliates.</li> <li>2. The independent director, their spouses or relatives within the second degree of kinship (or in the name of others) are not holding any company shares.</li> <li>3. The independent director is not serving as a director, supervisor or an employee of a company with which the Company has a specific relationship.</li> <li>4. The independent director did not receive compensation for providing commercial, legal, financial, accounting, or related services to the Company or any affiliate of the Company within the past two years.</li> </ol>	None

Criteria Name	Professional qualification and experience	Independence state	Number of independent directors concurrently serving in other public offering companies
Independent Director Chen Hong-Ming	<p>Lecturer of a university or college for a subject required for company operations</p> <p>Serving as: National Taiwan University - Department of Electrical Engineering, College of Electrical Engineering and Computer Science; Graduate Institute of Communications Engineering; Graduate Institute of Networking and Multimedia - Distinguished Professor</p> <p>Not exhibiting any of the circumstances specified under Article 30 of the Company Act.</p>	<p>1. The independent director, their spouse, or relatives within the second degree of kinship are not serving as a director, supervisor or employee of the Company or its affiliates.</p> <p>2. The independent director, their spouses or relatives within the second degree of kinship (or in the name of others) are not holding any company shares.</p> <p>3. The independent director is not serving as a director, supervisor or an employee of a company with which the Company has a specific relationship.</p> <p>4. The independent director did not receive compensation for providing commercial, legal, financial, accounting, or related services to the Company or any affiliate of the Company within the past two years.</p>	None

Criteria Name	Professional qualification and experience	Independence state	Number of independent directors concurrently serving in other public offering companies
Independent Director Tai Cheng-Chieh	<p>With work experiences in business, legal, financial, accounting, and business management skills required for company operations.</p> <p>ACCUVISION TECHNOLOGY INC. - Director and President, SITRONIX TECHNOLOGY CORP. - Independent Director, STL Technology Co., Ltd. - Director Zhengyu Investment Co., Ltd. - Director</p> <p>Not exhibiting any of the circumstances specified under Article 30 of the Company Act.</p>	<p>1. The independent director, their spouse, or relatives within the second degree of kinship are not serving as a director, supervisor or employee of the Company or its affiliates.</p> <p>2. The independent director, their spouses or relatives within the second degree of kinship (or in the name of others) are holding 16,760 shares of the Company.</p> <p>3. The independent director is not serving as a director, supervisor or an employee of a company with which the Company has a specific relationship.</p> <p>4. The independent director did not receive compensation for providing commercial, legal, financial, accounting, or related services to the Company or any affiliate of the Company within the past two years.</p>	1

## **5. Diversity and Independence of the Board:**

Article 23 of the Company's Corporate Governance Rules clearly stipulates that: To achieve the desired objectives of corporate governance, the Board of

Directors as a whole shall have the following competences:

- I. The ability to make judgments about operations.
- II. Accounting and financial analysis ability.
- III. Business management ability.
- IV. Crisis management ability.
- V. Knowledge of the industry.
- VI. An international market perspective.
- VII. Leadership ability.
- VIII. Decision-making ability.

Upon selecting directors, not only does the Company consider the professional backgrounds of directors, their diversity is also an important factor. The professional background of board members should cover: Industry operators, professional managers, business and legal fields.



**(II) Background information on the President, vice presidents, associate vice presidents, and officers of various departments and branches**

March 31, 2023

Title	Nationality	Name	Gender	Date elected (appointed)	Shareholding		Shareholding of spouse and minor children		Shareholding in the name of others		Main career (academic) achievements	Concurrent positions in other companies now	Managerial officers with spouses or relatives with second degree of kinship			Remarks
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
President	R.O.C.	Yang Chien-Hsing	Male	July 6, 2002	416,710	0.30	409,258	0.29	0	0	Master of Chemical Engineering, National Taiwan University Advantech Co., Ltd. - Sales Manager	Green Base Technology Corp. - Director Nexcom Europe Ltd. - Director Nex Computers, Inc. - Director Nexcom Japan Co., Ltd. - Director	None	None	None	None
Vice President	R.O.C.	Lin Hung-Chou	Male	January 1, 2006	120,098	0.09	503,990	0.36	0	0	Master of Computer Science, New York Institute of Technology Honeywell Taiwan - Sales Manager	NexAIOT Co., Ltd. - Director and President All IoT Cloud Corp. - Director EMBUX Technology Co., Ltd. - Director TMR Technologies Co., Ltd. - Director NexCOBOT Taiwan CO., Ltd. - Director Guang Zhou NexCOBOT China Co., Ltd. - Director NEXGOL Co., Ltd. - Director CHONGQING NEXRAY TECHNOLOGY CO., LTD. - Chairperson (Legal Representative) NexCOBOT Inc. - Director	None	None	None	None
Vice President	R.O.C.	Liu Chun-Chun	Male	August 1, 2011	297,144	0.21	13,989	0.00	0	0	National Taiwan University of Science and Technology - Department of Electrical Engineering Assistant Vice President of NEXCOM MCS Technology Development Department	None	None	None	None	None
Vice President	R.O.C.	Huang Tsung-Hsi	Male	August 5, 2013	0	0	0	0	0	0	EMBA Program of Industrial and Technology Management, National Taipei University of Technology Master's Assistant Vice President of IBASE TECHNOLOGY INC.	None	None	None	None	None
Vice President	R.O.C.	Li Chun-I	Male	October 28, 2014	0	0	0	0	0	0	Master of Electrical Engineering, Syracuse University, USA Senior Manager of CYBERTAN TECHNOLOGY INC.	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected (appointed)	Shareholding		Shareholding of spouse and minor children		Shareholding in the name of others		Main career (academic) achievements	Concurrent positions in other companies now	Managerial officers with spouses or relatives with second degree of kinship			Remarks
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Vice President	R.O.C.	Chiu Chun-Ming	Male	February 1, 2015	69,000	0.05	3,000	0.00	0	0	National Taiwan University - Department of Electrical Engineering NEXCOM NCS-ODM Business Department No. 1 - Assistant Vice President	None	None	None	None	None
Vice President	R.O.C.	Shen Chien-I	Female	February 1, 2014	23,738	0.02	0	0	0	0	Universite Paul Valery (Master's Program) Department of Language Education Division Head of NEXCOM ICS Manager Business Division	NexAIOT Co., Ltd. - Director NexCOBOT Taiwan CO.,Ltd. - Director and President	None	None	None	None
Vice President	R.O.C.	Yeh Shu-Chen	Female	August 1, 2015	0	0.00	0	0	0	0	National Taipei Institute of Technology (3-year college) - Department of Electrical Engineering Deputy Manager of GVC, INC. Engineering Department MPM Deputy Manager of Clevo Co. Engineering Manager of CHAINTECH TECHNOLOGY CORPORATION National Sun Yat-sen University - Department of Applied Mathematics	None	None	None	None	None
Vice President	R.O.C.	Chen Po-Hsu (Note 4)	Male	September. 01, 2021	0	0.00	0	0	0	0	NexAIOT Co., Ltd. - Associate Vice President Wistron Corporation - Senior Manager Master of Finance, National Taiwan University CFO of DARFON ELECTRONICS CORP.	All IoT Cloud Corp. - Director	None	None	None	None
Associate vice president	R.O.C.	Tu Shu-Ling	Female	April 10, 2000	5,118,755 (Note 1)	3.62 (Note 1)	5,457,657 (Note 1)	3.86 (Note 1)	0	0	Department of Accounting, National Cheng Kung University Manager of Gamania Digital Entertainment Manager of GIGABYTE Technology	Guang Zhou NexCOBOT China Co.,Ltd. - Supervisor	Chairperson	Lin Mao-Chang	Spouse	None
Associate vice president (CFO)	R.O.C.	Chen Yuan-Pin	Male	October 30, 2017	0	0	0	0	0	0	University of Southampton Experienced MBA ViewSonic Corporation	Nexcom Shanghai Co., Ltd. - Supervisor NEXCOM United System Service Corp. - Supervisor NEXCOM Surveillance Technology Corp. - Supervisor Nexcom Japan Co., Ltd. - Supervisor	None	None	None	None
Associate vice president	R.O.C.	Chen Chia-Li	Female	May 1, 2018	23,890	0.02	0	0	0	0		None	None	None	None	None

Title	Nationality	Name	Gender	Date elected (appointed)	Shareholding		Shareholding of spouse and minor children		Shareholding in the name of others		Main career (academic) achievements	Concurrent positions in other companies now	Managerial officers with spouses or relatives with second degree of kinship			Remarks
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Associate vice president	R.O.C.	Tsai Chun-Yang	Male	February 1, 2019	0	0	5,000	0.00	0	0	Institute of Electronic Engineering, Fu Jen Catholic University ASUSTEK COMPUTER INC. - R&D Hardware Engineer Alibatron Technology Co. Ltd. - Senior R&D Engineer	None	None	None	None	None
Associate vice president	R.O.C.	Chang Feng-Jung	Male	February 1, 2019	0	0	0	0	0	0	LAWRENCE TECHNOLOGICAL UNIVERSITY /Master of Business Administration Manager of Kontron Asia Technology Inc. Senior Manager of Quanta Computer Inc.	None	None	None	None	None
Associate vice president	R.O.C.	Ting Wen-Ching	Male	May 7, 2019	0	0	0	0	0	0	Chien Hsin University of Science and Technology NexAIOT Co., Ltd./ President President of NEXCOM (China) Co., Ltd. Associate Vice President of Advantech Co., Ltd.	EMBUX Technology Co., Ltd Director and President	None	None	None	None
Associate vice president	R.O.C.	Lin Chih-Ta	Male	February 1, 2021	0	0	0	0	0	0	National Taiwan University of Science and Technology - Department of Engineering Management Advantech Co., Ltd. - Deputy Manager of Engineering Department	None	None	None	None	None
Associate vice president (Note 2)	R.O.C.	Liu Ying-Tsun	Male	June 1, 2022	0	0	0	0	0	0	National Taiwan University - Master's Program in Medical Engineering NEXCOM International Co., Ltd.- Division Head of the Network Communications Group Flextronics International Ltd. - Engineering Manager of the Server Business Group	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected (appointed)	Shareholding		Shareholding of spouse and minor children		Shareholding in the name of others		Main career (academic) achievements	Concurrent positions in other companies now	Managerial officers with spouses or relatives with second degree of kinship			Remarks
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Associate vice president (Note 2)	R.O.C.	Lai Hui-Ying	Female	June 1, 2022	0	0	0	0	0	0	National Taiwan University of Science and Technology - Department of Information Engineering NEXCOM International Co., Ltd. - Division Head Thecus Technology Corp. - Deputy Manager	None	None	None	None	None
Associate vice president (Note 3)	R.O.C.	Tsai Chung-Yi	Male	March 1, 2023	0	0	118	0	0	0	Da-Yeh University - Department of Electrical Engineering NEXCOM International Co., Ltd. - Division Head Advantech Co., Ltd. - Senior Engineer	None	None	None	None	None
Associate vice president (Note 3)	R.O.C.	Lai Ming-Hsiang	Male	March 1, 2023	0	0	0	0	0	0	National Cheng Kung University - Institute of Manufacturing Information and Systems NEXCOM International Co., Ltd. - Division Head Advantech Co., Ltd. - Senior Engineer	None	None	None	None	None

Note 1: Excluding the 2,000,000 entrusted shares of which the holder retains the right to decide the allocation.

Note 2: Newly appointed on June 1, 2022.

Note 3: Newly appointed on March 1, 2023.

### (III) Remuneration paid to directors, supervisors, president, and vice president in the most recent year

#### 1. Remuneration to regular and independent directors

Unit: NT\$ thousand

Title	Name	Remuneration to directors						Sum of A, B, C, and D as a percentage of the net profits after tax (%)		Remuneration to directors for concurrently serving as an employee				Sum of A, B, C, D, E, F, and G as a percentage of the net profits after tax (%)		Remuneration from investee enterprises other than subsidiaries or parent company			
		Compensation (A)		Severance and pension (B)		Director compensation (C)		Business execution expenses (D)		Salary, bonus, and special allowance (E)	Severance and pension (F)		Employee compensation (G)				The Company	All companies in the financial statements	
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements		Amount of cash dividend	Amount of share dividend	Amount of cash dividend	Amount of share dividend					
Chairperson	Lin Mao-Chang	5,884	5,884	95	95	1,846	1,846	160	160	0	0	0	0	0	0	0.89	0.89	0	
Director	Lin Jeng-Tay																		
Director	Chen Wen-Chuan																		
Independent Director	Chen Ching-Yin																		
Independent Director	Wang Yun-Yuao																		
Independent Director	Chen Hong-Ming	0	0	0	0	2,461	2,461	310	310	0	0	0	0	0	0	0.31	0.31	0	
Independent Director	Tai Cheng-Chieh																		

**(1) Please describe the policy, system, structure, and criteria respecting independent directors' remuneration, and the relation between the remuneration amount and an independent director's roles and responsibilities, risk assumed, and time invested:**

Pursuant to Article 16 of the Articles of Incorporation, the remuneration to independent directors of the Company is determined by the Remuneration Committee with primary reference to the result of the performance evaluation conducted in accordance with the Board of Directors Performance Evaluation Guidelines and by taking into account the degree of their participation in the Company's operation and contribution. Whether the Company records a surplus or not, it may make such a remuneration based on industry standards.

**(2) In addition to the above disclosure, the remuneration received by the directors of the Company for services rendered to all companies in the financial statements (e.g. as non-employee consultants, etc.) in the most recent year: None.**

**Table of remuneration ranges**

Payment scale of remuneration to each Director of the Company	Name of director		
	Sum of first 4 remunerations (A+B+C+D) The Company	All companies in the financial statements H	Sum of first 7 remunerations (A+B+C+D+E+F+G) All companies in the financial statements I
Below NT\$1,000,000	Lin Jeng-Tay, Chen Wen-Chuan, Wang Yun-Yuao, Chen Ching-Yin, Chen Hong-Ming, Tai Cheng-Chieh	Lin Jeng-Tay, Chen Wen-Chuan, Wang Yun-Yuao, Chen Ching-Yin, Chen Hong-Ming, Tai Cheng-Chieh	Lin Jeng-Tay, Chen Wen-Chuan, Wang Yun-Yuao, Chen Ching-Yin, Chen Hong-Ming, Tai Cheng-Chieh
NT\$1,000,000 (inclusive) - NT\$2,000,000 (non-inclusive)	-	-	-
NT\$2,000,000 (inclusive) - NT\$3,500,000 (non-inclusive)	-	-	-
NT\$3,500,000 (inclusive) - NT\$5,000,000 (non-inclusive)	-	-	-
NT\$5,000,000 (inclusive) - NT\$10,000,000 (non-inclusive)	Lin Mao-Chang	Lin Mao-Chang	Lin Mao-Chang
NT\$10,000,000 (inclusive) - NT\$15,000,000 (non-inclusive)	-	-	-
NT\$15,000,000 (inclusive) - NT\$30,000,000 (non-inclusive)	-	-	-
NT\$30,000,000 (inclusive) - NT\$50,000,000 (non-inclusive)	-	-	-
NT\$50,000,000 (inclusive) - NT\$100,000,000 (non-inclusive)	-	-	-
More than NT\$100,000,000	-	-	-
Total	7	7	7

**2. Remuneration to supervisors: Not applicable, because the Company already established the Audit Committee on June 26, 2015.**

### 3. Remuneration to the president and vice presidents

Unit: NT\$ thousand

Title	Name	Salary (A)		Severance and pension (B)		Bonus, and special allowance (C)		Amount of employee remuneration (D)				Sum of A, B, C, and D as a percentage of the net profits after tax (%)		Remuneration from investee enterprises other than subsidiaries or parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements				
								Cash amount	Share amount		Cash amount	Share amount		
President	Yang Chien-Hsing	12,060	16,320	590	806	8,509	9,949	0	0	0	2.35	3.00	0	
Vice President	Lin Hung-Chou													
Vice President	Liu Chun-Chun													
Vice President	Chiu Chun-Ming													
Vice President	Li Chun-I													
Vice President	Huang Tsung-Hsi													
Vice President	Yeh Shu-Chen													
Vice President	Shen Chien-I													
Vice President	Chen Po-Hsu													

**Table of remuneration ranges**

Payment scale of remuneration to each President and Vice President of the Company	Name of president and vice presidents	
	The Company	All companies in the financial statements E
Below NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) - NT\$2,000,000 (non-inclusive)	-	-
NT\$2,000,000 (inclusive) - NT\$3,500,000 (non-inclusive)	Liu Chun-Chun, Chiu Chun-Ming, Li Chun-I, Huang Tsung-Hsi, Yeh Shu-Chen, Chen Po-Hsu	Liu Chun-Chun, Chiu Chun-Ming, Li Chun-I, Huang Tsung-Hsi, Yeh Shu-Chen, Shen Chien-I, Chen Po-Hsu
NT\$3,500,000 (inclusive) - NT\$5,000,000 (non-inclusive)	Yang Chien-Hsing	Lin Hung-Chou, Yang Chien-Hsing
NT\$5,000,000 (inclusive) - NT\$10,000,000 (non-inclusive)	-	-
NT\$10,000,000 (inclusive) - NT\$15,000,000 (non-inclusive)	-	-
NT\$15,000,000 (inclusive) - NT\$30,000,000 (non-inclusive)	-	-
NT\$30,000,000 (inclusive) - NT\$50,000,000 (non-inclusive)	-	-
NT\$50,000,000 (inclusive) - NT\$100,000,000 (non-inclusive)	-	-
More than NT\$100,000,000	-	-
Total	8	11



#### 4. Names of managers entitled to employee remuneration and amount entitled

December 31, 2022/Unit: NT\$ thousand

Title		Name	Share amount	Cash amount	Total	Total amount as a percentage of net profits after tax (%)
Manager			0 (Note)	0 (Note)	0	0
	President	Yang Chien-Hsing				
	Vice President	Lin Hung-Chou				
	Vice President	Liu Chun-Chun				
	Vice President	Chiu Chun-Ming				
	Vice President	Li Chun-I				
	Vice President	Huang Tsung-Hsi				
	Vice President	Shen Chien-I				
	Vice President	Yeh Shu-Chen				
	Vice President	Chen Po-Hsu				
	CFO	Chen Yuan-Pin				
	Associate vice president	Tu Shu-Ling				
	Associate vice president	Lin Chih-Ta				
	Associate vice president	Chen Chia-Li				
	Associate vice president	Tsai Chun-Yang				
	Associate vice president	Chang Feng-Jung				
	Associate vice president	Ting Wen-Ching				
	Associate vice president	Lai Hui-Ying				
	Associate vice president	Liu Ying-Tsun				

Note: The amount proposed to be distributed for this year was calculated, as required, by applying the percentage of actual distributed amount for last year.

**(IV) Amount of remuneration paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and Vice Presidents, and their respective percentages to net profit after tax, as well as the policies, standards, and packages by which they were paid, the procedures through which remuneration were determined, and the link between remuneration and business performance.**

1. Analysis of the total amount of remuneration paid to the Company's directors, supervisors, president, and vice presidents, as a percentage of after-tax profit or loss for the last 2 years, by the Company and all companies in the consolidated statements.

Analysis item		2021		2022	
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Amount as a percentage of net profits after tax (%)	Total director remuneration	3.86	3.86	1.20	1.20
	Total supervisor remuneration	0	0	0	0
	Total remuneration to president and vice presidents	11.88	21.78	2.35	3.00

Note: The amount proposed to be distributed as employee bonus for 2022 had yet to be decided, and was calculated, as required, by applying the percentage of actual distributed amount for last year.

## 2. Remuneration policies, standards, packages, and procedures, and association with business performance

The Company's remuneration for directors comprises transportation fee and compensation. The transportation fee is determined by referencing the industry standard among peers; the compensation is determined by the provisions set out in the Company's Article of Incorporation, and based on their extent of participation in the Company's operations. The Company's remuneration for the President and vice presidents comprises salary, bonus, employee compensation, and employee stock options, which are reasonably granted based on the Company's operational performance, their individual performance, and their contribution to the Company.

### III. Operations of corporate governance

#### (I) The operation of the Board of Directors

A total of six meetings [A] were held in 2022, and the attendance record of directors is as follows:

Title	Name	Number of attendance in person [B]	Number of attendance by proxy	Ratio (%) of attendance in person [B/A]	Remarks
Chairperson	Lin Mao-Chang	6	0	100%	
Director	Lin Jeng-Tay	6	0	100%	
Director	Chen Wen-Chuan	6	0	100%	
Independent Director	Wang Yun-Yuao	6	0	100%	
Independent Director	Chen Ching-Yin	6	0	100%	
Independent Director	Chen Hong-Ming	6	0	100%	
Independent Director	Tai Cheng-Chieh	6	0	100%	

**I. If any of the following is applicable to the operations of the Board, specify the date, the series of the session, the content of the motions, the opinions of the Independent Directors and the response of the Company to the opinions of the Independent Directors:**

1. Particulars inscribed in Article 14-3 of the Securities and Exchange Act.: please see page 76 to 78.
2. In addition to the previous matters, other board meeting decisions that have been opposed or faced reservations by independent directors and have records or written statements: none.

**II. Recusal of the directors from motions involving their private interest, specify the names of the directors, the content of the motions, the reason for recusal and the participation in voting:**  
There have been no motions that required directors to recuse themselves from.

**III. The cycle, duration, scope, method and details of board performance self (or peer) evaluations:**

**<Internal Evaluation>**

- Cycle of evaluation: once every year
- Duration of evaluation: January 1 to December 21, 2022
- Scope of evaluation: 1. Board performance evaluation; 2. Board member performance evaluation; and 3. Functional Committee performance evaluation
- Evaluation method: 1. Internal self-evaluation of the Board of Directors; 2. Self-evaluation of Board members; and 3. Self-evaluation of Functional Committees
- Evaluation details:
  1. Indicators for performance evaluation of Board of Directors:
    - (1) Participation in the operations of the company;
    - (2) Improvement of the quality of the board of directors' decision making;
    - (3) Composition and structure of the board of directors;
    - (4) Election and continuing education of the directors;
    - (5) Internal control.
  2. Indicators for the performance evaluation of Board members:
    - (1) Alignment of the goals and missions of the company;
    - (2) Awareness of the duties of a director;
    - (3) Participation in the operation of the company;
    - (4) Management of internal relationship and communication;
    - (5) The director's professionalism and continuing education;

- (6) Internal control.
- 3. Indicators for the performance evaluation of Functional Committee members:
  - (1) Participation in the operations of the company;
  - (2) Awareness of the duties of the functional committee;
  - (3) Improvement of quality of decisions made by the functional committee;
  - (4) Makeup and structure of the functional committee;
  - (5) Internal control.
- (VI) Overall Evaluation Result:
 

According to the provisions under the “Board of Directors Performance Evaluation Guidelines” adopted by the Company’s Board of Directors, at least one performance evaluation of the Board of Directors and each functional committee shall be carried out every year. The Company completed the 2022 performance self-evaluation of the Board of Directors, reviewed the result, which was subsequently reported in the Board of Directors’ meeting on February 22, 2023, and has taken it as a reference for future improvement.

The overall average scores for the “Performance Self-evaluation of the Board of Directors” and performance self-evaluation of individual directors were 96.52 and 97.14 (out of 100), respectively, indicating the good overall operation of the Board.

The overall average score of the performance self-evaluation for the “Audit Committee” was 99.25.

The overall average score of the performance self-evaluation for the “Remuneration Committee” was 97.65.

The overall average score of the performance self-evaluation for the “Sustainable Development Committee”, which was established on August 3, 2022 and for which the evaluation period was from August 3, 2022 to December 31, 2022, was 97.65.

The overall state of operation was good. Each criterion in the internal self-evaluations of the 2022 Board of Directors, individual Board members, and each functional committee was rated excellent or better as expected.
- <External Evaluation>
 

According to the Company’s Board of Directors Performance Evaluation Guidelines, the Company’s Board performance evaluation shall be conducted by an external independent professional institution or a panel of external experts and scholars, who shall be professional and independent, at least once every three years. During the 2022 external performance evaluation of the Board of Directors, three executive members (Wang En-Kuo, Chien Shih-Hsiung, Huang Kuo-Ming) were assigned by the appointed institution to conduct the evaluation. The appointed institution and assigned executive members do not have any business relationship with the Company and are independent.

Taiwan Investor Relations Institute issued the Board performance evaluation report on December 31, 2022 and reported such to the Board of Directors on February 22, 2023.

  - (I) Evaluation Period: From January 1 to December 31, 2022
  - (II) Evaluation Methods: The Company’s documents, self-evaluation questionnaire, online interview.
  - (III) Evaluation Criteria:
    - 1. Composition and professional development of the Board
    - 2. Quality of the Board of Directors’ decision making
    - 3. Operation efficiency of the Board of Directors
    - 4. Internal control and risk management
    - 5. Degree of participation in corporate social responsibility of the Board of Directors
  - (IV) Conclusion:
    - 1. The Board of Directors operates efficiently with thorough communication and interaction among directors.
    - 2. Corporate governance has been implemented.
    - 3. The Board of Directors has taken the initiative to promote the concept of intellectual property and cyber security.
    - 4. The Board of Directors has actively integrated and facilitated ESG-related initiatives.

(V) The suggestions made are described below:

1. Inclusion of at least one female member in the Board of Directors is suggested.

In order to conform to the global trend of gender equality, the Company is advised to include at least one female director in its Board of Directors of the next term so to increase the participation of females in the operation and compose a diverse and sound Board of Directors.

State of Improvement

It is under assessment.

2. A succession plan for directors and senior management is suggested.

The Company is advised to devise a succession plan for directors (including at least the Chairperson) and senior management (including at least the executive officers, such as the General Manager, President, CEO, etc.) and disclose the implementation status of such a plan on the Company's website or Annual Report, e.g., related training and education and estimated schedule of succession.

State of Improvement

It is under assessment.

3. Adoption of the Board-approved risk management policy and procedures is advised.

The Company is advised to have its Audit Committee or functional committee at the Board of Directors' level supervise its risk management, to have a risk management policy and procedures adopted by the Board of Directors, and to disclose on its website the scope of risk management, organizational structure, and implementation status, which shall also be reported to the Board of Directors at least annually. In addition to building a risk-aware corporate culture, this measure will enhance the Company's ability to manage crises by preparing ahead of the risk, thereby strengthening its corporate governance and risk management effectiveness.

State of Improvement

The Company has adopted the "Risk Management Policy and Procedures" approved by a resolution of the Board of Directors' meeting on February 22, 2023.

4. Appointment of a Chief Corporate Governance Officer.

The Company is advised to appoint a Chief Corporate Governance Officer, who is responsible for affairs in connection to corporate governance, to boost its corporate governance.

State of Improvement

In light of the Company's internal segregation of duties, currently, the Head of the Finance Department concurrently serves as the Chief Corporate Governance Officer, and further adjustment will be made in the future depending on internal segregation of duties.

5. Publication of an English version of the Sustainable Report.

The Company is advised to publish an English version of its Sustainability Report and submit it to the Market Observation Post System and the Company's website to improve the information accessibility for foreign investors and global market visibility under a globalized investment environment.

State of Improvement

The publication of an English version of the Sustainability Report in 2023 is planned.

6. Evaluation of the independence and competency of external auditors with reference to the Audit Quality Indicators (AQI).

The Company is advised to obtain AQI information from the accounting firm and take it as a reference for the annual competency evaluation of external auditors in 2023, so that the Audit Committee can effectively and objectively evaluate the audit quality of the accounting firm and the audit team in the selection or evaluation of the external auditors, and thus ensure the reliability of the Company's financial statements.

State of Improvement

Starting from 2023, the Company will conduct the evaluation of the independence and competency of external auditors with reference to the Audit Quality Indicators (AQI) at

least once a year.

**IV. The assessment of the objectives to fortify the function of the Board (such as the establishment of the Audit Committee and enhancement of the transparency of information) and the attainment:**

(I) The Company has 4 independent directors and has set up the “Rules Governing the Duties of Independent Directors.” Not only do independent directors directly oversee the Company’s operating plans with an objective and impartial perspective, they also propose recommendations based on their experience and knowledge when the Company determines strategies.

(II) Each year, the Company arranges for instructors to come to the Company to give lessons to the directors. The continuing education courses cover corporate governance, in line with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. By doing so, the directors are able to maintain their core values, professional advantages and competencies. The continuing education of the directors is disclosed on the annual report and MOPS.

(III) In an effort to protect directors and managers from the risks they bear when conducting business, they are covered with “liability insurance for directors and managers” taken out by the Company. The contents of the policy are regularly reviewed to ensure the compensation limits and coverage of the insurance are on a par with the requirements. The relevant matters are reported to the Board of Directors.

(IV) The Company has achieved the objective of enhancing information transparency by regularly disclosing its financial information on the MOPS.

## (II) Information on the operation of the Audit Committee:

A total of six Audit Committee's meetings [A] were held in 2022, and the attendance record of directors is as follows:

Title	Name	Number of attendance in person [B]	Number of attendance by proxy	Ratio (%) of attendance in person [B/A]	Remarks
Independent Director	Wang Yun-Yuao	6	0	100%	
Independent Director	Chen Ching-Yin	6	0	100%	
Independent Director	Chen Hong-Ming	6	0	100%	
Independent Director	Tai Cheng-Chieh	6	0	100%	

Other matters to be recorded:

I. For Audit Committee meetings that meet any of the following descriptions, state the date and session of the Audit Committee meeting held, the discussed topics, the content of the objections, reservations or material recommendations of independent directors, the Audit Committee's resolution and how the company has responded to Audit Committee's opinions.

(I) Matters listed in Article 14-5:

Date of Audit Committee meeting	Details of resolution	Content of objections, reservations, or material recommendations of Independent Directors	Audit Committee's resolution	How the Company responded to the Audit Committee's opinions
February 23, 2022	<ol style="list-style-type: none"> <li>1. Motion for the 2021 "Statement of the Internal Control System."</li> <li>2. Motion for amendments to the Company's internal control system - some clauses of the "Preparation Process Management for Financial Statements" operations.</li> <li>3. Motion to revise the Company's internal control system - some clauses of the "Process for Accounting Professional Judgments, Process for Accounting Policy and Changes in Estimates."</li> <li>4. Motion for the 2021 Business Report.</li> <li>5. Motion for the 2021 financial statements.</li> <li>6. Matters involving changing of the Company's CPAs for the financial report.</li> <li>7. Motion for making endorsement/guarantee for subsidiary NEXCOM China Co., Ltd. - credit lines with financial institutions.</li> <li>8. Motion for making endorsement/guarantee for subsidiary EMBUX Technology Co., Ltd. - credit lines with financial institutions.</li> <li>9. Motion for making endorsement/guarantee for subsidiary NexCOBOT Taiwan CO.,Ltd. - credit lines with financial institutions.</li> <li>10. Motion for capital reduction of subsidiary Nexcom International Co., Ltd. (Samoa) (hereinafter referred to as "Samoa")</li> <li>11. Uncollected significant funds overdue for 3</li> </ol>	None	After the chair consulted with all members present at the meeting, the motion was passed without objections.	Not applicable

	<p>months or more were evaluated whether or not they were loaned to others.</p> <p>12. Revision of the company's "Procedures for Acquisition and Disposal of Assets".</p> <p>13. Evaluation of the independence and suitability of the Company's CPAs.</p>			
May 4, 2022	<p>1. Motion for the financial statements for Q1 2022.</p> <p>2. Earnings Distribution for 2021.</p> <p>3. Motion for making endorsement/guarantee for subsidiary NexAIOT Co., Ltd. - credit lines with financial institutions.</p> <p>4. Uncollected significant funds overdue for 3 months or more were evaluated whether or not they were loaned to others.</p> <p>5. Proposal of change of the valuation method for net realizable value of inventory.</p>	None	After the chair consulted with all members present at the meeting, the motion was passed without objections.	Not applicable
June 2, 2022	<p>1. Motion for the disposal of all held shares of investee Exor International S.P.A.</p>	None	After the chair consulted with all members present at the meeting, the motion was passed without objections.	Not applicable
July 27, 2022	<p>1. Motion for the proposal of disposal of the subsidiary NEXCOM China Co., Ltd.</p>	None	After the chair consulted with all members present at the meeting, the motion was passed without objections.	Not applicable
August 3, 2022	<p>1. Motion for the financial statements for Q2 2022.</p> <p>2. Motion for making endorsement/guarantee for the subsidiary - credit lines with financial institutions.</p> <p>3. Follow-up measures for the endorsements/guarantees made for NEXCOM China Co., Ltd.</p> <p>4. Uncollected significant funds overdue for 3 months or more were evaluated whether or not they were loaned to others.</p>	None	After the chair consulted with all members present at the meeting, the motion was passed without objections.	Not applicable
November 2, 2022	<p>1. Motion for proposal of establishing the Company's 2023 internal audit plan.</p> <p>2. Motion for the financial statements for Q3 2022.</p> <p>3. Uncollected significant funds overdue for 3 months or more were evaluated whether or not they were loaned to others.</p> <p>4. Motion for the distribution of employee stock warrants issued by the subsidiary Green Base Technology Corp. to employees of the Company or its subordinate companies.</p>	None	After the chair consulted with all members present at the meeting, the motion was passed without objections.	Not applicable

(II) Except for the preceding matters, motions not passed by the Audit Committee but with the consent of more than two-thirds or more of all directors:

The motions in connection with Article 14-5 of the Securities and Exchange Act of the Audit Committee's meetings in 2022 are described above, and the Audit Committee members have thoroughly communicated with related personnel with regard to these



motions. All motions were approved by all members present at the meeting without objections or reservations, and there were no motions not passed by the Audit Committee but with the consent of more than two-thirds or more of all directors.

- II. Recusal of the independent directors from motions involving their private interest, specify the names of the independent directors, the content of the motions, the reason for recusal and the participation in voting: there have been no motions that required directors to recuse themselves from.
- III. Communication between independent directors and chief internal auditor and accountants (*e.g.*, matters methods and results of communication on the Company's financial and business status).
1. There are channels available for the direct contact of the Company's independent directors and chief internal auditor and accountants. Audits on the Company's finance and business are carried out on a regular basis in accordance with the requirements of the competent authority and direct communication with the management unit is performed.
  2. The chief internal auditor sends the monthly audit report to the independent directors and reports on the internal audit at the quarterly Audit Committee meeting and Board meeting. There has been sufficient communication and explanation on the implementation of audit operations and their effectiveness.
  3. After a regular audit on financial statements is completed, the Company's CPAs conduct communication and discussion with independent directors through electronic or written means. When necessary, a meeting is held to communicate with the independent directors.
  4. The date of Audit Committee's meetings in which the Independent Directors and the chief internal auditor communicated in 2022 and the matters discussed are listed as follows:

Date	Attendees	Matters Discussed	Independent Directors' Opinions and Actions Taken
August 3, 2022 Meeting for the report on the internal audit project	Independent Director Wang Yun-Yuao Independent Director Chen Chin-Yin Independent Director Chen Hong-Ming Independent Director Tai Cheng-Chieh Chief Internal Auditor Yang Tung-Lin	1. Results of internal audit and key suggestions. 2. Due to the pandemic, the audits on overseas subsidiaries were conducted via document review. 3. Discussion on the report items regarding the follow-up to the deficiencies found.	No other opinion was raised by the independent directors present at the meeting.

<b>Date</b>	<b>Matters Discussed</b>	<b>Communication Result</b>
February 23, 2022 Audit Committee	Chief Internal Auditor's Report: Implementation of the 2021Q4 internal audit plan.	All independent directors agreed with the content of the report.
May 4, 2021 Audit Committee	Chief Internal Auditor's Report: Implementation of the 2022Q1 internal audit plan.	All independent directors agreed with the content of the report.
August 3, 2022 Audit Committee	Chief Internal Auditor's Report: Implementation of the 2022Q2 internal audit plan.	All independent directors agreed with the content of the report.
November 2, 2022 Audit Committee	Chief Internal Auditor's Report: Implementation of the 2022Q3 internal audit plan.	All independent directors agreed with the content of the report.

5. The date of meetings in which the Independent Directors and the external auditors communicated in 2022 and the matters discussed are as follows:

<b>Date</b>	<b>Attendees</b>	<b>Matters Discussed</b>	<b>Independent Directors' Opinions and Actions Taken</b>
February 23, 2022 Communication Meeting	Independent Director Wang Yun-Yuao Independent Director Chen Chin-Yin Independent Director Chen Hong-Ming Independent Director Tai Cheng-Chieh CPA Wu Han-Chi	I. Impacts of the COVID-19 pandemic. II. Audit scope (group financial statements audit). III. Financial and business performance analysis and financial ratio analysis. IV. Audit matters.	No opinion was expressed with respect to the matters discussed in this meeting.

**(III) Corporate Governance - Implementation Status and Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons**

Evaluation Items	The State of Operation		The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	
I. Has the Company formulated and disclosed its corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	V		No significant difference.
II. The Company's equity structure and shareholder equity (I) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes, and litigations, and implemented them in accordance with the procedures? (II) Does the Company have a list of the major shareholders who actually control the Company and those who have ultimate control over the major shareholders? (III) Has the Company established and implemented risk control and firewall mechanisms between affiliated companies? (IV) Has the Company established internal policies that prevent insiders from	V	<p>(I) The Company has a spokesperson and an acting spokesperson who are responsible for dealing with shareholders' suggestions, questions, and disputes.</p> <p>(II) The Company has commissioned a professional stock agency and so can always have a good grasp of the list of the major shareholders who actually control the Company as well as the ultimate controllers of the major shareholders, thereby ensuring the security of the management rights.</p> <p>(III) The Company has formulated its "Regulations Governing the Supervision of Subsidiaries", according to which and its internal control system it has implemented its risk management and firewall mechanisms.</p> <p>(IV) To maintain the fairness on the securities exchange market, the Company has formulated its "Procedures for Handling Material Inside Information and Preventing Insider Trading". Newly recruited insiders will be informed of the regulations governing the</p>	No significant difference.

Evaluation Items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	Summary description	
trading securities against non-public information?			prevention of insider trading, and be required that they strictly abide by the regulations to prevent any occurrence of insider trading.	
III. Composition and responsibilities of the Board of Directors (I) Have diversity policy and specific management objectives been adopted for the board and have they been fully implemented? (II) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee? (III) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	V		(I) The Company's Board members have diversified background and possess the knowledge, skills, and competencies requisite for their professional and management roles; this also facilitates their performing their duties. (II) Already having the Remuneration Committee in place, the Company further set up the Audit Committee on June 26, 2015. (III) The Company already formulated its Board of Directors Performance Evaluation Guidelines as well as evaluation methods on October 29, 2019. Board performance evaluation will be performed at the end of each year. The evaluation methods include the evaluation of the Board of Directors' operating performance and the self-evaluation of individual directors and the functional committees. The evaluation results are summarized and, together with an evaluation report and improvement suggestions, submitted to the Board of Directors. The board performance evaluation results for 2022 was reported to the Board of Directors in March 2022. The satisfaction rate of each board member all reached 90% or above, rendering an "Excellent" rating level. In the Future, the Board of Directors will continue to improve	No significant difference.

Evaluation Items	The State of Operation		The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	
(IV) Does the Company regularly evaluate its external auditors' independence?			<p>its operating benefits to facilitate their participation in and communication on the Company's operations.</p> <p>(IV) In conformity with Article 29 of the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and with reference to the Audit Quality Indicators (AQIs), the Company evaluated the independence and competency of the attesting CPAs Wu Han-Chi and Tsai Yi-Tai, and demanded that the attesting CPAs provide an independence statement stating therein that they have no other financial interest or business relationship with the Company other than the fees for their attestation and tax services, and that none of their spouse or dependent relatives or children violates the independence requirements. The evaluation results were then submitted to the Audit Committee and the Board of Directors for review and resolution. (Note 1)</p>
IV. Does the TWSE/TPEx listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer responsible for corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations,	V		No significant difference.

Evaluation Items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	Summary description	
organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?			necessary for directors and supervisors to perform their duties, and assisting directors and supervisors to comply with laws and regulations, Chief Corporate Governance Officer (Note 2)	
V. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	V		Aside from providing smooth communication channels for stakeholders such as shareholders, employees, creditors, and financial institutions doing business with it, the Company has also set up a stakeholder zone on its corporate website. Stakeholders may also inquire about the Company's information on the "Market Observation Post System (MOPS)".	No significant difference.
VI. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		The Company has commissioned the Stock Affairs Department of Taishin International Bank, a professional stock transfer agent, to handle the Company's shareholders' meeting and all other stock affairs.	No significant difference.
VII. Information Disclosure (I) Has the Company established a corporate website to disclose information regarding its financial, business, and corporate governance status? (II) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle	V		(I) The Company has set up an official website where investors can access related information. ( <a href="http://www.nexcom.com.tw/AboutNEXCOM/InvestorRelations">http://www.nexcom.com.tw/AboutNEXCOM/Investor Relations</a> ) (II) The Company also has an official website in the English language, a dedicated employee responsible for collecting and disclosing information, a spokesperson system, and a dedicated employee responsible for shareholder affairs. Whenever needed, investors may communicate with the Company via the Company's hot	No significant difference.

Evaluation Items	The State of Operation		The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	
<p>information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?</p> <p>(III) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?</p>		<p>line of the dedicated email address: ir@nexcom.com.tw.</p> <p>(III) As required by the Securities and Exchange Act, the Company has had its annual financial statements passed at the Board meeting and announced and filed the same within 3 month after the close of the year; it also has filed with the competent authority the financial statements for the first, second, and third quarter within 45 days after the end of each quarter, and the monthly business performance results within 10 days after the end of each month.</p>	
<p>VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?</p>	V	<p>(I) Employee rights: The Company provides employees with the legal rights guaranteed by the Labor Standards Act, and, at irregular intervals, opportunities of internal/external educational trainings that would enrich their work skills and knowledge.</p> <p>(II) Employee wellness: The Company provides employees with an employee restaurant where group meal services are available, a gym and an aerobics classroom for them to exercise, and an annual health examination free of charge.</p> <p>(III) Investor relations: The Company has a dedicated employee responsible for handling shareholders' suggestions, so as to ensure investors' basic rights.</p> <p>(IV) Supplier relations: The Company has been in good relation with suppliers.</p> <p>(V) Rights of stakeholders: Stakeholders may communicate</p>	No significant difference.





Note 1: On February 22, 2023, the Audit Committee and the Board of Directors determined that both CPA Wu Han-Chi and CPA Hsu Sheng-Chung of PwC Taiwan met the criteria for assessing independence and suitability.

### 2023 Evaluation of the independence and competency of the attesting CPAs.

Basis of Evaluation: The evaluation was carried out with reference to Article 29 of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the Audit Quality Indicators (AQIs).

**Table of Audit Quality Indicators:**

Item	Audit Quality Indicator	Evaluation Items	Evaluation Result
<b>Profession</b>			
1-1	Audit Experience	Whether auditors possess enough audit experience.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
1-2	Training Hours	Whether auditors and senior audit personnel receive enough training every year for continuous learning of professional knowledge and skills.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
1-3	Attrition Rate	Whether the firm maintains sufficient human resources.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
1-4	Professional Support	Whether the firm is equipped with sufficient experts, e.g., financial appraisers, to support audit teams.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Quality Control</b>			
2-1	Partners' Workload	Whether partners are loaded with excessive engagements.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
2-2	Involvement	Whether the involvement of the audit team in each audit phase is appropriate.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2-3	Engagement Quality Control Review (EQCR)	Whether EQC reviewers spend sufficient time on engagement.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2-4	Quality Supporting Capacity	Whether the firm is equipped with sufficient quality control human resources to support audit teams.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Independence</b>			
3-1	Non-audit Service Fees	Does the Company understand whether the proportion of non-audit service fees affects the firm's independence.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
3-2	Familiarity	Does the Company understand whether the audit firm's tenure in attestation of engagement's financial statements affects the firm's independence.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Monitoring</b>			
4-1	External Inspection Results and Enforcement	Does the Company understand whether the firm's quality control system and engagement are compliance with related laws and regulations.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
4-2	Number of Official Improvement Letters Issued by the Authority	Does the Company understand whether the firm's quality control system and engagement are compliance with related laws and regulations.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Innovation</b>			
5-1	Innovative Planning or Initiatives	Does the Company understand the firm's commitment to audit quality improvement, including the firm's ability to innovate and relevant plans.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**CPA Independence Evaluation Form:**

<b>Item</b>	<b>Evaluation Items</b>	<b>Evaluation Result</b>
1	The appointed CPA does not have any direct or material indirect financial interest in the Company.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2	The appointed CPA averts any improper relationships with the Company.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
3	The appointed CPA shall require his/her assistant to comply with integrity, fairness, and independence.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
4	The appointed CPA did not serve as a director, supervisor, or any role in the Company that had significant influence over the audit case in the current year or within the most recent 2 years, and will not serve as any such role during the audit period in the future.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
5	During the audit period the appointed CPA or his/her spouse or dependent relatives did not serve as a director, supervisor, manager, or any role in the Company that had significant influence over the audit case. If during the audit period any of the appointed CPA relatives within the fourth degree of kinship serves as a director, supervisor, manager, or any role in the Company that has significant influence over the audit case, the extent of violation of the independence requirement shall be minimized to an acceptable level.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
6	The appointed CPA does not receive any gifts or presents of material value from the Company, or any of the Company's directors, supervisors, or managers (the value shall not exceed the standard for general social etiquette).	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
7	The CPA's name shall not be used by others.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
8	The appointed CPA shall not borrow fund from, or lend fund to, the Company; however, any transaction conducted in the normal course of business and at arm's length shall not be counted herein.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
9	The appointed CPA may not run other business that might cause the loss of his/her independence.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
10	The appointed CPA shall not receive any commission associated with his/her duties.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Note 2: The Continuing education of the Chief Corporate Governance Officer in 2022

<b>Course date</b>	<b>Course organizer</b>	<b>Course name</b>	<b>Training hours</b>
August 5, 2021	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrades, Future Business Applications and the New Normal in the Post-epidemic Era	3 hours
November 3, 2021	Taiwan Corporate Governance Association	Securities Laws Violation Cases and Directors and Supervisors Liability (Including Insider Trading)	3 hours
May 4, 2022	Taiwan Investor Relations Institute	ESG Trends and Values	3 hours
May 13, 2022	Accounting Research and Development Foundation	Analysis of the Latest International Financial Statement Standards Q&A (IFRS Q&A)	3 hours
May 13, 2022	Accounting Research and Development Foundation	“Breach of Trust” Cases and Analysis of Legal Liability Thereof	3 hours
May 31, 2022	Accounting Research and Development Foundation	Financial Technology and New Money Laundering Techniques - Analysis of Legal Liability	3 hours
May 31, 2022	Accounting Research and Development Foundation	How to Achieve Effective Function of a Chief Corporate Governance Officer - Discussion on Legal Liability of a Managerial Officer	3 hours

(IV) Information on the operation of the Remuneration Committee:

1. Information on Remuneration Committee members

Criteria		December 31, 2022	
Position	Name	Professional qualification and experience	Independence state
Independent Director	Wang Yun-Yuao	Work experiences in business, legal, financial, accounting or related areas required for the Company's business R&D Vice President of Myson Century, Inc. R&D Vice President of Syntek Semiconductor Co., Ltd. TENX TECHNOLOGY, INC. - Chairperson and President	The independent director meet the Independence criteria, which include but are not limited to the following: none of the independent director, or the spouse or a relative within the second degree of kinship serves as a director, supervisor, or employee of the Company or its affiliates; holds any shares of the Company or its affiliates; serves as a director, supervisor, or employee of any company having specific relationship with the Company; or has received consideration for rendering the Company or its affiliates the services respecting business, law, finance, or accounting in the most recent 2 years.
Independent Director	Chen Ching-Yin	Work experiences in business, legal, financial, accounting or related areas required for the Company's business Vice President of Kanghe Leasing Co., Ltd. Suzhou Yifu Financial Leasing Co., Ltd. - President	The independent director meet the Independence criteria, which include but are not limited to the following: none of the independent director, or the spouse or a relative within the second degree of kinship serves as a director, supervisor, or employee of the Company or its affiliates; holds any shares of the Company or its affiliates; serves as a director, supervisor, or employee of any company having specific relationship with the Company; or has received consideration for rendering the Company or its affiliates the services respecting business, law, finance, or accounting in the most recent 2 years.
			Number of other public companies in which the individual is concurrently serving as a remuneration committee member None

External professional	Mai Tsu-Hui	<p>Work experiences in business, legal, financial, accounting or related areas required for the Company's business</p> <p>Manager under the President Office of Wego Management Consulting Firm</p>	<p>The independent director meet the Independence criteria, which include but are not limited to the following: none of the independent director, or the spouse or a relative within the second degree of kinship serves as a director, supervisor, or employee of the Company or its affiliates; holds any shares of the Company or its affiliates; serves as a director, supervisor, or employee of any company having specific relationship with the Company; or has received consideration for rendering the Company or its affiliates the services respecting business, law, finance, or accounting in the most recent 2 years.</p>	None
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2. Information on the operations of the Remuneration Committee

- I. There are three members of the Remuneration Committee of the Company.**  
**II. The term of the incumbent Remuneration Committee: August 27, 2021 to August 26, 2024. The Remuneration Committee held 4 meetings in 2022, with members' qualification and attendance rate shown as follows:**

Title	Name	Number of attendance in person (B)	Number of attendance by proxy	Percentage of attendance in person (%) (B/A) (Note)	Remarks
Convener	Wang Yun-Yuao	4	0	100%	Reelected on August 27, 2021
Member	Chen Ching-Yin	4	0	100%	Reelected on August 27, 2021
Member	Mai Tsu-Hui	4	0	100%	Reelected on August 27, 2021

Other matters to be recorded:

- I. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, it should state the date, session, proposal content, resolution of the board, and its handling of the committee's opinions (if the remuneration approved by the board is better than the recommendation proposed by the committee, the difference and reasons should be stated).
- II. For the proposals by the Remuneration Committee, if any members have objections or reservations that are put down in records or written statements, the date, session, proposal content, the opinions of all members, its handling of the members' opinions should be stated.

Date of meeting	Resolution	Resolution results and state of implementation
February 23, 2022	1. Motion for operating bonus for managers proposed for discussion. 2. Motion for the salary adjustment of managers proposed for discussion. 3. Motion for the review of remuneration of directors and managers proposed for discussion. 4. Motion for the 2021 remuneration distribution to employees and directors proposed for discussion.	This motion was passed without objection after the chair consulted with all members present at the meeting. The motion was implemented as resolved.
May 4, 2022	1. Motion for promotion and salary adjustment for managers proposed for discussion.	This motion was passed without objection after the chair consulted with all members present at the meeting. The motion was implemented as resolved.

	August 3, 2022	<ol style="list-style-type: none"> <li>1. Motion for the 2021 remuneration distribution to directors proposed for discussion.</li> <li>2. Motion for the salary adjustment of managers proposed for discussion.</li> </ol>	<p>This motion was passed without objection after the chair consulted with all members present at the meeting.</p> <p>The motion was implemented as resolved.</p>
	November 2, 2022	<ol style="list-style-type: none"> <li>1. Motion for the distribution of employee stock warrants issued by the subsidiary Green Base Technology Corp. to managers of the Company or its subordinate companies proposed for discussion.</li> <li>2. Amendments to the “Remuneration Committee Charter” proposed for discussion.</li> </ol>	<p>This motion was passed without objection after the chair consulted with all members present at the meeting.</p> <p>The motion was implemented as resolved.</p>

(V) Promotion of Sustainable Development - Implementation Status and Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Item promoted	Implementation status		Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		<p>In 2022, the Company established the “Sustainable Development Committee”, the highest level decision-making body respecting sustainable development matters in the Company. The committee is composed of numerous executives, who jointly review the Company’s core operational competencies, and set ESG policies, visions, and medium to long term sustainable development plans. The “Sustainable Development Committee” is an interdepartmental communication platform that coordinates the efforts vertically and horizontally. Through the quarterly meetings, the committee identifies the sustainability issues that concern stakeholders or in relation to the Company’s operations; formulates action plans and operation policy; develops the budget respecting sustainable development for each organization; plans and implements annual plans and tracks the implementation performance thereof, so as to ensure the sustainable development strategy is implemented in daily operations.</p> <p>The chair of the “Sustainable Development Committee” reports to the Board of Directors twice in a year on the results of implementation of sustainable development, as well as future action plans.</p> <p>In 2022, the Sustainable Development Committee has reported twice to the Board</p>



			of Directors with respect to the ESG annual plan, results thereof, and the publication of the ESG report. It has also explained the 2023 ESG annual plan and timeline, the incorporation of the new GRI standards, the addition of contents required by the SASB (Sustainability Accounting Standards Board) and the TCFD (Task Force on Climate-Related Financial Disclosures), and the publication date of the report.	
II. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		<div>1. The data disclosed covers the performance of sustainable development of the Company's major operational bases during January 2022 and December 2022. The risk assessment boundary covers mainly the operational bases in Taiwan, including the Zhonghe Headquarters, Banqiao Sanmin Plant, and Linkou Huaya Plant.</div> <div>2. The Sustainable Development Committee analyzes the risks based on the materiality principles requisite for a sustainability report; communicates with internal and external stakeholders; and, by referencing domestic and foreign research reports, literary, and the assessment data provided by each department, assesses the material ESG issues, formulates risk management policy therefor to identify, measure, assess, monitor, and control such risks, and adopts action plans, so as to mitigate the effects of related risks.</div> <div>3. The Committee also formulates related risk management policies and strategies based on the risks assessed. (Note 1)</div>	No significant difference.
III. Environmental Issues (I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry?	V		<div>1. The Company's Zhonghe Headquarters, Banqiao Sanmin Plant, and Linkou Huaya Plant have all established the environmental management system according to the ISO 14001 requirements and will continue to pass more third-party certifications (valid until 2023/10/14). The environmental management system includes the following criteria: (1) Collecting, assessing, and identifying risks to the natural environment caused by the Company's activities, products, and services. (2) Establishing measurable goals for environmental sustainability and</div>	No significant difference.

			<p>regularly reviewing the continuity and relevance of these goals.</p> <p>(3) Setting a practical action plan and regularly reviewing the operational results.</p> <p>2. The Company has passed the verification and received the ISO 14064-1 verification opinion statement in 2022. The greenhouse gas inventory is conducted on an annual basis in accordance with the ISO 14064-1 standard and, together with the result of emission reduction, disclosed it in the Sustainability Report and on the Company's website. (<a href="https://www.nexcom.com.tw/About/Page/esg-and-sustainability">https://www.nexcom.com.tw/About/Page/esg-and-sustainability</a>)</p>	
(II)	Does the Company endeavor to use <u>energy</u> more efficiently <u>and</u> to use renewable materials with low environmental impact?	V	<p>1. The Company actively promotes various energy conservation measures and uses energy-efficient and energy-saving equipment to reduce the energy consumption of enterprises and products and thereby optimize energy usage effectiveness.</p> <p>2. All raw materials used by the Company comply with the EU's RoHS, REACH, and Halogen Free. As early as 2019, the Company established its "Green Resources Management System", which stipulated use of non-toxic raw materials, pollution reduction in the production process and in the process of replacing product modules, and improvement in the product/waste reuse rate, in order to reduce the environmental impact.</p>	No significant difference.
(III)	Has the Company evaluated the potential risks and opportunities posed by climate change to its business now and in the future and adopted relevant measures to address them?	V	<p>Being the highest governance body respecting climate change management, the Sustainable Development Committee annually reviews the Company's strategy and goals for coping with climate change; manages the risks and opportunities that come with climate change; and reviews the implementation status and discusses future plans, and reports to the Board of Directors.</p> <p>To reduce the risk factor, the Company also simultaneously identifies other alternatives and action plans. Measures for mitigation of the climate change risks can be classified into three categories, namely green innovative design, energy</p>	No significant difference.

			management, and carbon information disclosure. Please refer to Climate Risk Management and Response on Pages 42-43 of the Company's 2021 Sustainability Report on its website for details of the Company's analysis of climate risks and opportunities.	No significant difference.
(IV) Does the Company make statistics on greenhouse gas emissions, water consumption, and total weight of waste for the past two years, and formulate policies for greenhouse gas reduction, water consumption reduction, or other waste management?	V	<p>1. The Company's Zhonghe Headquarters, Banqiao Sanmin Plant, and Linkou Huaya Plant have all passed the ISO 14064-1 verification in 2022. Each year, the Company quantifies its GHG emissions, including measuring the CO2 equivalents of CO2, N2O, CH4, HFCs, SF6, and NF3, complies a GHG emissions inventory list, and properly preserves and manages the same to track the effectiveness of emission-reduction. Starting from 2023, the inventory and verification will be conducted under the name of the NEXCOM Group (including all subsidiaries and sub-subsidiaries) to meet the requirements of the competent authority.</p> <p>2. The Company consumes water for air-conditioners, drinking water, cleaning, and meal preparation, of which, the users are its employees, visitors, and contractors. There is no significant consumption of water in the manufacturing process, so the impact on the environment is minor. However, considering that water resources are a major issue for sustainability internationally, the Company takes water-saving measures to mitigate the impact of water scarcity and promotes information about water conservation to prevent the crisis of water scarcity in the dry season.</p> <p>Water Management Strategies:            (1) Continuing to facilitate water conservation measures to achieve water conservation goals.            (2) Exploring feasible water-saving measures through regular management and</p>		

			<p>inspection.</p> <p>(3) Continuing to replace faucets to automatic faucets for water conservation.</p> <p>3. The Company is committed to environmental protection and, with respect to waste management, primarily focuses on waste reduction in its manufacturing processes while secondarily considering reuse before disposal. In order to ensure the disposal destination of waste and proper handling of waste, we are discreet in the selection of vendors for waste disposal and reuse by checking its certificates and on-site practices to prevent secondary environmental pollution. The Company has formulated the following waste reduction strategies to reduce the impact of waste on the environment:</p> <p>(I) Reduction of Waste Output</p> <ol style="list-style-type: none"> <li>1. Continuous waste and resource classification.</li> <li>2. Increasing the degree of document digitalization and reducing paper usage.</li> <li>3. Reusing back sides of non-confidential documents.</li> </ol> <p>(II) Implementation of Waste Classification and Recycling</p> <ol style="list-style-type: none"> <li>1. Product packaging materials are recycled and reused by the waste management vendors .</li> <li>2. Waste liquid from the manufacturing process is collected and recycled by certified waste management vendors.</li> <li>3. Plastic pallets are recycled and reused.</li> </ol> <p><b>The statistics on greenhouse gas emissions, water consumption, and total weight of waste of the Company for the past two years are as follows:</b></p> <table> <tr> <th>Year</th><th>Carbon Emissions (Metric tons CO<sub>2</sub>e)</th><th>Water Consumption (m<sup>3</sup>)</th><th>Total Waste (ton)</th></tr> <tr> <td>2021</td><td>4205.3253</td><td>11,122</td><td>55.169</td></tr> <tr> <td>2022</td><td>4485.8662</td><td>10,540</td><td>47.269</td></tr> </table>	Year	Carbon Emissions (Metric tons CO <sub>2</sub> e)	Water Consumption (m <sup>3</sup> )	Total Waste (ton)	2021	4205.3253	11,122	55.169	2022	4485.8662	10,540	47.269
Year	Carbon Emissions (Metric tons CO <sub>2</sub> e)	Water Consumption (m <sup>3</sup> )	Total Waste (ton)												
2021	4205.3253	11,122	55.169												
2022	4485.8662	10,540	47.269												

IV. Social Issues (I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?	V	The Company respects employee's dignity and so has formulated the "NEXCOM Corporate Social Responsibility Best Practice Principles", "NEXCOM Corporate Social and Environmental Responsibility Code of Conduct", and "NEXCOM Work Rules" in accordance with related laws and the International Bill of Human Rights to serve as guidelines for labor rights issues (e.g., free choice of occupation; prohibition from using child labor; legally compliant working hours; legally compliant salary and benefits for employees; humanity; non-discrimination; fair access to employment; and free association).	No significant difference.
(II) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V	By referencing Article 70 of the Labor Standards Act and Article 38 of the Enforcement Rules of the Labor Standards Act, the Company has prepared its Work Rules which stipulate working hours, break, leave, salary, allowance and bonus, discipline, attendance, leave of absence, rewards, discipline, and promotion, employment, dismissal, resignations and retirement, compensation for occupational injury or accidents, and welfares, filed it with the competent authority, and disclosed it in the workplace.	No significant difference.
(III) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V	<p>"Employees are the most valuable assets of the Company." The Company provides employees with a safe working environment to avert injuries and casualties. It also establishes concrete guidelines, such as the "NEXCOM Regulations Governing Occupational Safety and Health" and the "NEXCOM Occupational Safety and Health Work Rules".</p> <p>1. Operation safety and health: To prevent certain operations from harming employee's safety and health, equipment and machinery are installed with legally compliant safeguards and the operating procedures are regularly reviewed and improved by the operation supervisors, so as to avert employees' encountering any potential danger at the workplace. If the dangers cannot be averted through improvement in procedures, the Company shall provide employees with effective protection gears on which sufficient</p>	No significant difference.

			<p>and efficient trainings are given, or with job rotations or longer break time, so as to avoid irreversible physical and mental harm to employees.</p> <p>2. Environmental safety and health: The Company provides employees with a clean and safe workplace, at which the drinking water, facilities, and objects used during operation that might harm employees' health are regularly checked, as required by law, to ensure employees' physical safety and health.</p> <p>3. Emergency response: The Company evaluates the various hazards before hand and, based on the evaluation results, formulates measures to prevent and address emergencies at an organizational level, in the hope to minimize the live loss and equipment damage resulting from an emergency. To ensure the functioning of the emergency response plan at the occurrence of an incident, related drills are conducted every year.</p> <p>4. Occupational accident: In the case where an employee becomes sick, injured, or dead due to reasons attributable to his/her work, the Company shall handle the case in accordance of the local laws and regulations. The Company should encourage employees to report any occurrence of incidents (including any near miss); related management unit should also investigate into, and review, the incident occurred, so as to avert recurrence of similar incidents.</p> <p>5. The Company regularly arranges for new employees to receive basic trainings and trainings on labor safety and health, so as to ensure that they abide by relevant regulations.</p>	
(IV) Has the Company established an effective career development training program for employees?	V		The Company has formulated an annual training program, which covers the following dimensions: (Internal training: new employees training, corporate culture training, professional lectures for PM, sales summit, technology summit, and supervisor training) and (external training: Professional training courses.)	No significant difference.
(V) Does the company <u>comply</u> with the relevant laws and international	V		The Company provides customers with products and services in a fair and reasonable manner. Examples of "fair and reasonable manner" as stated above are	No significant difference.

standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement <u>consumer</u> protection and grievance policies?		<p>as follows:</p> <ol style="list-style-type: none"> <li>1. Contracts are executed based on principles of reciprocity, fairness, and honesty.</li> <li>2. Whenever being entrusted by customers, the Company always exercises due care and fulfills its fiduciary duty.</li> <li>3. Advertisements for solicitation of business should not be exaggerated.</li> <li>4. The Company ensures that the products and services rendered to customers are suitable for them.</li> <li>5. When offering products or services, the Company describes the important content and discloses any associated risks.</li> <li>6. The remuneration system for sales personnel shall be based on the equitable consideration of customer rights, in addition to the achievement of sales targets.</li> <li>7. The channels for customers and clients to file their grievances remain smooth, and the Company always responds to their grievances through the channels.</li> <li>8. Where a job requires professionalism, the job undertaker should obtain professional qualification or a professional license.</li> </ol>	
(VI) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V	<p>The Company has formulated its "Supplier Management Procedures" and "NEXCOM Co., Ltd. Environmental Safety and Health Promotion Letter", in which the Company specifies the selection criteria for environmental protection, human rights, safety, health, and sustainable development for suppliers. Based on cooperation, and through selection, audit, consultation provision, and performance evaluation, the Company fully implements its requirements in daily supplier management activities.</p> <p>The Company will further revise such internal regulations in accordance with international standard or guidance to align suppliers' practices with requirements and expectations in all respects concerning ESH risks, prohibition of child labor,</p>	No significant difference.

			labor management, do-no-harm concerning labors' basic rights, ethical standard, and ethical corporate management.	
V. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?	V		The Company prepares its "2022 ESG Sustainability Report" in accordance with the GRI Standards, a set of internationally accepted reporting standards. The report was verified by the third party GREAT International Certification Co., Ltd. based on the AA1000AP AccountAbility Principles:2018 and disclosed on the Company's website. ( <a href="https://www.nexcom.com.tw/About/Page/esg-and-sustainability">https://www.nexcom.com.tw/About/Page/esg-and-sustainability</a> )	No significant difference.
<p>VI. If the Company has related sustainable development best practice principles compiled in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", it should disclose the difference between its principles and its implementation:</p> <p>To further the implementation of its corporate social responsibility, the Company passed the "Corporate Social Responsibility Best Practice Principles" at a Board meeting in April 2017. The Company regularly reviews the implementation status against the best practice principles and so far has not found its implementation to significantly differ from the best practice principles.</p>				
<p>VII. Other important information to facilitate better understanding of the company's promotion of sustainable development: None.</p> <ol style="list-style-type: none"> <li>1. Upholding the ideas of giving back to society and becoming involved in public welfare, the Company hosted the blood donation event "A Bag of Irreplaceable Blood" to encourage employees to donate blood, and a total of 108 bags of blood were donated.</li> <li>2. The Company participated in the ART TAIPEI 2022 art education day and incorporated the spirit of "environmental protection education" and the idea of recycling and reuse into the event to enhance the awareness of ecological topics, e.g., environmental protection.</li> <li>3. The Company makes use of its own influence and fulfills corporate social responsibility by setting an example in industry-university cooperation, and the results are as follows:               <ol style="list-style-type: none"> <li>(I) Four projects were completed and published in smart machinery industry-university cooperation with the Department of Mechanical Engineering, Yuan Ze University:                   <ol style="list-style-type: none"> <li>1. The development of the integration of mechanical arms and real-time artificial intelligence image recognition systems.</li> <li>2. Writing designated words on a sphere with a mechanical arm.</li> <li>3. The development of a tracking and positioning system for smart carrier robots.</li> <li>4. Application of collaboration of machine tool IoT and robots on production lines.</li> </ol> </li> </ol> </li> </ol>				



(II) Course of mechanical arm application and hands-on competition at Tamkang University to inspire students' creativity and align their technical skills with the industry.
<p>4. The Company hosted a series of events to celebrate its 30th anniversary and build a cohesive team for the next 30 years. The logo designed for our 30th anniversary is based on the concept of 10 swords sharpened within the past 30 years driving the AIOT digital transition. It expresses the Company's ambition for endless innovation and reconstruction on the basis of smart manufacturing and with the spirit of sustainability and regeneration, and exhibits the Company's core values "integrity, innovation, reverence, selflessness" and its expectation to achieve sustainability with employees and partners. Major activities are as follows:</p> <p>(1) Distribution of one set of anniversary clothing, a pen, and a tote bag made by the Taiwan Foundation for the Blind to employees in order to help disadvantaged groups.</p> <p>(2) Meatless Day on the first Monday of each month to promote environmental sustainability.</p> <p>(3) Team collage, a gigantic wall picture made together by representatives assigned by each department, symbolizing all business groups of NEXCOM, to improve team cohesiveness and cooperation.</p> <p>(4) Corporate Family Day for public welfare, in which employees and their families were invited to the enchanting and family-friendly Pushin Ranch to relax and appreciate shows and competitions, walk in the forest, and enjoy the holiday.</p>

Note 1: NEXCOM's risk management framework is centered on each responsible unit, on which risk assessments on probability of risk and degree of impact on NEXCOM are carried out, and the responsive measures are consequently devised to ensure the Company's achievement of sustainability.

NEXCOM's Risk Management Framework

<b>Risk item</b>	<b>Responsible unit</b>	<b>Risk-related activity</b>
Strategy Risk	Chairperson	● Setting the Company's future operational policy.
Operational and Market Risk	President All business units	● Based on the Company's strategy, implementing R&D, production, and sale of products, and endeavoring to improve production technology, enhance quality, and reduce cost, thereby increasing profitability.
Financial and Liquidity Risk	Financial Department	● Hedging interest rate risk and foreign exchange risk, managing credit facilities and relations with banks.
Consumer Credit Risk	Financial Department All business units	● Establishing and reviewing consumer lines of credit, managing and collecting accounts receivable.

Legal Risk	Legal Affairs Office	<ul style="list-style-type: none"> <li>● Reviewing contracts and authorizations, reducing corporate legal risk, and protecting tangible and intangible assets of the Company.</li> </ul>
Environmental, Safety, and Health Risk	Occupational Safety & Health Office	<ul style="list-style-type: none"> <li>● Focusing on safety and health damages caused by the work environment and specific risk factors, implementing safety and health management, and improving management performance oriented on the safety and health policy.</li> </ul>
Environmental Sustainability Risk	R&D Center Occupational Safety & Health Office	<ul style="list-style-type: none"> <li>● Proposing corresponding measures in response to topics concerning sustainability and the environment to ensure that the Company meets requirements of laws and regulations or demands and expectations of stakeholders.</li> </ul>

#### NEXCOM's Risk Management Strategies

Risk Management Strategies		
Risk Category	Description of Risk	Risk Management Strategies
Sustainable Environment	Increasing Emission of Greenhouse Gases	<ol style="list-style-type: none"> <li>1. Introducing the ISO 14064-1 Greenhouse Gas Emissions Inventory Management System to discover significant emission sources.</li> <li>2. Establishing a management program to set the goal for carbon emissions and reduce emission of greenhouse gases.</li> </ol>
	Increasing Waste Volume/Decreasing Recycling Rate	<ol style="list-style-type: none"> <li>1. Simplifying package design to reduce generation of waste.</li> <li>2. Raw materials must meet the standards of green materials (RoHS, REACH, etc.) to increase recycling rate of materials.</li> </ol>
	Ineffective Energy Conservation	<ol style="list-style-type: none"> <li>1. Inspecting energy usage of significant energy use equipment for any malfunction.</li> <li>2. Replacement with energy-saving light fixtures and tube lights; installing inverters for water chillers of the air-conditioners to lower power usage; renewing air compressors to lower power consumption.</li> <li>3. Adopting energy-saving measures and management programs.</li> </ol>
	Violation of Environmental Protection Laws	<ol style="list-style-type: none"> <li>1. Identifying environmental protections laws to ensure legal compliance.</li> <li>2. Regularly convening occupational safety and health committee meeting for review.</li> </ol>
Employee Care	Occupational Accidents (Including impacts of COVID-19)	<ol style="list-style-type: none"> <li>1. Adopting the Regulations of Occupational Safety Management and the plan for occupational safety and health management in accordance with the Regulations of Occupational Safety and Health Management. When accidents occur at the workplace, immediately take necessary first-aid or rescue measures, conduct investigation analysis with labor representatives, and make a record.</li> <li>2. ISO 45001 Occupational Health and Safety System has been introduced to the Zhonghe Headquarters, Banqiao Sanmin Plant, and Linkou Huaya Plant in Taiwan. This ensures effectiveness of the management system of the Company through third-party audits.</li> </ol>

	Long Working Hours	<p>To prevent overwork, the Company adopted the “Plan Preventing Abnormal Workload-triggered Disorders” for labor of high risk groups, who work rotating shifts, at night, or over an extended period of time, in accordance with the Occupational Safety and Health Act. Plans and safety measures are undertaken for legal compliance and to ensure occupational safety and physical and mental health of workers.</p>
	Impacts of COVID-19 Pandemic	<p>In response to COVID-19 controls, the Company adopted the preventive plan for COVID-19 and established the Pandemic Response Team to take actions, handle relevant affairs, and carry out related control measures as required by the competent authority.</p> <p>Employee health is the first priority, so unnecessary business trips were suspended; migrant workers’ working space and living space and the employee restaurant were divided; launching the mechanisms of working from home and flexible working hours; helping migrant workers buy masks and groceries and make vaccination reservations; allowing employees stay home to take care of sick family members or children due to class suspension. The leave policy is flexible and meets government’s requirements, and doctor’s diagnosis certificates are not mandatory for sick employees for confirmation or before resuming work; quarantine leaves were granted for employees in quarantine as required by the health competent authority, and these leaves were not deemed as absences or handled as unspecified casual leaves or other types of leaves. The Company neither mandated make-up workdays, nor deducted full-attendance bonuses. It did not dismiss employees or take any disciplinary action that is adverse to employees while helping employees apply for quarantine compensation during their quarantine period with the government.</p>
Business Performance	Violation of Socioeconomic Rights and Compliance	<ol style="list-style-type: none"> <li>1. The Company ensures the legal compliance of all of its staff and operations through establishing a governance organization and implementing the internal control system.</li> <li>2. The Company applies for patents on products invented and methods innovated to protect its rights and interest.</li> </ol>
	Information Security Incidents	<ol style="list-style-type: none"> <li>1. Expecting to introduce the ISO27001 Information Security Management System and obtain verification.</li> <li>2. Conducting an information security risk evaluation on an annual basis and carrying out an improvement plan for high information security risk items.</li> <li>3. Implementing information security incident notification and drills on an annual basis.</li> <li>4. Setting up a mechanism preventing spam and phishing emails to filter and block malicious and scam emails.</li> </ol>

	Delayed Stakeholder Communication	<p>The Company discloses its financial statements and its annual report on the Market Observation Post System (MOPS); convenes the shareholders' meeting and the investor conference to disclose its business performance to investors; and has set up a dedicated email address for stakeholders, through which it actively communicates on and responds to issues of concern.</p>
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## Climate-Related Information

### 1. Implementation of Climate-Related Information

Item	State of implementation
<p>1. Describe the Board of Directors' and management's oversight and governance of climate-related risks and opportunities.</p> <p>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</p> <p>3. Describe the financial impact of extreme weather events and transformative actions.</p> <p>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</p> <p>5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors, and major financial impacts used should be described.</p> <p>6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.</p> <p>7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.</p> <p>8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy</p>	<p>1. The Sustainable Development Committee is the primary responsible unit for the governance of climate-related risks and opportunities. The Company established the Sustainable Development Committee, of which, the Chairperson is the convener and members shall meet annually. Topics of discussion in a meeting may include possible climate risks caused by the Company's operation, energy and resource efficiency, and environmental issues involving product life cycle, and these climate change topics together with the implementation thereof are reported to the Board of Directors on an annual basis.</p> <p>2. Actual and potential impacts of climate-related risks and opportunities on the business, strategy, and finances of the organization. The climate-related risks and opportunities are as follows:</p> <p>I. Transition Risks:</p> <ul style="list-style-type: none"> <li>(1) Change of local laws of the Company's operations resulting in the increase of operating costs.</li> <li>(2) Change of customer demands resulting in a decline in orders.</li> <li>(3) Increase in R&amp;D expenses.</li> </ul> <p>II. Physical Risks:</p> <ul style="list-style-type: none"> <li>(1) High temperatures.</li> <li>(2) Water shortage.</li> <li>(3) Power restriction.</li> <li>(4) Typhoons and floods.</li> </ul> <p>III. Opportunities:</p> <ul style="list-style-type: none"> <li>(1) Energy consumption reduction,</li> <li>(2) Energy efficiency improvement,</li> <li>(3) Development of new products/technologies of lower energy consumption catering to customer demands.</li> </ul>

<p>certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.</p> <p>9. Greenhouse gas inventory and assurance status (separately fill out in point 1-1 below).</p>	<p>3. Based on industry characteristics, the Company identified the following risks internally and proposed the corresponding action plan:</p> <p>I. Responses to Transition Risks:</p> <p>(1) Realtime focus on the latest laws, inspection of the Company's current degree of compliance, and formulation of corresponding measures for legal compliance;</p> <p>(2) Incorporating the concept of a lower environmental impact into each stage of the product life cycle and joining the supply chain to continuously develop energy-saving products.</p> <p>II. Responses to Physical Risks:</p> <p>The Company has introduced the ISO 14001 Environmental Management System and ISO 14064-1 and taken the approaches of goal planning, implementation, result review, and constant improvement, together with regular drills, to reduce the risks to a manageable level.</p> <p>III. Responses to Climate-related Opportunities:</p> <p>Actively improving high-energy-consuming equipment (e.g., air-conditioner motor inverter) and continuing to pay attention to energy-saving equipment replacement.</p> <p>4. Indicators and goals for the evaluation and management of climate-related risks and opportunities:</p> <p>(I) Reduction of Greenhouse Gas Emissions:</p> <p>In 2022, T8 light fixtures of higher energy consumption were replaced with LED and T5 light fixtures, and a total of 40,409 kWh were saved.</p> <p>In 2022, an automatic controller of automatic light sensors was installed at a less-visited zone in the warehouse, and a total of 6,984 kWh were saved.</p> <p>In 2022, the Company has taken the greenhouse gas inventory for the years from 2019 to 2021 and will continue to monitor the measures for greenhouse gas emission reduction in the future.</p> <p>(II) Improvement of Products' Energy Efficiency: In line with government policy, NEXCOM stresses the design and R&amp;D of lower-energy-consuming products for constant improvement of the energy efficiency of its products.</p> <p>(III) Decrease in Hours of Operation Interruption: Not affecting the operation.</p>
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<p>Basic Information of the Company</p> <p><input type="checkbox"/> Capital of NT\$10 billion or more, iron and steel industry, or cement industry</p> <p><input type="checkbox"/> Capital of NT\$5 billion or more but less than NT\$10 billion</p> <p><input checked="" type="checkbox"/> Capital of less than NT\$5 billion</p>	<p>Minimum required disclosure under the Sustainable Development Roadmap for TWSE/TPEX Listed Companies:</p> <p><input type="checkbox"/> Inventory for parent company only <input type="checkbox"/> Inventory for all consolidated entities</p> <p><input type="checkbox"/> Assurance for parent company only <input type="checkbox"/> Assurance for all consolidated entities</p>
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Scope 1	Total Emissions (metric tons CO <sub>2</sub> e)	Intensity (metric tons CO <sub>2</sub> e/NT\$ 1 million) (Note 2)	Assurance Body	Description of Assurance Status (Note 3)
Parent	114.1469	0.014418509	GREAT International Certification Co., Ltd.	The statistics have not been verified by an external party yet. The verification of 2022 data will be launched on April 27, 2023, and the verification certificate is expected to be received by May 31, 2023.
Entities (Taiwan)	35.2805	0.004456471		
Total	149.4273	0.018874980		
Scope 2	Total Emissions (metric tons CO <sub>2</sub> e)	Intensity (metric tons CO <sub>2</sub> e/NT\$ 1 million) (Note 2)	Assurance Body	Description of Assurance Status (Note 3)
Parent	3752.7336	0.474028110	GREAT International Certification Co., Ltd.	(same as above)
Entities (Taiwan)	506.3998	0.063966102		
Total	4259.1334	0.537994212		
Scope 3	77.3055			

**(VI) Ethical Corporate Management - Implementation Status and Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons**

Evaluation Items	The State of Operation		Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Does the company have an ethical corporate management policy approved by its Board of Directors, and specify on internal charters and external documents such policy, measures, and the commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(II) Whether the company has established a mechanism for evaluating the risk of unethical conduct, by which it regularly analyzes and evaluates, within a business context, the business activities having a higher risk of unethical conduct and, based on the evaluation results, formulates a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies”?</p> <p>(III) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise it?</p>	V		<p>By referencing the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, the Company, with an approval from the Board of Directors, has established its “Ethical Corporate Management Best Practice Principles” and “NEXCOM Corporate Social and Environmental Responsibility Code of Conduct” to showcase its determination to fully implement ethical corporate management and fulfill its corporate social responsibility.</p> <p>Since incorporation, the Company has been focusing on own business and has never been involved in any political issues; it also internally recommends that colleagues not discuss political or religious issues at the workplace.</p> <p>The Company has established a set of internal control operating procedures to prevent the occurrence of any unethical conduct.</p>
<p>II. The implementation of ethical corporate management</p> <p>(I) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct</p>	V		No significant difference.



Evaluation Items	The State of Operation		Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
<p>clauses in the contracts signed with the counterparties?</p> <p>(II) Does the Company have a dedicated unit under the Board of Directors to promote ethical corporate management and report regularly (at least once a year) to the Board of Directors on its ethical management policy, plan to prevent unethical conduct, and the state of monitoring and implementation of such policy and plan?</p> <p>(III) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?</p> <p>(IV) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?</p> <p>(V) Does the Company regularly organize internal and external education and training on ethical corporate management?</p>			<p>Responsibility Code of Conduct".</p> <p>"NEXCOM Corporate Social and Environmental Responsibility Code of Conduct" is included in the teaching materials for the basic training for new employees, and for the corporate culture training held quarterly. Issues regarding material corporate governance topics, fulfillment of social responsibility, and implementations of ethical corporate management are also discussed and resolved at the Management Commission meeting, and may be presented to the Board of Directors whenever necessary.</p> <p>When conducting a transaction, the Company will determine the counterparty's business ethical status through a set of appropriate credit investigation processes.</p> <p>The Company has established an effective accounting system and internal control system; its internal auditors conducts the annual audit plan to verify the compliance with its internal control system, thereby ensuring the implementation of ethical corporate management.</p>
<p>III. The operation of the Company's whistleblowing system</p> <p>(I) Has the Company set up a specific whistleblowing system, a reward system, and a convenient whistleblowing channel, and designated an appropriate and dedicated employee to deal with the accused?</p>	V		No significant difference.

Evaluation Items	The State of Operation			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
(II) Has the Company formulated standard operating procedures for the investigation of the reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms? (III) Does Company take measures to protect whistleblowers from being improperly treated due to reporting?				
IV. Enhance Information Disclosure Does the Company disclose the contents and implementation results of its Ethical Corporate Management Best Practice Principles on its website and the Market Observation Post System?	V		The Company has disclosed on its website the "Ethical Corporate Management Best Practice Principles".	No significant difference.
V. If the Company has established its own ethical corporate management best practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please state the differences between its own principles and the state of implementation: No difference.				
VI. Other important information conducive to understanding the implementation of ethical corporate management (e.g., the Company's review or revision of its own ethical corporate management best practice principles) (I) By complying with the Company Act, the Securities and Exchange Act, regulations governing TWSE/TPEx listed companies, and other laws and regulations governing business conduct, the Company has established a basis for implementing ethical corporate management. (II) By referencing the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, the Company established its own "Ethical Corporate Management Best Practice Principles" through an approval from the Board of Directors on March 24, 2015.				
<b>(VII) If the Company has formulated its own Corporate Governance Best Practice Principles and related rules, it shall disclose the query methods:</b> The Company has established own Corporate Governance Best Practice Principles, and disclosed the same on the Company's website for shareholders' query.				

**(VIII) Other important information conducive to understanding the operations of corporate governance:**

Continuing education of directors: (including those managers attending courses on corporate governance)

<b>Title</b>	<b>Name</b>	<b>Training hours</b>	<b>Date/hours of continuing education</b>	<b>Course organizer</b>	<b>Course name</b>
Chairperson	Lin Mao-Chang	6	May 4, 2022 “3-Hour continuing education course”	Taiwan Investor Relations Institute	ESG Trends and Values
Director	Lin Jeng-Tay				
Director	Chen Wen-Chuan		November 2, 2022 “3-Hour continuing education course”	Taiwan Investor Relations Institute	Renewable energy trend
Independent Director	Wang Yun-Yuao				
Independent Director	Chen Ching-Yin				
Independent Director	Chen Hong-Ming				
Independent Director	Tai Cheng-Chieh	7	May 4, 2022 “3-Hour continuing education course”	Taiwan Investor Relations Institute	ESG Trends and Values
			May 12, 2022 “2-Hour continuing education course”	Taiwan Stock Exchange	“International Twin Summit Online Forum”
			July 20, 2022 “2-Hour continuing education course”	Taiwan Stock Exchange and Taipei Exchange	“Sustainable Development Roadmap Industry Theme Promotion Conference”

Title	Name	Training hours	Course date	Course organizer	Course name
Vice President	Lin Hung-Chou	6 hours	May 4, 2022 “3-Hour continuing education course”	Taiwan Investor Relations Institute	ESG Trends and Values
Vice President	Liu Chun-Chun				
Vice President	Chiu Chun-Ming				
Vice President	Li Chun-I				
Vice President	Yeh Shu-Chen				
Vice President	Shen Chien-I				
Vice President	Huang Tsung-Hsi				
Associate vice president	Chen Yuan-Pin		November 2, 2022 “3-Hour continuing education course”	Taiwan Investor Relations Institute	Renewable energy trend
Associate vice president	Chen Chia-Li				
Associate vice president	Chang Feng-Jung				
Associate vice president	Ting Wen-Ching	3 hours	November 2, 2022	Taiwan Investor Relations Institute	Renewable energy trend
Associate vice president	Lin Chih-Ta				
Vice President	Chen Po-Hsu				
Associate vice president	Tu Shu-Ling				
Associate vice president	Tsai Chun-Yang				
Associate vice president	Lai Hui-Ying				

**(IX) Regarding the implementation of the internal control system, the following matters should be disclosed:**

1. Statement of internal control:

**NEXCOM International Co., Ltd.**  
**Statement of the Internal Control System**

Date: February 22, 2023

The Company states the following for its 2022 internal control system based on the results of self-evaluation:

- I. The Company knows that establishing, implementing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managerial officers, and the Company has established this system. Its purpose is to provide reasonable assurance of the achievement of objectives such as the effectiveness and efficiency of operations (including profitability, performance, and asset security, etc.), the reliability, timeliness, and transparency of reporting, as well as compliance with relevant rulings, laws and regulations, etc.
- II. Internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance of the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once a defect is identified, the Company will take corrective actions.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the criteria of the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations").  
The criteria of internal control system adopted in the "Regulations" are based on the process of managerial control and divide internal control system into five components: 1. control environment, 2. risk evaluation, 3. control operations, 4. information and communication, and 5. monitoring operations. Each component consists of a number of items. Please refer to the "Regulations" for these items.
- IV. The Company has adopted the aforementioned criteria of internal control system to evaluate the effectiveness of the design and implementation of its internal control system.
- V. Based on the evaluation results stated in the preceding paragraph, the Company believed that its internal control system (including supervision and management of subsidiaries) as of December 31, 2022 can attain a reasonable assurance that the following objectives were met: (1) Understanding the extent to which the goals respecting business performance and efficiency were achieved; (2) achieving a reporting that was reliable, timely, transparent, and complaint with laws and regulations; and (3) assuring that the legal compliance part of the internal control system was effectively designed and implemented.
- VI. This statement will become the main content of the Company's annual report and prospectus,

and will be made public. If the above-mentioned disclosures have falsehood or concealment, legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act will be incurred.

- VII. This statement was approved by the Company's Board of Directors on February 22, 2023. Of the 7 directors present, 0 had objections, and the rest all agreed with the content of this statement and hereby declared the same.

**NEXCOM International Co., Ltd.**

Chairperson: Lin Mao-Chang

Signature and Seal

President: Yang Chien-Hsing

Signature and Seal

2. Where a CPA was entrusted to review the internal control system, the review report should be disclosed: Not applicable.

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(XI) Important resolutions of the shareholder meeting and board meeting during the most recent year and during the current year up to the date of publication of the annual report

**1. Important Resolutions of Shareholders' Meetings:**

Date of meeting	Important Resolution
June 29, 2022 Annual General Meeting of Shareholders	<p><b>1. Business Report and Financial Statements for 2021</b></p> <p>Resolution results: The motion was passed with a 98.06% voting rate.</p> <p>State of implementation: Implemented as resolved and has been published on the MOPS in accordance with the regulations.</p> <p><b>2. Earnings Distribution for 2021.</b></p> <p>Resolution results: The motion was passed with a 98.11% voting rate.</p> <p>Implementation Status: Implemented as resolved. The cash dividend was NT\$141,226,472 (NT\$1 per share). August 31, 2022 was set as the ex-dividend date, and September 21, 2022 was set as the payment date.</p> <p><b>3. Revision of the company's "Procedures for Acquisition and Disposal of Assets".</b></p> <p>Resolution results: The motion was passed with a 98.11% voting rate.</p> <p>State of implementation: Implemented as resolved and has been published on the MOPS in accordance with the regulations.</p>

**2. Material Resolutions of the Board of Directors Meetings: (matters provided in Article 14-3 of the Securities and Exchange Act)**

Date of Board Meeting	Details of resolution	Independent Director's Opinion	The Company's Action With Respect to Independent Director's Opinion	Resolution results
February 23, 2022	<ol style="list-style-type: none"> <li>1. Motion for the 2021 "Statement of the Internal Control System."</li> <li>2. Motion for amendments to the Company's internal control system - some clauses of the "Preparation Process Management for Financial Statements" operations.</li> <li>3. Motion to revise the Company's internal control system - some clauses of the "Process for Accounting Professional Judgments, Process for Accounting Policy and Changes in Estimates."</li> <li>4. Motion for the 2022 operating budget.</li> <li>5. Motion for the 2021 Business Report.</li> <li>6. Motion for the 2021 remuneration distribution to employees and directors.</li> <li>7. Motion for the 2021 financial statements.</li> <li>8. Matters involving changing of the Company's CPAs for the financial report.</li> <li>9. Motion for application for credit lines from financial institutions.</li> <li>10. Motion for making endorsement/guarantee for subsidiary NEXCOM China Co., Ltd. - credit lines with financial institutions.</li> <li>11. Motion for making endorsement/guarantee for subsidiary EMBUX Technology Co., Ltd. - credit lines with financial institutions.</li> <li>12. Motion for making endorsement/guarantee for subsidiary NexCOBOT Taiwan CO.,Ltd. - credit lines with financial institutions.</li> <li>13. Motion for capital reduction of subsidiary Nexcom International Co., Ltd. (Samoa) (hereinafter referred to as "Samoa").</li> <li>14. Uncollected significant funds overdue for 3 months or more were evaluated whether or not they were loaned to others.</li> <li>15. Revision of the company's "Procedures for Acquisition and Disposal of Assets".</li> <li>16. Evaluation of the independence and suitability of the Company's CPAs.</li> <li>17. Motion for operating bonus for managers.</li> <li>18. Motion for the salary adjustment of managers.</li> <li>19. Motion for the review of remuneration of directors and managers.</li> <li>20. Motion for matters in relation to the Company's 2022 Annual General Meeting of Shareholders.</li> </ol>	None	Not applicable	Passed without objection after the Chair consulted with all directors present at the meeting, and implemented as resolved.



May 4, 2022	<ol style="list-style-type: none"> <li>1. Motion for the financial statements for Q1 2022.</li> <li>2. Earnings Distribution for 2021.</li> <li>3. Motion for application for credit lines from financial institutions.</li> <li>4. Motion for making endorsement/guarantee for subsidiary NexAIOT Co., Ltd. - credit lines with financial institutions.</li> <li>5. Uncollected significant funds overdue for 3 months or more were evaluated whether or not they were loaned to others.</li> <li>6. Proposal of change of the valuation method for net realizable value of inventory.</li> <li>7. Amendments to part of the Company's "Board of Directors Performance Evaluation Guidelines".</li> <li>8. Motion for promotion and salary adjustment for managers.</li> <li>9. Motion for the appointment of the managers.</li> </ol>	None	Not applicable	Passed without objection after the Chair consulted with all directors present at the meeting, and implemented as resolved.
June 2, 2022	<ol style="list-style-type: none"> <li>1. Motion for the disposal of all held shares of investee Exor International S.P.A.</li> </ol>	None	Not applicable	Passed without objection after the Chair consulted with all directors present at the meeting, and implemented as resolved.
July 27, 2022	<ol style="list-style-type: none"> <li>1. Motion for the proposal of disposal of the subsidiary NEXCOM China Co., Ltd.</li> </ol>	None	Not applicable	Passed without objection after the Chair consulted with all directors present at the meeting, and implemented as resolved.
August 3, 2022	<ol style="list-style-type: none"> <li>1. Establishment of the Sustainable Development Committee</li> <li>2. Motion for setting the Company's "Greenhouse Gas Inventory and Verification Schedule and Plan"</li> <li>3. Motion for the financial statements for Q2 2022.</li> <li>4. Motion for application for credit lines from financial institutions.</li> <li>5. Motion for making endorsement/guarantee for the subsidiary - credit lines with financial institutions.</li> <li>6. Follow-up measures for the endorsements/guarantees made for NEXCOM China Co., Ltd.</li> <li>7. Uncollected significant funds overdue for 3 months or more were evaluated whether or not they were loaned to others.</li> <li>8. Motion for the 2021 remuneration distribution to directors</li> <li>9. Motion for the salary adjustment of managers.</li> </ol>	None	Not applicable	Passed without objection after the Chair consulted with all directors present at the meeting, and implemented as resolved.

November 2, 2022	<ol style="list-style-type: none"> <li>1. Motion for proposal of establishing the Company's 2023 internal audit plan.</li> <li>2. Motion for the financial statements for Q3 2022.</li> <li>3. Motion for application for credit lines from financial institutions.</li> <li>4. Uncollected significant funds overdue for 3 months or more were evaluated whether or not they were loaned to others.</li> <li>5. Amendments to the Company's "Rules of Procedure for Board of Directors Meetings".</li> <li>6. Amendments to the "Procedures for Preventing Insider Trading and Handling Material Inside Information".</li> <li>7. Motion for the distribution of employee stock warrants issued by the subsidiary Green Base Technology Corp. to employees and managers of the Company or its subordinate companies.</li> <li>8. Amendments to the Company's "Remuneration Committee Charter".</li> </ol>	None	Not applicable	Passed without objection after the Chair consulted with all directors present at the meeting, and implemented as resolved.
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**(XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.**

**(XIII) For the most recent year or the current year up to the date of publication of the annual report, summary of the resignation and dismissal of the Company's chairperson, presidents, accounting officer, finance officer, internal audit officer, corporate governance officer, and R&D officer: None.**

#### IV. Information on CPA professional fees

Amount unit: NTD thousand

CPA firm	CPA name	CPA audit period	Audit fee	Non-audit fee	Total	Remarks
PwC Taiwan	Wu Han-Chi	January 1, 2022-December 31, 2022	2,406	2,307	4,713	Non-audit fees were mainly charged for the tax service (e.g., income tax attestation, project audit consultation service, and transfer pricing service, etc.) and mutual agreement procedures service.
	Tsai Yi-Tai					

- (I) Where the audit fee paid in the year of the replacement of CPA firm is less than the audit fee in the year before the replacement, the amount of audit fees before and after replacement, along with the reasons therefor, should be disclosed: None.
- (II) Where the audit fee has decreased by 10% or more from the previous year, the amount, percentage, and reason for the decrease in the audit fee should be disclosed: None.

#### V. Information on change of CPA: None.

#### VI. Where the chairperson, president, or officers in charge of financial or accounting matters of the Company has worked in the firm of the CPA or its affiliated companies within the last year, the name, job title, and work duration of such a person shall be disclosed: None.

**VII. Any equity transfer or change in equity pledge by a director, supervisor, manager, or shareholder with 10% stake or more during the most recent year or during the current year up to the date of publication of the annual report:**

(I) Changes in equity

Unit: shares

Title	Name	2022		Up to April 29, 2023	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Chairperson	Lin Mao-Chang	0	0	0	0
Director	Lin Jeng-Tay	20,000	0	0	0
Director	Chen Wen-Chuan	0	0	0	0
Independent Director	Chen Ching-Yin	0	0	0	0
Independent Director	Wang Yun-Yuao	0	0	0	0
Independent Director	Chen Hong-Ming	0	0	0	0
Independent Director	Tai Cheng-Chieh	0	0	0	0
President	Yang Chien-Hsing	0	0	0	0
Vice President	Lin Hung-Chou	0	0	0	0
Vice President	Huang Tsung-Hsi	0	0	0	0
Vice President	Liu Chun-Chun	0	0	0	0
Vice President	Li Chun-I	0	0	0	0
Vice President	Chiu Chun-Ming	0	0	0	0
Vice President	Shen Chien-I	0	0	0	0
Vice President	Yeh Shu-Chen	(6,000)	0	0	0
Vice President	Chen Po-Hsu	0	0	0	0
Associate vice president	Tu Shu-Ling	(100,000)	0	0	0
Associate vice president (Finance / Accounting Supervisor)	Chen Yuan-Pin	0	0	0	0
Associate vice president	Chen Chia-Li	0	0	0	0
Associate vice president	Tsai Chun-Yang	0	0	0	0
Associate vice president	Chang Feng-Jung	0	0	0	0
Associate vice president	Ting Wen-Ching	0	0	0	0

Associate vice president	Lin Chih-Ta	0	0	0	0
Associate vice president	Liu Ying-Tsun (Note 1)	0	0	0	0
Associate vice president	Lai Hui-Ying (Note 1)	0	0	0	0
Associate vice president	Tsai Chung-Yi (Note 2)	Not applicable	Not applicable	0	0
Associate vice president	Lai Ming-Hsiang (Note 2)	Not applicable	Not applicable	0	0

Note 1: Newly elected on June 1, 2022.

Note 2: Newly elected on March 1, 2023.

(II) Equity transfer: None.

(III) Equity pledge: None.

**VIII. Information on the top ten shareholders who are a related party, spouse, or relative within the second degree of kinship of one another:**

April 29, 2023

Unit: shares; %

	Name (Note)	Shareholding		Shareholding of spouse and minor children		Total shareholding in the name of others		Names and relationships between the top ten shareholders including spouses, second degree of kinship of another under the Statement of Financial Accounting Standards No. 6.		Remarks
		Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
1	Tai-Ying Investment Co., Ltd.	9,687,129	6.86%	0	0.00%	0	0.00%	None	None	
	Representative: He Chun-Ying	5,918	0.00%	808,656	0.57%	0	0.00%	Lin Jeng-Tay	Spouse	
2	Lin Meng-Ying	9,386,045	6.65%	0	0.00%	0	0.00%	None	None	
3	Lin Mao-Chang	5,457,657	3.86%	5,118,755	3.62%	0	0.00%	Tu Shu-Ling	Spouse	Note
4	Tu Shu-Ling	5,118,755	3.62%	5,457,657	3.86%	0	0.00%	Lin Mao-Chang Tu Kun-Hua	Spouse Sister and brother	Note
5	Hao-Jue Investment Co., Ltd.	4,887,921	3.46%	0	0.00%	0	0.00%	None	None	
	Representative: Tu Kun-Hua	469,294	0.33%	0	0.00%	0	0.00%	Tu Shu-Ling	Sister and brother	
6	Joe Perng International Co., Ltd.	4,790,164	3.39%	0	0.00%	0	0.00%	None	None	
	Representative: Peng Shun-Mei	1,504,421	1.07%	0	0.00%	0	0.00%	None	None	
7	Han-Chang Investment Co., Ltd.	4,120,012	2.92%	0	0.00%	0	0.00%	None	None	
	Representative: Peng Shun-Mei	1,504,421	1.07%	0	0.00%	0	0.00%	None	None	
8	Tai Wang Investment Co., Ltd.	4,008,964	2.84%	0	0.00%	0	0.00%	None	None	
	Representative: Lin Jeng-Tay	808,656	0.57%	5,918	0.00%	0	0.00%	He Chun-Ying	Spouse	
9	Han-Fu Investment Co., Ltd.	3,944,787	2.79%	0	0.00%	0	0.00%	None	None	
	Representative: Peng Shun-Mei	1,504,421	1.07%	0	0.00%	0	0.00%	None	None	
10	TaoHsin Education Foundation	2,758,473	1.95%	0	0.00%	0	0.00%	None	None	
	Representative: Tu Shu-Ling	5,118,755	3.62%	5,457,657	3.86%	0	0.00%	Lin Mao-Chang Tu Kun-Hua	Spouse Sister and brother	Note

Note: The shares stated do not include 2,000,000 shares held by a trust with reserved exercise rights.

**IX. The total number of shares and the consolidated equity stake percentage held in any single investee enterprise by the Company, its directors, supervisors, manages, or any companies controlled either directly or indirectly by the Company:**

December 31, 2022  
Unit: thousand shares; %

Investee enterprise (Note)	Investments by the Company		Investment by directors, supervisors, manages, and entities directly or indirectly controlled by the Company		Total investments	
	Number of shares	Shareholding Percentage	Number of shares	Shareholding Percentage	Number of shares	Shareholding Percentage
Nexcom Europe Ltd.	580	100.00%	0	0.00%	580	100.00%
Nex Computers, Inc.	5,000	100.00%	0	0.00%	5,000	100.00%
Nexcom Japan Co., Ltd.	1	100.00%	0	0.00%	1	100.00%
Nexcom International Co., Ltd. (SAMOA)	6,386	100.00%	0	0.00%	6,386	100.00%
NEXCOBOT INC.	200	100.00%	0	0.00%	200	100.00%
Green Base Technology Corp.	13,777	79.62%	295	1.70%	14,072	81.32%
NexAIOT Co., Ltd.	17,268	82.73%	369	1.76%	17,637	84.49%
NexCOBOT Taiwan CO.,Ltd.	0	0.00%	6,000	100.00%	6,000	100.00%
All IoT Cloud Corp.	1,000	100.00%	0	0.00%	1,000	100.00%
EMBUX Technology Co., Ltd	7,290	100.00%	0	0.00%	7,290	100.00%
TMR Technologies Co.,Ltd.	2,322	89.05%	60	2.30%	2,382	91.35%
Nexcom Shanghai Co., Ltd.	-	0.00%	-	100.00%	-	100.00%
NEXCOM United System Service Corp.	-	0.00%	-	100.00%	-	100.00%
NEXCOM Surveillance Technology Corp.	-	0.00%	-	100.00%	-	100.00%
NEXGOL Co.,Ltd	-	0.00%	-	80.00%	-	80.00%
Beijing Nexgemo Technology Co.,Ltd.	-	0.00%	-	45.00%	-	45.00%
Guang Zhou NexCOBOT China Co.,Ltd.	-	0.00%	-	100.00%	-	100.00%
CHONGQING NEXRAY TECHNOLOGY CO., LTD.	-	0.00%	-	75.00%	-	75.00%
DIVIOTEC INC.	0	0.00%	884	100.00%	884	100.00%

Note: Long-term investments of the Company accounted for using the equity method.

## Four. Fund Raising Status

### I. Capital and shares

#### (I) Source of share capital

##### 1. Capital history

April 29, 2023

Unit: shares; NT\$

Approval date	Issuance price	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Use of assets other than cash for the share amount	Code of official letter that approved such capital change
November 14, 1992	10	1,000,000	10,000,000	1,000,000	10,000,000	Capital amount upon incorporation: NT\$10,000,000	None	Taipei City Jiang Shan Zi No. 00328151
February 2, 1994	10	2,000,000	20,000,000	2,000,000	20,000,000	Follow-on offering: NT\$10,000,000	None	Taipei City Jiang Shan Zi No. 00328151
September 25, 1998	10 10	8,000,000	80,000,000	8,000,000	80,000,000	Follow-on offering: NT\$18,000,000 Recapitalization of earnings: NT\$42,000,000	None	(87) Jian San Bien No. 233503
August 23, 1999	100 10	13,600,000	136,000,000	13,600,000	136,000,000	Follow-on offering: NT\$4,000,000 Recapitalization of earnings: NT\$52,000,000	None	Jing (88) Shan No. 130699
April 28, 2000	10 10	52,000,000	520,000,000	23,200,000	232,000,000	Recapitalization of earnings: NT\$79,680,000 Recapitalization of capital surplus: NT\$16,320,000	None	Jing (89) Shan No. 113235
August 10, 2000	20	52,000,000	520,000,000	30,000,000	300,000,000	Follow-on offering: NT\$68,000,000	None	Jing (89) Shan No. 128601
July 24, 2001	10	52,000,000	520,000,000	37,250,000	372,500,000	Recapitalization of earnings: NT\$72,500,000	None	Jing (90) Shan No. 09001284570
August 12, 2005	10	52,000,000	520,000,000	39,875,000	398,750,000	Recapitalization of earnings: NT\$26,250,000	None	Jin Guan Zheng Yi Zi No. 0940133185
July 26, 2006	10	52,000,000	520,000,000	44,245,000	442,450,000	Recapitalization of earnings: NT\$38,505,000 Recapitalization of employee bonus: NT\$5,195,000	None	Jin Guan Zheng Yi Zi No. 0950132743
March 29, 2007	16.4	52,000,000	520,000,000	44,979,000	449,790,000	Exercise of employee stock options: NT\$7,340,000	None	Jing Shu Zhong Zi No. 09631852680
July 4, 2007	32	70,000,000	700,000,000	50,977,000	509,770,000	Follow-on offering: NT\$59,980,000	None	Jin Guan Zheng Yi Zi No. 0960020441
July 23, 2007	10	70,000,000	700,000,000	59,523,550	595,235,500	Recapitalization of earnings: NT\$76,465,500 Recapitalization of employee bonus: NT\$9,000,000	None	Jin Guan Zheng Yi Zi No. 0960038614
July 29, 2008	10	100,000,000	1,000,000,000	73,509,924	735,099,240	Recapitalization of earnings: NT\$119,047,100; recapitalization of employee bonus: NT\$20,816,640	None	Jin Guan Zheng Yi Zi No. 0970038195
July 21, 2009	10	100,000,000	1,000,000,000	80,860,916	808,609,160	Recapitalization of earnings: NT\$73,509,920	None	Jin Guan Zheng Yi Zi No. 0980036606
May 25, 2010	10	100,000,000	1,000,000,000	82,947,263	829,472,630	Conversion of convertible corporate bonds into common shares: NT\$20,863,470	None	Jing Shu Zhong Zi No. 09901107030
September 9, 2010	10	120,000,000	1,200,000,000	87,094,626	870,946,260	Recapitalization of earnings: NT\$41,473,630	None	Jing Shu Shang Zi No. 09901204470



Approval date	Issuance price	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Use of assets other than cash for the share amount	Code of official letter that approved such capital change
August 17, 2011	10	120,000,000	1,200,000,000	87,404,626	874,046,260	Exercise of employee stock options: NT\$3,100,000	None	Jing Shu Shang Zi No. 10001097850
August 17, 2011	10	120,000,000	1,200,000,000	87,422,626	874,226,260	Exercise of employee stock options: NT\$180,000	None	Jing Shu Shang Zi No. 10001187310
September 14, 2011	10	120,000,000	1,200,000,000	96,163,089	961,630,890	Recapitalization of earnings: NT\$87,404,630	None	Jin Guan Zheng Fa Zi No. 1000033280
November 8, 2011	10	120,000,000	1,200,000,000	96,191,089	961,910,890	Exercise of employee stock options: NT\$280,000	None	Jing Shu Shang Zi No. 10001256350
February 4, 2012	10	120,000,000	1,200,000,000	96,203,089	962,030,890	Exercise of employee stock options: NT\$120,000	None	Jing Shu Shang Zi No. 10101016940
May 14, 2012	10	120,000,000	1,200,000,000	96,481,089	964,810,890	Exercise of employee stock options: NT\$2,780,000	None	Jing Shu Shang Zi No. 10101086190
August 13, 2012	10	120,000,000	1,200,000,000	96,583,089	965,830,890	Exercise of employee stock options: NT\$1,020,000	None	Jing Shu Shang Zi No. 10101163590
September 10, 2012	10	120,000,000	1,200,000,000	111,055,253	1,110,552,530	Recapitalization of earnings: NT\$144,721,640	None	Jing Shu Shang Zi No. 10101187820
November 8, 2012	10	120,000,000	1,200,000,000	111,073,253	1,110,732,530	Exercise of employee stock options: NT\$180,000	None	Jing Shu Shang Zi No. 10101231040
February 18, 2013	10	120,000,000	1,200,000,000	111,113,253	1,111,132,530	Exercise of employee stock options: NT\$400,000	None	Jing Shu Shang Zi No. 10201029710
May 15, 2013	10	120,000,000	1,200,000,000	111,219,253	1,112,192,530	Exercise of employee stock options: NT\$1,060,000	None	Jing Shu Shang Zi No. 10201089710
August 20, 2013	10	120,000,000	1,200,000,000	111,331,253	1,113,312,530	Exercise of employee stock options: NT\$1,120,000	None	Jing Shu Shang Zi No. 10201169940
September 25, 2013	10	180,000,000	1,800,000,000	128,007,841	1,280,078,410	Recapitalization of earnings: NT\$166,765,880	None	Jing Shu Shang Zi No. 10201195080
November 21, 2013	10	180,000,000	1,800,000,000	128,032,841	1,280,328,410	Exercise of employee stock options: NT\$250,000	None	Jing Shu Shang Zi No. 10201235670
February 10, 2014	10	180,000,000	1,800,000,000	128,325,841	1,283,258,410	Exercise of employee stock options: NT\$2,930,000	None	Jing Shu Shang Zi No. 10301020490
May 16, 2014	10	180,000,000	1,800,000,000	128,716,841	1,287,168,410	Exercise of employee stock options: NT\$3,910,000	None	Jing Shu Shang Zi No. 10301090590
August 18, 2014	10	180,000,000	1,800,000,000	129,170,841	1,291,708,410	Exercise of employee stock options: NT\$4,540,000	None	Jing Shu Shang Zi No. 10301090590
September 29, 2014	10	180,000,000	1,800,000,000	136,892,472	1,368,924,720	Recapitalization of earnings: NT\$77,216,310	None	Jing Shu Shang Zi No. 10301200550
November 17, 2014	10	180,000,000	1,800,000,000	138,045,472	1,380,454,720	Exercise of employee stock options: NT\$11,530,000	None	Jing Shu Shang Zi No. 10301237770
February 17, 2015	10	180,000,000	1,800,000,000	139,046,472	1,390,464,720	Exercise of employee stock options: NT\$10,010,000	None	Jing Shu Shang Zi No. 10401028240
June 15, 2015	10	180,000,000	1,800,000,000	139,821,472	1,398,214,720	Exercise of employee stock options: NT\$7,750,000	None	Jing Shu Shang Zi No. 10401112710
August 19, 2015	10	180,000,000	1,800,000,000	139,852,472	1,398,524,720	Exercise of employee stock options: NT\$310,000	None	Jing Shu Shang Zi No. 10401172070
November 25, 2015	10	180,000,000	1,800,000,000	140,125,472	1,401,254,720	Exercise of employee stock options: NT\$2,730,000	None	Jing Shu Shang Zi No. 10401241270

Approval date	Issuance price	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Use of assets other than cash for the share amount	Code of official letter that approved such capital change
March 4, 2016	10	180,000,000	1,800,000,000	140,262,472	1,402,624,720	Exercise of employee stock options: NT\$1,370,000	None	Jing Shu Shang Zi No. 10501040790
May 17, 2016	10	180,000,000	1,800,000,000	140,328,472	1,403,284,720	Exercise of employee stock options: NT\$660,000	None	Jing Shu Shang Zi No. 10501100140
August 16, 2016	10	180,000,000	1,800,000,000	140,450,472	1,404,504,720	Exercise of employee stock options: NT\$1,220,000	None	Jing Shu Shang Zi No. 10501197650
November 10, 2016	10	180,000,000	1,800,000,000	140,771,472	1,407,714,720	Exercise of employee stock options: NT\$3,210,000	None	Jing Shu Shang Zi No. 10501263620
March 1, 2017	10	180,000,000	1,800,000,000	140,846,472	1,408,464,720	Exercise of employee stock options: NT\$750,000	None	Jing Shu Shang Zi No. 10601026960
May 16, 2017	10	180,000,000	1,800,000,000	140,919,472	1,409,194,720	Exercise of employee stock options: NT\$730,000	None	Jing Shu Shang Zi No. 10601061640
August 10, 2017	10	180,000,000	1,800,000,000	141,008,472	1,410,084,720	Exercise of employee stock options: NT\$890,000	None	Jing Shu Shang Zi No. 10601114490
November 21, 2017	10	180,000,000	1,800,000,000	141,226,472	1,412,264,720	Exercise of employee stock options: NT\$2,180,000	None	Jing Shu Shang Zi No. 10601157510

## 2. Type of shares

April 29, 2023; Unit: shares

Type of equity	Authorized capital			Remarks
	Shares issued and outstanding	Unissued shares	Total	
Registered common shares	141,226,472	38,773,528	180,000,000	Registered shares traded OTC

## (II) Shareholder Structure

April 29, 2023; Unit: shares; %

Shareholder structure Quantity	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions and foreigners	Total
Number of persons	0	9	32	7,536	67	7,644
Shares held	0	5,464,247	41,180,079	86,192,113	8,390,033	141,226,472
Shareholding Percentage	0.00%	3.87%	29.16%	61.03%	5.94%	100.00%

## (III) Dispersion of equity ownership

### (1) Common shares / face value of NT\$10 per share

April 29, 2023; Unit: shares

Shareholdings classification	Number of shareholders	Shares held	Shareholding Percentage
1~999	1,922	402,602	0.29%
1,000~5,000	4,328	9,063,841	6.42%
5,001~10,000	643	5,070,642	3.59%
10,001~15,000	210	2,677,801	1.90%
15,001~20,000	120	2,199,393	1.56%
20,001~30,000	118	3,015,989	2.14%
30,001~40,000	45	1,626,427	1.15%
40,001~50,000	49	2,245,033	1.59%
50,001~100,000	92	6,404,285	4.53%
100,001~200,000	40	5,676,468	4.02%
200,001~400,000	22	6,056,148	4.29%
400,001~600,000	16	7,556,145	5.35%
600,001~800,000	4	2,775,823	1.97%
800,001~1,000,000	8	7,012,364	4.97%
1,000,001 or more	27	79,443,511	56.25%
<b>Total</b>	<b>7,644</b>	<b>141,226,472</b>	<b>100.00%</b>

(2) Preferred shares: The Company does not issue any preferred shares.

## (IV) List of major shareholders

April 29, 2023; Unit: shares

Capital Stock Name of major shareholders	Shares held	Shareholding Percentage
Tai-Ying Investment Co., Ltd.	9,687,129	6.86%
Lin Meng-Ying	9,386,045	6.65%
Lin Mao-Chang	5,457,657	3.86%
Tu Shu-Ling	5,118,755	3.62%
Hao-Jue Investment Co., Ltd.	4,887,921	3.46%
Joe Perng International Co., Ltd.	4,790,164	3.39%
Han-Chang Investment Co., Ltd.	4,120,012	2.92%
Tai Wang Investment Co., Ltd.	4,008,964	2.84%
Han-Fu Investment Co., Ltd.	3,944,787	2.79%
TaoHsin Education Foundation	2,758,473	1.95%

## (V) Stock prices for the most recent 2 fiscal years, together with the company's net worth per share, earnings per share, dividends per share and related information

Item \ Year		2021	2022	For the year up to March 31, 2023 (Note 8)	
Stock price per share (Note1)	Highest	27.60	36.90	46.35	
	Lowest	21.30	22.20	31.20	
	Average	23.83	31.29	40.51	
Net worth per share (Note2)	Before distribution	18.63	24.37	25.19	
	After distribution	17.73	(Note 9)	25.19	
Earnings per Share	Weighted average number of shares	141,226	141,226	141,226	
	Earnings per Share (Note3)	1.00	6.39	0.92	
Dividends per share	Cash dividends		1.00	(Note 9)	-
	Bonus share	Stock dividends from retained earnings	0	(Note 9)	-
		Stock dividend from capital surplus	0	(Note 9)	-
	Accumulated unpaid dividends (Note4)		0	0	-
ROI analysis	P/E ratio (Note5)		23.83	4.90	-
	P/D ratio (Note6)		23.83	(Note 9)	-
	Cash dividends yield (Note 7)		4.20%	(Note 9)	-

- Note 1: List the highest and lowest market prices for common shares each year, and calculate the average market prices for each year based on the transaction value and volume of each year.
- Note 2: Please fill in the information based on the number of shares issued at the end of the year and according to the board of directors or shareholders meeting resolution status for the following year.
- Note 3: If retrospective adjustment is required for situations such as gratuitous allotment, the earnings per share before and after adjustment must be listed.
- Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes a profit, the amount of cumulative undistributed dividends up until the current year is disclosed separately.
- Note 5: Price to earning ratio = average closing price per share for the year/earnings per share.
- Note 6: Price to dividends ratio = average closing price per share for the year/cash dividends per share.
- Note 7: Cash dividend yield = cash dividends per share/average closing price per share for the year
- Note 8: Net worth per share and earnings per share should be presented with the most recent quarterly information audited (reviewed) by CPAs as of the publication of the annual report; the rest of the columns should be presented with the current year information as of the publication of the annual report.
- Note 9: Note resolved by a board of directors or a shareholders meeting resolution.

#### (VI) Dividend policy and implementation status

##### 1. The dividend policy specified on Article 20-1 of the Articles of Incorporation

If the Company has earnings (net of the employee remuneration and director remuneration specified in Article 20) on the final account, it should use such amount to: (1) pay taxes and duties; (2) compensate for prior deficits; (3) provide 10% of the remainder as legal reserves, except in the case where the legal reserve has reached the paid-in capital; (4) provide or reverse special reserves as required by law; (5) add the remainder, if any, to the accumulated undistributed earnings to from the distributable earnings, which shall be taken by the Board of Directors to draft an earnings distribution proposal and may be distributed after the shareholders' meeting has approved such a proposal.

Considering the business environment, the growth phase it is in, future capital needs, and long-term financial planning, the Company distributes no greater than 90% of the annual distributable earnings as shareholder dividends, and no less than 5% of such shareholder dividends as cash dividends. However, these restrictions on distribution percentages shall not apply if such distributable earnings represent less than NT\$0.5 per share.

##### 2. Proposed dividend distribution for the current year

The Company's motion for the 2022 earnings distribution was approved by the Board meeting held on May 10, 2023 for cash dividends of NT\$3 per share, totaling NT\$423,679. The earnings distribution is subject to resolution by the 2023 Annual General Meeting of Shareholders.

#### (VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

The 2022 earnings distribution was carried out in the form of cash dividends, posing no impact on the Company's operating performance and earnings per share.

(VIII) Remuneration of employees, directors, and supervisors

1. Percentage or scope of remuneration of employees, directors, and supervisors stipulated in the Articles of Incorporation:

If the Company has earnings (i.e., the net profits before tax before providing employee remuneration and director remuneration) on the annual final account, it shall provide no less than 1% of such amount as employee remuneration and no greater than 1% of such amount as director remuneration. However, if the Company still has accumulated losses, an amount equal to such losses be reserved in advance.

The employee remuneration mentioned in the preceding paragraph may be distributed in cash or in share to employees of the Company, and to employees of affiliates who meet certain criteria. Director remuneration shall be distributed in cash; the distribution to a single director in a given year shall not exceed NT\$30 million.

The remuneration mentioned in the preceding two paragraphs may be made only after an approval has been obtained by a majority vote at a Board meeting attended by two thirds of total Board members, and shall be reported to the shareholders' meeting.

2. The basis for estimating the amount of employee, director, and supervisor remuneration, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: Any discrepancy is accounted for as a change in accounting estimates and is recognized in profit or loss for the current period.
3. Distribution of remuneration approved at the board meeting

Unit: NT\$

Item	Amount of remuneration passed by the Board of Directors	
	Cash	Share
Employee remuneration	11,924,010	0
Director/supervisor remuneration	4,306,189	0

The table above enumerates the employee remuneration and director/supervisor remuneration - all paid in cash - passed by the Company's Board of Directors; the amount distributed agrees with the estimated amount stated on the consolidated financial statements for 2022.

4. Earning distributions report and results at the shareholders' meeting:  
The said earnings distribution proposal will be reported at the shareholders' meeting this year.
5. The actual distribution of employee and director remuneration for the previous fiscal year (with an indication of the number of shares, monetary amount, and share price, of the shares

distributed); the discrepancy between the actual distribution and the recognized employee or director remuneration, if any, the discrepancy, cause, and how it is treated:

The actual distribution of employee and director remuneration in 2021 amounting to NT\$2,650,459 and NT\$1,255,562, respectively, agrees with the amounts recognized in the financial statements of the same year.

(IX) Buyback of shares by the Company: The Company did not buy back any of its shares in the most recent year and in the current year up to the publication date of this annual report.

**II. Corporate bonds:** None.

**III. Preferred shares:** None.

**IV. Global depository receipts:** None.

## V. Employee stock options; new restricted employee shares:

### (I.) Employee stock options

March 31, 2023

Type of employee stock option certificate	Second trench Employee stock options in 2016
Effective registration date	July 13, 2016
Issuance date	April 25, 2017
Number of units issued	400 units (One unit represents 1,000 shares)
Ratio of the number of issued subscribable shares to the total number of issued shares	0.42%
Duration	5 years
Exercise method	Issue of new shares
Vesting period and percentage (%)	40% vested at the expiration of the 2nd year 80% vested at the expiration of the 3rd year 100% vested at the expiration of the 4th year
Number of shares subscribed through exercise of the options	0 shares
Amount of the shares subscribed through exercise of the options (NT\$)	NT\$ 0
Number of unexercised shares	400,000 shares
Subscription price per share of the unexercised shares	NT\$29.42
Ratio of the number of unexercised shares to the total number of issued shares (%)	0.28%
The effect on shareholders' equity	Since the options can only be exercised in accordance with the prescribed terms and conditions 2 years after the grant date, their impact on shareholders' equity is not significant.

Note: Total issued shares as of the publication date of this annual report were 141,226,472 shares.



(II) Names and Acquisition and Subscription Status of Managerial Officers Who Have Acquired Employee Share Subscription Options and the Top Ten Employees (Ranked by the Number of Subscribable Shares) Who Have Acquired Share Subscription Options:

March 31, 2023

Title	Name	Issue Year	Number of shares subscribable (In thousands of shares)	Ratio of the number of subscribable shares to the total number of issued shares (%)	Exercised				Unexercised			
					Number of exercised shares (In thousands of shares)	Exercised price (NT\$)	Amount of the shares subscribed through exercise of the options (NT\$) (NT\$)	Ratio of the number of shares subscribed through exercise of the options to the total number of issued shares (%)	Number of unexercised shares (In thousands of shares)	Unexercised price (NT\$)	Amount of the shares represented by unexercised options (NT\$)	Ratio of the number of shares represented by unexercised options to the total number of issued shares (%)
Manager	President	Yang Chien-Hsing	10	0%	0	29.42	0	0%	0	29.42	0	0
	Vice President	Lin Hung-Chou										
	Vice President	Liu Chun-Chun										
	Vice President	Li Chun-I										
	Vice President	Chiu Chun-Ming										
	Vice President	Huang Tsung-Hsi										
	Vice President	Shen Chien-I										
	Vice President	Yeh Shu-Chen										
	Vice President	Chen Po-Hsu										
	Associate vice president	Tu Shu-Ling										
	Associate vice president	Chen Chia-Li										
	Associate vice president	Tsai Chun-Yang										
	Associate vice president	Lin Chih-Ta										
	Associate vice president	Chang Feng-Jung										
	Associate vice president	Ting Wen-Ching										
	CFO	Chen Yuan-Pin										
	Associate vice president	Lai Hui-Ying										
	Associate vice president	Liu Ying-Tsun										
	Associate vice president	Lai Ming-Hsiang										
	Associate vice president	Tsai Chung-Yi										

Employee	Head of Division	Wang Cheng-Jen	2017 (Note 3)	45	0%	0	31.6	0	0%	0	29.42	1,471,000	0
	Head of Division	Lin Ming-Hao											
	Head of Division	Yang Yu-Shu											
	Head of Division	Lin Fang-Hsiu											
	Manager	Chang Chien-Ping											
	Manager	Wang Wei-Han											
	Head of Division	Wu I-Ching											
	Head of Division	Yang Jia-hui											
	Manager	Wang Chih-Sheng											
	Head of Division	Fan Jen-He											

Note 1: Regarding this issue of employee stock options, the date at which the competent authority granted its approval was on July 13, 2016, and the date of issue was on August 30, 2016.

Note 2: Regarding this issue of employee stock options, the date at which the competent authority granted its approval was on July 13, 2016, and the date of issue was on April 25, 2017.

Note 3: Total issued shares as of the publication date of this annual report were 141,226,472 shares..

(III) New restricted employee shares: None.

## **VI. Issuance of new shares in connection with mergers or acquisitions: None.**

## **VII. Capital allocation plans:**

The Company does not have any plan that has yet to be completed, nor any plan that has been completed within the previous 3 years but has yet to yield any benefits.

## Five. Business Overview

### I. Business contents

#### (I) Business scope

##### 1. Main contents of the business

- (1) Computer and Peripheral Equipment Manufacturing., Trading, and Installation
- (2) Communication Equipment and Apparatus Manufacturing, Trading, and Installation
- (3) Information Software and Data Processing Services
- (4) Embedded Computer Customized Design and Manufacturing Services

##### 2. Revenue breakdown:

Unit: NT\$ thousand

Product / Year	2021		2022	
	Amount	Revenue percentage (%)	Amount	Revenue percentage (%)
Industrial computer	6,262,350	92.36	7,188,194	90.80
Others	518,320	7.64	728,503	9.20
Total	6,780,580	100.00	7,916,697	100.00

##### 3. Main products and services: Network and Communication Solutions (NCS); Internet of Things; touch-screen billboards; Mobile Computing Solutions (MCS); Medical & Healthcare Informatics (MHI); multimedia computers; and smart retail.

##### 4. Products and services planned to be developed:

- (1) A new generation of embedded computers and industrial computers.
- (2) A complete series of energy-saving and fanless embedded computer systems for specific applications in the mass transportation industry, medical industry, industrial industry, energy industry, and multimedia industry.
- (3) A full range, from entry-level to high-end, of network communications security monitoring platforms and end user wireless devices.
- (4) Industrial-grade mobile computing platforms such as rugged handheld computers, tablet computers, and Mobile Computing Solutions (MCS).
- (5) Related industries of the Industrial Internet of Things, such as cloud edge computing and smart city solutions.
- (6) New products for customized projects.

#### (II) Industry overview

##### 1. The industry's current state and development

###### (1) Cyber-security system

With the rapid development of the 5G network and IoT applications, cyber-security will be another important topic. The ability to filter and block the intrusion by hackers and the threats from computer viruses among the immense data flows on the network is key to the survival of an enterprise and even a country.

Such a special purpose requires of cyber-security equipment to possess reliability and

performance that is higher than general network equipment; this will be the niche for the Company. Nowadays, network equipment is designed by network equipment manufacturers for integrated multifunctional network protection, that is, the Unified Threat Management (UTM) as defined by IDC. Based on firewalls and VPNs, the UTM equipment integrates multiple functions such as antivirus, spam filters, invasion detection/protection, and content filters. The Company currently manufactures the hardware platform for cybersecurity, which is bundled and launched with Intel, the chip maker. This platform supports ultra-wideband and high-performance computing, and, along with a firewall, invasion detection, and protection and antivirus software to be installed by system integrators, it is an UTM equipment. In addition, the rise of IoT applications has brought about the demands for industrial fire walls, which function to ensure the security of data transmission from a premises to the headquarters cloud end.

## (2) 5G network equipment

The advent of the 5th generation of wireless communications, open architecture will revolutionize applications in the industrial industry, automotive industry, medical industry, and even the national defense industry, bringing at least three major trends: First, Enhanced Mobile Broadband, eMBB, which is used to enhance innovative applications such as virtual augmentation and virtual reality. Second, Massive Machine Type Communication (mMTC), which has to do with the connectivity of the ubiquitous IoT sensors. Third, ultra-reliable and low-latency communication that facilitates the development of autonomous vehicles and remote surgery. Therefore, compared with 4G network equipment, 5G network equipment will be closer to the users while achieving optimized network applications such as low latency, high bandwidth, and multi-point connection.

The Company will provide the core hardware required for 5G networks, including Edge Computing, 5G Network Slicing, Software-Defined Networking, 5G mmWave-supported Universal Customer Premise Equipment (uCPE), Multi-Protocol Label Switching, Audio Video Streaming Equipment, etc., and the integration and applications of optimized 5G networks by integrating AI's computing capability.

## (3) Industrial computer

Industrial computers are ubiquitous in industrial IoT applications. Aside from being present in the embedded computer market, industrial computers are also integrated into a hardware-software integrated barebone system requisite for the gateway-cloud and edge-cloud connection solutions, a new blue ocean market. In response to the global trend of Industry 4.0 and driven by the opportunities that come with smart manufacturing, smart machinery, and digital transformation of enterprises, the Company established NexAIOT Co., Ltd. and NexCOBOT Taiwan CO.,Ltd., two subsidiaries. They will adopt an R&D strategy focusing on hardware-software integration to benchmark against smart manufacturing, smart machinery, and robot

control, thereby growing the opportunities that will come with a new pattern of Industry 4.0.

Currently, industrial computer manufacturers are actively developing new products and providing IoT services to tap into the vertical market for Industry 4.0 applications. Those performed better include Advantech, Delta, and NEXCOM. Although the three manufacturers all successfully raise their market share by providing software-value-added solutions in their respective niche market, NEXCOM's smart-manufacturing-project-based service, due to its uniqueness, derives more revenue and wins NexAIOT a leading position in the market.

(4) Multi-media digital billboards and smart retail system

To embark on the trend of smart retail and unmanned stores, the introduction of multimedia digital billboards along with software for AI face recognition and automatic payment will bring another wave of opportunities. Industrial computer manufactures need to form an alliance with TV screen suppliers and AIoT software suppliers to develop cloud-based smart service solutions, thereby tapping into the immense new retail market.

(5) In-vehicle networking and railway transportation AI computers

In-vehicle networking and in-vehicle AI computers have been widely used in logistics, engineering services, mass transportation, emergency medical care, patrol, mining, construction, agriculture and other fields to improve vehicle efficiency, driving safety, and transportation efficiency.

Currently, AI technologies have been incorporated into railway transportation (i.e., trains and light rail trains) to improve passenger safety. Such technologies include distant railway obstacle detection, real-time alert and brake mechanism, and passenger luggage detection. Such special requirement of AI for railway transportation requires a specially-constructed computer that has higher computing power and more accurate AI-driven recognition capability. As such, this will be the best time for us to expand new applications for railway transportation.

2. The relations among the upstream, midstream, and downstream industries:

Below is a summary of the current state of the industrial computer industry, broken down into the upstream, midstream, and downstream:

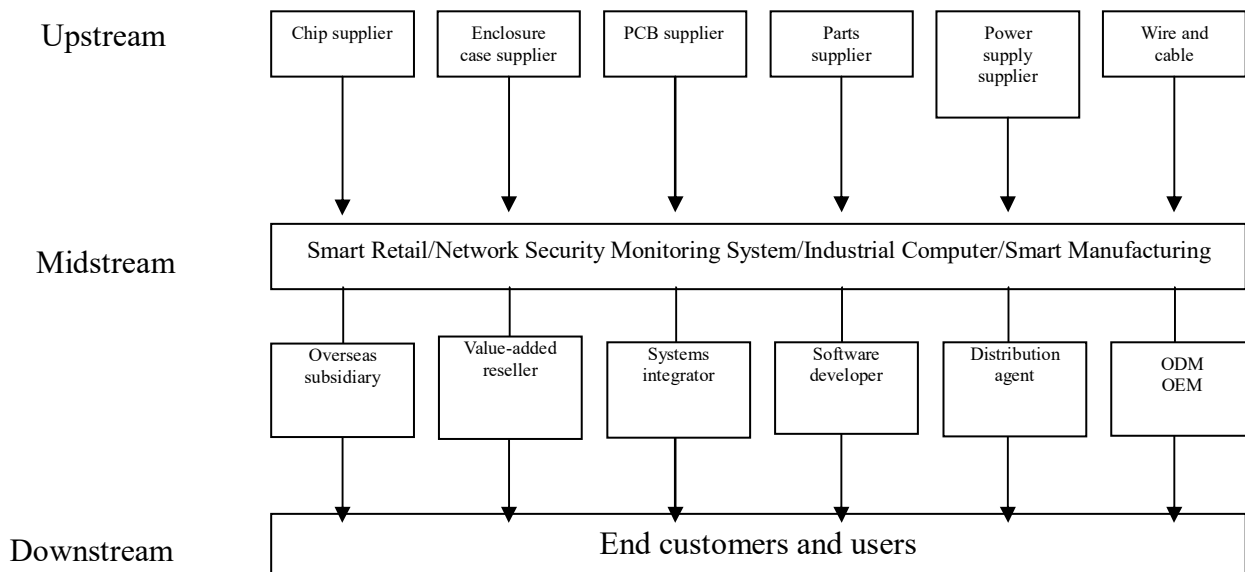
Upstream: Including chipsets, memories, passive components, printed circuit boards, power supplies. and other components; except for key parts and components, other parts and components can be obtained locally Because Intel has a wide range of product lines and its products have higher stability, industrial computer manufacturers largely use Intel's chipsets. However, in the past few years, there has been a substantial presence of AMD SoCs and ARM SoCs in the embedded application market. As so, whether the market

ecology will be changed is worth observing. Orders placed by industrial computer customers usually feature small quantity, diverse specifications, and high customization. As so, the purchase of raw materials is not likely to achieve the economies of scale, reducing buyers' ability to bargain with suppliers.

**Midstream:** Including I/O devices, single-board computers, barebones products, industrial computer products, system products, and peripheral equipment. Where there is a need for automated monitoring, there is the target market for manufacturers. As such, manufacturers do not have a zero-sum relation with each other, but seek and develop their own niche markets. Since their growth mainly comes from developing new applications and new customers, it's common that they compete while supplying goods to each other. The competition pattern in recent years has transitioned to vertical integration of the supply chain and the value chain, strategic alliance with peers, cross-shareholding and investment, and even M&A, all worth observing.

**Downstream:** Industrial computers are sold to end users mainly through systems integrators, distributors, and value-added resellers. Because the industrial computer industry is not a standardized industry but features high degree of systems integration, wide range of applications, and diverse portfolio of customers in the various industries, industry computers are sold to end users worldwide mainly through systems integrators and distributors who have professional engineering background. However, in recent years, those end users have directly placed OEM orders with industrial computer manufacturers. This prompts the industry computer manufacturers to build own systems integration capability - they even transition to be a solutions provider who provide one-stop manufacturing logistics, supply chain management capability, and customer services. Such a change will have a long-lasting effect on the ecology of the industrial computer industry.

The structure of the upstream, midstream, and downstream is shown in the following diagram:



### 3. Product development trends and market competition

#### (1) Product development trends

Under a broad definition, the scope of industrial computers and embedded computers means the applications other than the use of personal computers and servers at home or offices. With the expansion of application fields, in addition to traditional applications such as industrial automation, communication, network, commercial use (POS, KIOSK, PANL, PC, ATM), and equipment (panels, semiconductors), the application of industrial computers and embedded computers further covers medical care, transportation (in-vehicle computers, GPS, airport billboards for navigation purpose, mass transit system control), entertainment (gambling, lottery machine, gaming), government (national defense system, voting system) and other captive industries. As such, customized products will feature an even wider difference than standardized products based on the various application fields. This enables customized products to feature practical application functions that satisfy end users' needs. In the face of such revolution, the product portfolio shall include products covering the vertical supply chain to set different technology entry barriers, product customization complexity need to be more complexed, and products need to be more vertically integrated, so as to avert imitation by competitors. This is the direction toward which industrial computer manufacturers are heading, and they need to establish different expertise and characteristics.

In recent years, driven by the megatrend of 5G+AIoT, the demand for industrial computers has boomed, particularly for the Edge server and Gateway product lines, which are widely used to integrate OT and IT. The iAT2000 Intelligent Video Surveillance System, the NexData data middle platform, and the new NexMov industrial autonomous mobile robot developed by the subsidiary NexAIOT have been

widely adopted by domestic and foreign customers, and so are expected to generate another wave of growth momentum.

## (2) Market competition

Description of the competition situation and relation among industrial computer manufacturers:

The Company mainly competes with Advantech and ENNOCONN for the market for industrial computers and embedded computers, and with ENNOCONN and Lanner for the market for network products. As for digital billboards, there are numerous manufacturers but no leader in domestic market. As for project-based products, competitors vary because they compete with each other in their professional fields. In recent years, the subsidiary, NexAIOT has not only deeply engaged in software-hardware integration for industrial IoT solutions but also scaled up to become a solutions provider, thereby widening the gap with competitors.

### a. Industrial computer products

#### (a) At least three months ahead of peers in terms of technology specifications

Being a strategic partner of Intel under its Leader Account R&D program, the Company cooperates with Intel on CPUs and chipsets, which are allowed to go to market at the same time as Intel's products, thereby ensuring the innovative technological advantages of the Company's products.

#### (b) Higher requirement for product quality reliability than peers'

Since the Company greatly values the quality of parts and components when designing products and ensures their quality with a set of stringent ex-factory inspection procedures, its products can function effectively in a challenging environment between -40 degree Celsius and 85 degree Celsius.

#### (c) Focus on R&D of niche products, and segment the niche market with customization differentiation

The Company adopts an R&D strategy that focuses on differentiation and customization for its products to be sold on the vertical market, which products include industrial SBCs, fanless computers, medical equipment, computer terminals for the retail industry, and computers for in-vehicle applications and transportation equipment. Doing so averts a red sea competition with industry peers and thereby creates a unique industrial advantage for the Company.

### b. Digital billboard

The Company expects its R&D of digital billboards to provide customers with a one-stop shopping service, which covers services ranging from PCB, system products, and retail industry total solutions that integrate software applications. This is a relatively complete niche that NEXCOM has over those industry peers who only produce and sell hardware platforms.

### c. In-vehicle networking computers



The Company expects its R&D of computers for in-vehicle information and communication applications to provide more sophisticated and dedicated platforms for different in-vehicle networking computer applications. That means an optimized design for specific applications ranging from PCBs, systems, to integration of peripheral products. This is the relatively professional attribute NEXCOM has over those industry peers who only produce general-purpose hardware platforms.

d. Network Communication Products

In response to customers' need for integration of product functions, the design of cyber-security products gradually transitions to an integration of the switch function and the storage function. Meanwhile, the market's requirement for bandwidth constantly increases, from 40G to 100G, and further to 200G currently. In the face of the requirements for higher bandwidth and integration of more application functions, a product's suitability and stability are determined by a company's ability to integrate hardware with software.

In addition to being a cyber security hardware supplier, it has been participating in the market of telecommunication products in relation to wireless bands following the trend of 5G open resource architecture.

The network communication business group has taken the initiative to develop 5G-telecommunication-related equipment, including universal user end devices, disaggregated cell site gateways, and other edge computing equipment, and by combining with other application packages provided by other partnering software developers, it provides customers professional and comprehensive solutions and service strategy and leads the industry by early launches. By the presence in overseas exhibitions (e.g. Mobile World Congress), it improves NEXCOM's brand awareness in the market, hence the increased product inquiries.

e. Smart Manufacturing and Industrial Robot Controller

The Company has devised its blueprint for Industry 4.0 and successfully developed industrial IoT solutions. For instance, the iAT2000, the cloud-based smart automatic monitoring system, can bridge the OT, CT, and IT of various factories, monitor important systems such as production lines, machinery, and equipment, and integrate machine tool IoT with big data and transmit the results to a data middle platform, thereby realizing data visualization anytime, anywhere with its application performance monitoring. Thanks to demands from smart manufacturing projects, both the customer base and revenue have been expanding and extending to Greater China and Southeast Asia. NexCOBOT has even led the industry to launch Intel-powered functional-safety-capable solutions that assist robot builders in accelerating their certification process for international standards of robot safety.

### (III) Technology and R&D Overview

1. The R&D expenses stated on the financial statements for 2022 and 2021 accounted for 6.97% and 8.75%, respectively, of the operating revenue. Estimated R&D expenses for 2023 stands at NT\$570,000 thousand.
2. Technology and products successfully developed in 2022:
  - (1) 400G high-end network switch
  - (2) 5G disaggregated cell site gateway (DCSG) router
  - (3) 5G mmWave smart enterprise wireless network gateway
  - (4) Efficient and multi-functional 5G/cyber-security application platform
  - (5) Industrial cyber-security gateway and switch.
  - (6) Developed the VIC series, which successfully introduced the RPA computer applications to the semiconductor industry and the packaging industry.
  - (7) Developed the Autonomous Mobile Robots (AMR) under the brand of NexMOV for conveyance within an electronics factory and a tourist hotel.
  - (8) Developed an enterprise ground-end data middle platform under the brand of NexDATA supporting microservices to form a data service platform for big data analysis and ESG carbon tracking for enterprises.
  - (9) Developed the robot safety control platform SCB100 (Functional Safety SIL2-3), which is the first solution in the world to feature an Intel processor as a control unit.
  - (10) Developed the algorithm for an end effector that can track objects in a curved path, and successfully developed a robotic arm that can operate an automated optical inspection (AOI) equipment for curved objects.
  - (11) Developed the advanced I/O controllers nPAC and nDAS series for Level 1 of the iAT2000 system and a controller that integrates the host, the I/O module, the wireless communication, and the VIC-Flow editing software.
  - (12) Servo-driven network speed dome, which significantly enhances the detection accuracy and stability.
  - (13) Developed eSAF Frontier X series products for the prevention of malware and cyberattacks, providing comprehensive IT/OT network protection.
  - (14) Developed eSAF Frontier V series products that provide comprehensive OT web mining and deep packet inspection and protection.
  - (15) The subsidiary TMR Technologies Co., Ltd. received the 2022 “Digital Transformation

Leader Award” hosted by the Taiwan Electrical and Electronic Manufacturers’ Association and National Development Council, for its effort in providing comprehensive industrial cyber security protection solutions for the digital transformation of smart manufacturing. It was the only cyber security company to receive this award.

#### (IV) Long-term and short-term business development plans

##### 1. Short-term business development plans

- (1) Establish the subsidiary NexAIOT Co., Ltd., which will focus on the industrial IoT market to develop new Industry 4.0 solutions.
- (2) Continue to strengthen the business alliance with overseas subsidiaries and important partners; deeply cultivate the local market and support major customers in the technical, maintenance, and repair services.
- (3) Actively develop major customers in the world, especially in the field of customized products and the OEM of standardized products.
- (4) Establish a global distribution network; strive to establish joint ventures with distributors iconic in the regional market or captive market to serve local value-added resellers, system integrators, and end customers.
- (5) Form strategic alliances with software manufacturers to provide customers with total solutions and one-stop shopping services.
- (6) Establish a complete set of a vertical supply chain to enhance the ability to buy key parts and components, and to ensure the functioning of the global logistics system.
- (7) Develop key customers in the vertical markets for different applications; swiftly tap into specific professional fields, such as automotive applications, medical applications, industrial automation, production line automation, industrial firewalls, and cloud-based smart services.
- (8) Establish NexCOBOT Taiwan CO., Ltd., which will focus on the business of robots and the hardware-software integrated controller for motion control, with the aim benchmarked against the opportunities that come with the replacement of human capital with robots in the labor-intensive industries.

## 2. Long-term business development plans

- (1) Develop the six key industries based on the Company's niche capabilities, which key industries include: Industry 4.0, robots, in-vehicle IoT, unmanned stores, medical information integration, and industrial network security/development solutions, so as to seize the immense opportunities that come with the advent of IoT.
- (2) Establish a dedicated business group for each category of products by gradually integrating resources respecting marketing, R&D, manufacturing, and support into the business team which is exclusively responsible for specific product categories, so as to improve the capability to develop and manage business.
- (3) Gradually improve the capabilities of overseas subsidiaries respecting marketing, technical support, and product assembly and sales, so that they can become a regional business support center that serves and develops customers locally.
- (4) Achieve a reasonable sales structure, of which 50% comes from own brands and another 50% comes from ODM/DMS business.
- (5) Achieve a reasonable sales structure, of which 45% comes from industrial computers, 40% comes from cyber-security products, and 15% comes from IoT applications.
- (6) Actively develop the regional markets worldwide to offset the impact of regional economic volatility.
- (7) Consolidate the market with a strategy that focuses on vertical integration with the supply chain and horizontal alliances with industry peers; partner with important partners in important fields to complement each other with own advantages, and to broaden the business possibility.
- (8) Deeply cultivate the vertical market for specific applications and achieve Top 3 places among industry peers.

## II. Market production and sales overview

### (I) Market analysis

#### 1. Sales region of main products

Unit: NT\$ thousand

Sales region \ Year	2021		2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Asia		43.33	2,752,818	34.77
Europe	2,047,689	30.20	2,549,736	32.21
America	1,084,257	15.99	1,654,258	20.90
Others	57,224	0.84	49,524	0.62
Subtotal of exports	6,127,256	90.36	7,006,336	88.50
Domestic sales	653,324	9.64	910,361	11.50
Total	6,780,580	100.00	7,916,697	100.00

#### 2. Market share; future market supply and demand and growth

Since its incorporation in November 1992, NEXCOM has become an industry leader in the fields of industrial computer applications, embedded computer applications, and cyber-security platforms. Marketing its products globally under the NEXCOM brand name, the Company has taken a substantial market share in the local markets worldwide, given that it has leveraged the globalization advantages, operated in a localized manner, and provided customers with comprehensive services ranging from design and manufacturing of hardware to provision of solutions.

In the recent years, the industrial application of IPC is not limited to industrial automation, but is widely adopted for multiple purposes that involve life functions, e.g., life automation, retail, computer integrated communication, medical services, mass transit, security surveillance, Mobile Computing Solutions (MCS), digital billboards, and cloud-based smart products - all are within the scope of products and services provided by the Company.

#### 3. Competitive niche

The Company possesses order-winning criteria in the market, given that it has been pioneered in technology, product confidence, and product computability, and that its technological support and after-sales services have been rapid and effective. The Company's competitive niche is as follows:

##### (1) A strong R&D team; excellent R&D innovation capability

With more than 30 years of dedicated experience in R&D of industrial computers and

embedded computers, NEXCOM's R&D team is fully capable of providing solutions to different industries with its cutting edge technologies. Our R&D personnel consist of three main teams: product design, product testing/support, and project management; they have been committed to developing and innovating products to meet the needs of different customers. NEXCOM's R&D team upholds the ideal to develop products that are highly valuable, cost-competitive, and capable of instantly satisfying the needs of local markets, in the hope to offer One-Stop Design Service.

(2) The capability to propose solutions by integrating hardware, software, and firmware

Aside from having an outstanding hardware R&D capability in the industry, the Company also possesses a firmware development capability -which is rarely seen among industry peers - e.g., automatic maintenance and modification of BIOS; software development capability; capability in developing other applied software, drivers, and utility programs; remote/online system monitoring; and Nexcare, a solution that provides debug and self healing services. In addition, a dedicated software team has been established for the SoC platforms, providing services such as platform transplantation, system testing and verification, application software development, and system debugging. The Company is ahead of the industry in terms of applications with respect to IoT, robots, and Industry 4.0, and has gradually expanded the distance from its peers.

(3) Comprehensive international marketing network

To attend to the market change, respond to customer needs immediately, shorten the delivery time, and provide comprehensive after-sales services and technical services, the Company has successively established subsidiaries in the United States, Japan, and mainland China, planned a global logistics support system, built a comprehensive marketing network, and in doing so improved customers' satisfaction. The Company has also set up assembly lines and testing lines in the United States and mainland China, to satisfy the needs arising from the BTO orders placed by customers; it has also established a global delivery system to satisfy customers' needs. Subsidiaries in the United States and mainland China have all passed the ISO 9001 certification; they have on-site maintenance capabilities that can meet the needs of local customers and improve operational efficiency.

(4) Products with high quality and reliability

In terms of industrial solutions, NEXCOM derives its core competitive advantages mainly through its taking a position to provides high-quality and reliable products. Its products are widely adopted by worldly renowned and certified brands, such as GE, FUJITSU, Panasonic,

Siemens, NTT DoCoMo, NEC, Data Respons, and UPS.

4. Favorable and unfavorable factors of development prospect and countermeasures:

(1) Favorable factors:

- A. Because Taiwan has established an information industry supply chain that is the most powerful and comprehensive in the world, any products that are based on PC technologies can be found in Taiwan at the highest speed and lowest cost.
- B. Nowadays, most buyers in the industrial automation industry are willing to accept industrial control solutions and automation solutions that are based on PC technologies. As such, IPC has become the best choice for “Applied & Embedded Computing”, and so its growth is expectable.
- C. Since this is the area of Mission Critical Computing & Non-Stop Operations, any products or services that are defect in terms of quality or design will all be rejected. As such, with excellent products and services, manufacturers can easily win customers’ recognition. This is the only way to cultivate customers.
- D. The Company possesses order-winning criteria in the market, given that it has been pioneered in product technology, product confidence, product reliability, and product computability, that its technological support and after-sales services have been rapid and effective, and that it has been enhancing its core competitive advantages.
- E. The various leading manufacturers in the market respecting each independent field gradually release OEM orders for their hardware platforms so that they can concentrate on providing solutions. This is conducive to the Company’s growth in the future.
- F. The demands for IoT robots and Industry 4.0 applications have boosted and become immense. NEXCOM has deeply engaged in these fields and so expects a long-term growth.

(2) Unfavorable factors and countermeasures:

- A. The PC industry is extremely volatile, the life cycle of which is usually less than 1 to 2 years. Despite the commitment of large brands such as Intel to supply goods in the long-term, it’s still common that some parts and components usually run out-of-stock, causing difficulties to manufacturers and customers.

Countermeasures:

At the phase of designing a product, an assessment of the Life Cycle of all parts and components shall be conducted; only parts and components that are readily available in the long term will be used. A primary system and a secondary system of suppliers who

provide substitute parts and components shall also be established. In the case where a parts or component might run out-of-stock, stocking up of such parts and components shall be conducted, and a notice shall be delivered to customers in advance requesting Approval for engineering change and providing the option of Last Buy.

- B. The visibility of the NEXCOM brand is not sufficient because it is still new to the market. An additional period of time for brand management and promotion is required before the NEXCOM brand can be accepted and trusted by large customers and users who are relatively conservative.

Countermeasures:

- a. Cooperate with strategic partners; hold the NEXCOM Day, Joint Marketing, and other events to strengthen brand visibility.
  - b. Continue to strengthen the product display on the website; enhance brand exposure to related industries.
  - c. Strengthen strategic alliances with leaders of each industry in the field of machine tool IoT to gain international renown and customer recognition.
  - d. Increase media coverage; provide reporting materials; provide in-depth description in writing of the issues that concern the market; improve media exposure density.
- C. Form alliances with competitors vertically and horizontally to expand the advantages that come with economies of scale.

Countermeasures:

For the Domain Market and the Served Industry Segment: Integrate vertically; enhance solutions and strategic alliances; seek market complementation and sales performance synergy; deeply cultivate the market to establish competitive advantages and entry barriers; deepen the development of niche markets; avoid taking a red ocean strategy that is based on economies of scale to compete with industry peers; develop niche products characteristics of NEXCOM and therefore a blue ocean market strategy.

- D. The COVID-19 pandemic and Russia-Ukraine war have caused raw materials to be in short supply along the supply chain, the price of raw materials to rise, and the customers to delay their shipments.

Countermeasures:

Actively negotiate with customers for relatively long-term orders, and for an increase in



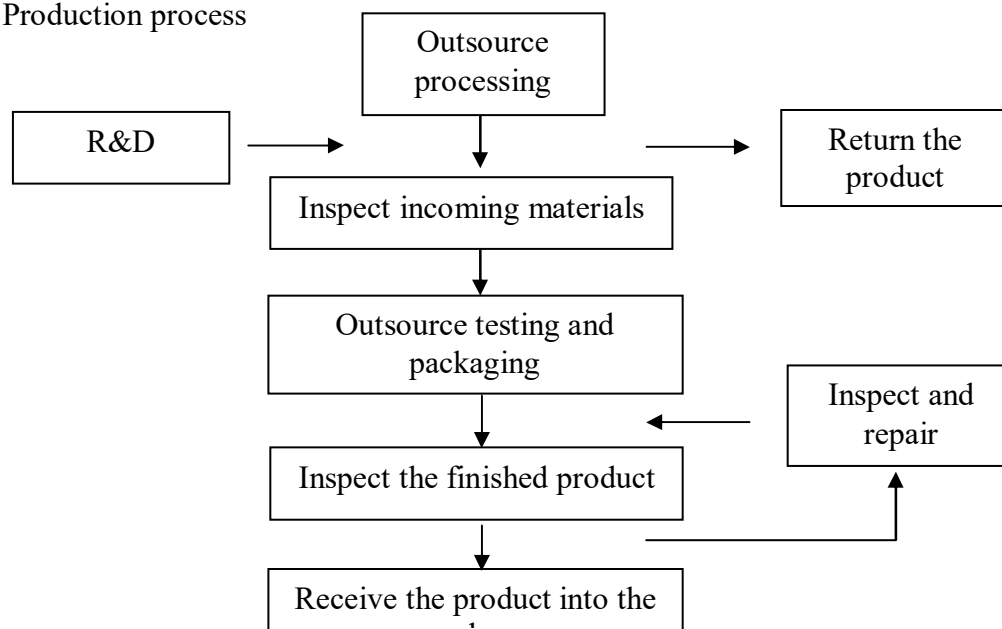
selling price to offset the costs arising from stocking up of raw materials in short supply and materials in sufficient supply, so as to stabilize the production capacity and maintain product gross profits, and thereby achieve a win-win situation with customers. The global electronic component and raw material shortage and shipping interruption significantly eased and returned to normal at the end of 2022; however, the upcoming global inflation crisis will likely give a rise to another wave of shipping delays and order postponements.

## (II) Important applications and production process of main products

### 1. Application of main products

Product item	Major application and function
Single-board computer (SoC)	SoC is a piece of a single-pattern PCB which integrates computing functions with I/O ports. It is sized 3.5" or 5.25", based on a Mini-ITX or a PICMG architecture, and expanded by using the various Backplanes. As such, SoC is the important standard for the industrial computer industry. It is mainly used in the embedded computers used for Industrial Control and Computer Telephone Integration (CTI).
System products	System products are a combination of SoCs, enclosure cases, power supplies, heat dissipation modules, and data storage modules. They fall into three categories: embedded system products; high-density blade servers; and network security monitoring system products - all are characterized by a high customization requirement. Their main applications include (1) industrial information system equipment that requires compact and miniaturized computing devices, such as automated teller machines, tool machines, medical equipment, and Mobile Computing Solutions (MCS); and (2) cluster supercomputing platforms and Internet security system equipment required for academic purpose, national defense, and engineering design.
Industrial IoT	Industrial IoT products are products developed by applying developed software to existing industrial computer hardware platforms to add value to such products. Such products include: PAC controller, HMI, IoT gateway, AI edge, robot controller, RPA server, Autonomous Mobile Robot (AMR), data center, and enterprise situation room. Value-added services are provided on a project by project basis to satisfy manufacturers' industrial needs for launch of smart manufacturing and digital transformation.

### 2. Production process



### (III) Supply of main raw materials

Currently the Company purchases raw materials from a domestic renowned supplier who has a stable and long-term business relationship with the Company. The supplier has sufficient raw materials in stock. As such, the raw materials that the Company needs are always readily available.

Name of main raw materials	Major suppliers
CPU	Synnex, WT MICROELECTRONICS, Fuwei, and PANVISION
Chipset	Synnex, SERTEK, WT MICROELECTRONICS, and PROFESSIONAL COMPUTER TECHNOLOGY
PCB	ALLIED CIRCUIT, HannStar Board Corporation, First Hi-tec Enterprise, and WORLDTECK OPTRONIC
Enclosure case	GIGA SOLUTION TECH, SHYONG SHUENN CO., LTD., PANADVANCE, CHENG FWA INDUSTRIAL, and MERRYCAN

(IV) The names of suppliers and customers who have accounted for more than 10% of the total purchases (sales) in any of the most recent 2 years, their purchases (sales) amount and proportion.

1. The names of suppliers who have accounted for more than 10% of the total purchases in any of the most recent 2 years, the purchases amount and proportion, and reasons for any change:

Unit: NT\$ thousand

	2021				2022				Up to March 31, 2023			
Item	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the issuer	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the issuer	Name	Amount	Ratio to net purchase in current year to the end of the previous quarter (%)	Relationship with the issuer
1	Supplier A	639,154	10	None	Supplier A	844,566	16	None	Supplier A	90,572	11	None
2	Others	6,087,741	90	None	Others	4,594,083	84	None	Others	764,011	89	None
3	Net purchases	6,726,895	100		Net purchases	5,438,649	100		Net purchases	854,583	100	

Analysis of change: Major suppliers of the Group for the most recent two years remained largely the same. The Group, in order to diversity purchase risks without reducing its products' quality, usually purchases form suppliers who offer lower prices and better payment terms. As such, only Supplier A accounts for more than 10% of the Group's annual total purchase amount.

2. The names of customers who have accounted for more than 10% of the total sales amount in any of the most recent 2 years, the purchases amount and proportion, and reasons for any change:

Unit: NT\$ thousand

Item	2021				2022				Up to March 31, 2023			
	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the issuer	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the issuer	Name	Amount	Ratio to net sales in current year to the end of the previous quarter (%)	Relationship with the issuer
1	Customer S	922,079	14	None	Customer S	1,320,776	17	None	Customer S	148,544	9	None
2	Others	5,858,501	86	None	Others	5,858,501	83	None	Others	1,515,246	91	None
3	Net sales	6,780,580	100		Net sales	7,916,697	100		Net sales	1,663,790	100	

Analysis of change: The Group's major customers for the most recent two years remained largely the same. To diversify the risk of concentration of sales, the Group annual develops new customers while maintaining business relationship with existing customers. As such, only customer S accounts for more than 10% of the Group's annual sales amount.

## (V) Production volume and value for the most recent 2 years

Unit: NT\$ thousand

Production volume and value Main product	Year	2021			2022		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Industrial computer		828,000	807,584	3,194,623	828,000	749,663	4,336,897
Others		108,000	88,021	318,150	180,000	171,788	408,876
Total		936,000	895,605	3,512,773	1,008,000	921,451	4,745,773

## (VI) Sales volume and value for the most recent 2 years

Unit: NT\$ thousand

Sales volume and value Main product	Year	2021				2022			
		Domestic sales		Foreign sales		Domestic sales		Foreign sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Industrial computer		18,669	652,490	414,086	5,474,766	45,489	910,109	547,772	6,278,085
Others		47	834	37,662	652,490	8	252	14,913	728,251
Total		18,716	653,324	451,748	6,127,256	45,497	910,361	562,685	7,006,336

### III. Employee information in most recent 2 years and the current year as of the publication date of the annual report

Year		2021	2022	Up to March 31, 2023
Number of employee	Indirect personnel	1043	915	927
	Direct personnel	432	351	342
	Total	1,475	1266	1269
Average age		36.38	40.88	41.04
Average years of service		4.12	5.42	5.50
Education profile	PhD.	0.34%	0.39%	0.39%
	Master's	14.78%	16.59%	17.42%
	University or college	54.37%	62.01%	61.86%
	High school	7.80%	7.66%	7.01%
	Below high school	22.71%	13.35%	13.32%

### IV. Information on environmental protection expenditures

The first half of the Company's product production process features automated machinery plugging in SMDs, while the second half of the process features personnel plugging in SMDs manually. Later operations such as testing, inspection, and packaging require relatively intense manpower. As such, the Company did not incur any environmental pollution.

1. According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made: Waste Filing and Control Number: (F01B0092)
2. Setting forth the company's investment in the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced: None.
3. Describing the process undertaken by the company on environmental pollution improvement for the most recent fiscal years and up to the prospectus publication date. If there had been any pollution dispute, its handling process shall also be described: None.
4. Describing any losses suffered by the company in the most recent fiscal years and up to the prospectus publication date due to environmental pollution incidents (including any compensation paid), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.

5. Explaining the current condition of pollution and the impact of its improvement on the profits, competitive position, and capital expenditures of the company, as well as the projected major environment-related capital expenses to be made for the coming 2 fiscal years.

## V. Labor relations

- (I) Employee benefit measures, continuing education, training, retirement system, and the implementation:

1. Employee benefit measures and the implementation

[Educational trainings] Provide employees with internal/external educational trainings that would enrich their work skills and knowledge.

[Medical insurance] All employees are covered by labor insurance, health insurance, and group insurance.

[Health check] Regular health check for employees operating special operation.

[Welfare allowance] Allowances for travel, birthday/festival/birth/marriage/funeral/hospitalization .

[Events] Year-end party, contests and competition activities, commendation activities

[Group meal] The employee restaurant provides employees with group meals, allowing them to enjoy diverse and tasty dishes.

[Welfare Committee] Accepts club registration; provides funds for club activities; plans recreational activities for employees to facilitate interaction among them.

[Gym] The Gym comprise a gym and an aerobic room, where employees can exercise and perspire.

2. Training system and continuing education system for employees

The Company arranges annual training plans according to its policy to improve their awareness of quality, teach them work skills, cultivate different talents to improve their skills and competency, thereby achieving the goal of quality improvement.

The achievement of educational trainings for 2022 is listed as follows:

Item	Number of class	Total number of participants	Total hours	Total expense (NT\$)
New recruit training	43	396	1742.5	-
Occupational competency training	405	7897	8379	90,517
Executive skills training	3	15	30	16,000
General purpose training	49	699	1199	15,655
Total	500	9007	11350.5	122,172

3. Retirement system and its implementation

- (1) As required by the “Labor Standards Act”, the Company has established its own defined benefit pension plan, which is applicable to the service years of all regular employees before the promulgation of the “Labor Pension Act” on July 1, 2005, and to the service years of employees who elected to apply the Labor Standards Act after such date. Under the defined



benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 4% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the "Fund"). Before the end of each year, the Company assesses the balance in the aforementioned Fund. If the balance in the Fund is inadequate to pay the retirement benefits of employees who are eligible for retirement in the following year by the aforementioned method, the Company is required to fund the deficit in one appropriation before the end of next March.

The pension income recognized for 2021 and 2022 in the manner prescribed above was NT\$48 thousand and NT\$0 thousand, respectively.

- (2) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the "Labor Pension Act", covering all regular employees with R.O.C. nationality. Under the "Labor Pension Act", the Company and its subsidiary contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. Pension shall be calculated as the amount in the employee's retirement account plus any accumulated gains and is paid monthly or in lump sum upon retirement of an employee. The Group's overseas subsidiaries abide by local regulations to contribute an amount of pension equal to a certain percentage of an employee's salary every month. Pension of each employee is managed by the government. Other than the monthly contributions, the Group has no further obligations.

The pension expenses recognized for 2021 and 2022 in the manner prescribed above was NT\$39,340 thousand and NT\$46,196 thousand, respectively.

#### 4. Labor-management agreements and measures for preserving employees' rights and interests

The Company's labor-management relation is based on a principle of harmony. By formulating a comprehensive set of regulations respecting incentives, communication, training, benefits, and retirement, the Company aligns employees' interest with that of the Company.

#### 5. Working environment and employee safety protection measures

Considering the importance of the working environment and employee safety protection measures, the Company identifies and analyzes material environmental aspects and hazards against ISO14001 and ISO 45001 (certificate is valid between January 4, 2021 and January 8,

2023). By managing goals and projects, the Company improves the deficiencies in prioritized areas while controlling those with lower risks through operating control. After good operation, the identified deficiencies are all controlled and improved. Below is the Company material goals and management projects:

No.	Project name	ESH goal	Current state	State of implementation
1	Product manufacturing and testing automation project	Change the testing method to substitute a testing Server for operators, reducing the working hours and electricity consumption by 20%.	The time taken for testing WR64 is way too long and so fails to achieve production efficiency; it is recommended that a software be used to replace manual work to reduce working hour, manpower cost, and electricity consumption of production.	1. Analyze the connection and upload methods of the automated testing program and the MES. Code the functions required for automated testing and complete the preparation of the SOP. 2. Performance after introduction: Working hours for testing is reduced by 33.3% Electricity consumption for testing is reduced by 35.3%
2	Energy-conservation project	Reduce the electricity consumption of the air conditioning motors used in the SMT and DIP process by 30%.	Because the ice water flow (provided by the CMC Magnetics, i.e. the landlord) won't adjust, the AC motors won't convert to a lower frequency when fully loaded, shooting up the electricity charge.	1. Install two sets of frequency converters for the SMT and DIP process to control the flow of ice water; calculate the power consumption value after improvement. 2. After the replacement, the calculated electricity consumption decreased by 35%.
3	Human factors engineering improvement project	Free the system assembly operators from having to convey products to the pallets reached 100%	The products assembled in Huaya plant is larger and heavier; to convey products to pallets, operators need to help each other; they also need to rotate the job to avoid waist pain. This affects the operating efficiency.	1. Purchase automatic pallet stacking equipment to replace manpower with automation. 2. After the improvement project was done, operators' waist pain subsided.
4	High-temperature operation improvement project	Reduce the time of operators spent in the burn-in room by 50%.	The average temperature reaches 35 degree Celsius in the burn-in room, adversely impacting employees' health. It is planned to reduce the time the operator stay in the burn-in room.	1. Set up an automated burn-in room to substitute for manual operation inside the burn-in room. 2. After the improvement project is done, the time of operators spent in the burn-in room is reduced by 50%.

## **Subsequent activities that promote the environment and occupational safety and health**

### **Introduce the temperature sensing function to the burn-in room**

The Company actively protects operators and equipment to reduce occupational incidents and reduce production costs. Aside from improving the working environment and operation management, temperature sensors and alarm lamps are also installed, so as to ensure the operational safety of factory employees and the safety of factory assets.

### **Occupational accidents prevention plan**

To achieve the goal of zero-accident, the Company annually devises an occupational accident prevention plan based on past occupational accident record and the risk level of each operation. All business units involved shall implement the plan according to the timeline and content specified therein. The plan is updated through an internal audit system which identifies any deficiencies. Through the PDCA cycle, the Company expects to reduce the hazard risks facing each business unit year on year, thereby achieving the ultimate goal of zero-accidents.

### **Implement automated check**

Employees' physical safety may be at risk due to unsafe operation, equipment, or management when they operate in a working environment or engage in production processes, operation, or any job. As so, the Company actively promote automated inspection, hoping to spot any potential risk factor and achieve effective control. Items subject to automated inspection include ventilation equipment, raw material usage, operating environment, personal protective equipment, operating machinery, and motor vehicles, and so on.

### **Protection and Restriction for Organic Solvents and Chemicals**

Organic solvents and chemicals are generally used in the manufacturing process or laboratory tests, so facilitating operators' understanding of organic solvents and chemicals through general safety and health education and training helps avert the occurrence of accidents.

Labels affixed on the outside of organic solvent or chemical containers or bottles include information concerning warning messages, signs, and manufacturer information. The Safety Data Sheets (SDS) shall be made available adjacent to organic solvents or chemicals for users' reference preventing occupational accidents due to inappropriate application.

### **Electric hazard training**

It's common that extension cords and push-button switches are used in the production process. As so, facilitating operators' understanding of such extension cords and push-button switches through general safety and health education and training helps avert the occurrence of electrification. A high-voltage image and an electrical safety sign are attached adjacent to 220v outlets. In addition, an external cover in a conspicuous color (red) is installed to prevent the occurrence of occupational accidents.

### **Internal Environment Evaluation and Check**

In conformity with the plans for Maternal Health Protection, Prevention of Unlawful Infringement in the Performance of Duties, and Prevention of Ergonomic Hazards, evaluations and inspections, hazard identification, risk assessments and checks of proper work assignments, and design with respect to internal workplace and adjacent environment are implemented to discover and prevent any potential risk factor in the work environment in advance.

### **Workplace Unlawful Infringement Prevention**

The Company has issued the workplace unlawful infringement statement, declaring its zero tolerance against workplace unlawful infringements of any managing executives, facilitated managers' code of conduct and education and training, and provided reporting channels and subsequent handling procedures.

### **Maternal Health Protection**

On-site medical personnel take care of and interview pregnant employees and give advice regarding proper work assignment to prepare good body and mental health of female workers during their pregnancy, after birth, and breastfeeding period so as to enable maternal health protection.

### **Ergonomic Hazards Prevention**

Ergonomic hazard factors in the office and laboratory are neglected most of the time. Therefore, the Nordic Musculoskeletal Questionnaire (NMQ) is used to measure the pain scale on body parts of individuals, particularly of high-risk positions, and subsequent review and improvement will be made based on the correlation between position and jobs found.

### **Prevention of Abnormal Work Load**

Categorization of risk levels through questionnaires measuring abnormality in employees' body and mental state, plus the 10-year cardiovascular disease statistics, allows medical personnel to discover employees of high risk and mitigate such risk of diseases by providing health education and assistance.

### **Implement Annual Health Checks**

Health checks can facilitate a good understanding about employees' actual health and help to find the correlation between source of abnormality and jobs, particularly for cardiovascular disease triggers. The health condition of employees of mid-to-high risk shall be followed up on by on-site medical personnel to ensure good employee health management.

### **Middle-aged and Elderly Employee Workplace Safety**

In order to encourage generation collaboration and succession, the Company has built a friendly operational environment for middle-aged and elderly employees. In addition to the prevention of potential risk factors, unlawful infringement, ergonomic hazards, and abnormal-workload-triggered diseases, risk assessments on the workplace and personal health combined with health management

and abnormality follow-ups are carried out for middle-aged and elderly employees of mid-to-high risk. The competency index is used to evaluate the safety and suitability of tasks, and with the on-site medical personnel's assistance, it makes sure that middle-aged and elderly workers are safe both physically and mentally.

#### 6. Work Rules

The Company has established its Work Rules which stipulate the rights and obligations of the labor and the management in order to establish a sound modern-day management system, and to make both the labor and management willing to work together and seek business growth together. The major contents of the Work Rules are as follows: (1) General Provisions (2) Appointment (3) Service (4) Wages and Bonuses (5) Working Hours, Break, and Vacation (6) Leave (7) Performance Evaluation (8) Rewards (9) Discipline (10) Job Transfer (11) Education and Training (12) Welfare (13) Occupational Accident Compensation (14) Retirement (15) Opinion Communication (16) Complaint and Punishment of Sexual Harassment (17) Supplementary Provisions.

(II) Losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes, if any, and disclosure of the incurred and estimated expenditures as well as response measures:

1. The Company did not have any dispute with labors in the most recent year and the current year up to the publication date of this annual report.
2. The Company provides multiple channels for communication and coordination by both the labor and the management and strives to maintain a harmonious labor-management relationship.

## **VI. Cyber Security Management:**

### **(I) Cyber security risk management structure**

The Company's internal ISMS (Information Security Management System) was established and internally announced for implementation in 2021. In addition, in the second half of 2022, the ISO27001 Information Safety Management System was introduced, and the certificate is expected to be received by the second quarter of 2023. The contents include:

1. Adoption of an information security policy and management objectives
2. Adoption of information security management procedures and implementation thereof
3. Establishment of the Information Security Promotion Committee
4. Establishment of an information security risk management framework with regular information asset risk assessments, and implementation of risk management measures for high-risk matters
5. Progress of information security promotion and information security issues are regularly reported at the monthly senior management meeting

### **(II) Cyber security management**

#### **● Purpose**

Maintain information assets of NEXCOM International Co., Ltd. (hereinafter, "NEXCOM") and its subsidiaries; enhance information security management; ensure confidentiality, completeness, and availability of information assets thereof to strengthen the information environment for continuous information business operation. Comply with relevant laws and regulations to avoid any internal and external, intentional or unintentional threats, and take them as the guidelines for the implementation of information security measures, specific policies, and related rules.

#### **● Application scope**

All of NEXCOM's and its subsidiaries' employees, contracted suppliers, and personnel thereof.

#### **● Definitions**

- I. Information Assets: The personnel, documents, information, hardware, and software keeping the normal operation of NEXCOM's information business.
- II. Information Environment for Business Continuity: The computer operating environment maintaining the continuity of all of NEXCOM's businesses.

#### **● Vision and Goals**

- I. Vision for the Information Security Policy:

Enhance personnel's awareness, prevent data leakage, and ensure service availability

- II. Based on the vision for the information security policy and to maintain confidentiality, completeness, and availability of NEXCOM's Information assets, the information goals are devised as follows:
  - (I) Organize information security education and training, facilitate employees' awareness of information security, and boost their understanding regarding related responsibilities.
  - (II) Ensure confidentiality of business data, avert unauthorized access or modification, and enable data access control.
  - (III) Affirm consistent availability of the core system provided by the organization.
- III. Annual to-do list, required resources, responsible personnel estimated time to complete, evaluation approach and result with respect to the information security goals above shall be proposed, and relevant monitoring and measurement procedures shall be handled in accordance with the "Monitoring and Measurement Control Procedure Handbook".
- IV. The Information Security Execution Team shall report the implementation results of effectiveness measurement on information security goals in a management review meeting.

●Responsibilities

- I. NeXCOM's management shall establish and review such a policy.
- II. The Information Security Execution Team shall implement this policy through the management program and standard operating procedures.
- III. All personnel and suppliers shall comply with relevant security management procedures to maintain the information security policy.
- IV. All personnel and suppliers shall report any information security incident and identified vulnerability.
- V. Any unit obtaining NEXCOM's confidential information or personal data due to business needs shall be responsible for keeping information secret and use it properly in compliance with relevant national laws and NEXCOM's information security protocols.
- VI. In the event of a data leakage or information security incident due to negligence of a unit, this unit shall be held legally liable.
- VII. The Company will take civil, criminal, or administrative action against personnel whose behaviors risk information security depending on severity of such behaviors, or take punitive actions according to NEXCOM's rules.



●Review

This policy shall be reviewed in a management review meeting on an annual basis to update on the latest legal, technological, and business development, ensuring NEXCOM's continuity and practical skills in information security.

●Implementation

This Policy shall take effect after the review of the "Information Security Management Committee" and the approval of the managing representative. Subsequent amendments thereto shall be effected in the same manner.

(III) Specific management plans and resources invested in cyber security management

1. Specific management procedures promulgated are as follows:

No.	Document number	Category	Name
1	ISMS-1-001	Level 1 Policy	Information Security Policy
2	ISMS-1-002	Level 1 Policy	Statement of Applicability
3	ISMS-2-001	Level 2 Procedures	Overview Identification Procedures
4	ISMS-2-002	Level 2 Procedures	Monitoring and Measurement Management Procedures
5	ISMS-2-003	Level 2 Procedures	Information Security Organizational Procedures
6	ISMS-2-004	Level 2 Procedures	Information Asset Management Procedures
7	ISMS-2-005	Level 2 Procedures	Risk Assessment Management Procedures
8	ISMS-2-006	Level 2 Procedures	Personnel Security Management Procedures
9	ISMS-2-007	Level 2 Procedures	Document Management Procedures
10	ISMS-2-008	Level 2 Procedures	Internal Audit Management Procedures
11	ISMS-2-009	Level 2 Procedures	Correction and Improvement Management Procedures
12	ISMS-2-010	Level 2 Procedures	Access Control Management Procedures
13	ISMS-2-011	Level 2 Procedures	Physical and Environmental Safety Management Procedures
14	ISMS-2-012	Level 2 Procedures	Operation and Communication Safety Management Procedures
15	ISMS-2-013	Level 2 Procedures	System Development Procedures
16	ISMS-2-014	Level 2 Procedures	Supplier Management Procedures
17	ISMS-2-015	Level 2 Procedures	Safety Incident Management Procedures
18	ISMS-2-016	Level 2 Procedures	Business Continuity Management Procedures
19	ISMS-3-001	Level 3 Work	Information Assets Work Instructions

20	ISMS-3-002	Level 3 Work	Account and Password Work Instructions
21	ISMS-3-003	Level 3 Work	System Development Work Instructions
22	ISMS-3-004	Level 3 Work	Business Continuity Plan

## 2. Specific Implementation Status:

- September 2022: Completed risk assessment
- October 2022: Completed vulnerability scan on core system
- November 2022: Implemented information security education and training at the Company level
- December 2022: Completed red team exercise on core system
- December 2022: Completed internal audit

## (IV) Resources Invested in Cyber Security Management

### 1. Human Resources Allocation:

- Chief Information Security Officer: 1 person
- Dedicated Information Security Personnel: 1 person
- Information Security Organization
  - Execution Team: 8 persons
  - Contingency Team: 6 persons
  - Audit Team: 1 person

### 2. Project Resources Invested:

- Appointment of ISO 27001 consultants and application for verification
- Red team exercise with information security vendor (penetration testing)
- Software system revision for information security enhancement
- Acquisition and update of antivirus software

**List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:** Such incident did not occur.

## VII. Important Contracts:

The important contracts still outstanding and the important contracts expired in the most recent year and in the current year up to the publication date of this annual report are as follows:

Nature of the contracts	The parties involved	Contract start and end date	Principal contents	Restrictive clauses
Software licensing contracts	Phoenix Technologies Ltd.	As prescribed in the contract	Authorize the use of Phoenix's BIOS source code to develop related products.	As prescribed in the contract
Technology licensing contracts	Industrial Technology Research Institute	As prescribed in the contract	Technology service and licensing	As prescribed in the contract
Lease contract	CMC Magnetics	As prescribed in the contract	Real Estate Rental and Leasing	As prescribed in the contract

## Six. Finance overview

### I. Condensed balance sheet, statement of comprehensive income, and independent auditors' names and opinions for the most recent 5 years

#### Consolidated - Condensed Balance Sheet

Unit: NT\$ thousand

Year Item		Financial information for the most recent 5 years (Note 1)					Financial information for the year up to March 31, 2023
		2018	2019	2020	2021	2022	
Current assets		4, 275, 823	4, 444, 026	4, 045, 242	5, 370, 059	6, 297, 382	5, 593, 189
Property, plant, and equipment		1, 587, 759	1, 604, 288	1, 534, 207	1, 495, 061	1, 436, 124	1, 429, 015
Intangible assets		59, 898	64, 121	79, 251	72, 981	55, 462	48, 816
Other assets		439, 107	827, 941	839, 893	1, 046, 146	1, 054, 628	1, 039, 375
Total Assets		6, 362, 587	6, 940, 376	6, 498, 593	7, 984, 247	8, 843, 596	8, 110, 395
Current liabilities	Before distribution	3, 795, 107	3, 953, 958	3, 409, 068	4, 665, 694	4, 726, 350	3, 863, 825
	After distribution	3, 893, 966	4, 066, 939	3, 522, 049	4, 524, 468	Note 2	Note 2
Non-current liabilities		60, 848	253, 212	277, 178	480, 927	580, 799	567, 977
Total Liabilities	Before distribution	3, 855, 955	4, 207, 170	3, 686, 246	5, 146, 621	5, 307, 149	4, 431, 802
	After distribution	3, 954, 814	4, 320, 151	3, 799, 227	5, 005, 395	Note 2	Note 2
Equity attributable to shareholders of parent company		2, 448, 014	2, 582, 245	2, 616, 965	2, 630, 637	3, 441, 164	3, 557, 381
Capital stock		1, 412, 265	1, 412, 265	1, 412, 265	1, 412, 265	1, 412, 265	1, 412, 265
Capital reserves		361, 820	363, 184	367, 368	367, 763	367, 987	366, 535
Retained earnings	Before distribution	764, 861	889, 723	883, 310	916, 734	1, 691, 099	1, 820, 605
	After distribution	666, 002	776, 742	770, 329	775, 508	Note 2	Note 2
Other equities		(82, 927)	(45, 978)	(66, 125)	(66, 125)	(30, 187)	(42, 024)
Treasury stock		–	–	–	–	–	–
Non-controlling interests		(90, 932)	150, 961	195, 382	206, 989	95, 283	121, 212
Total equities	Before distribution	2, 506, 632	2, 733, 206	2, 812, 347	2, 837, 626	3, 536, 447	3, 678, 593
	After distribution	2, 407, 773	2, 620, 225	2, 699, 366	2, 696, 400	Note 2	Note 2

Note 1: The financial data from 2018 to 2022 was audited and attested by CPAs; the financial data for the first quarter of 2023 was reviewed by CPAs.

Note 2: Pending distribution.

**Consolidated - Condensed Statement of Comprehensive Income**

Unit: NT\$ thousand

Year Item	Financial information for the most recent 5 years (Note)					Financial information for the year up to March 31, 2023
	2018	2019	2020	2021	2022	
Operating revenue	6,637,639	7,213,408	6,701,894	6,780,580	7,916,697	1, 663, 790
Operating gross profit	1,444,168	1,799,009	1,620,663	1,564,713	2,010,682	511, 172
Operating profits or losses	51,653	304,268	208,653	176,100	409,945	169, 538
Non-operating income and expenses	142,342	(16,501)	1,118	29,195	943,546	13, 155
Net profits before tax	193,995	287,767	209,771	205,295	1,353,491	182, 693
Net profits for the period from continuing operations	193,995	287,767	209,771	205,295	1,353,491	182, 693
Losses from discontinued operations	-	-	-	-	-	-
Net profits (losses) for the period	158,821	212,973	185,544	179,421	930,475	140, 430
Other comprehensive income (net after tax) for the period	(28,525)	5,492	(10,256)	(16,717)	52,723	(12, 234)
Total comprehensive income for the period	130,296	218,465	175,288	162,704	983,198	128, 196
Net profits attributable to shareholders of parent company	170,183	227,410	150,021	141,545	902,188	129, 506
Net profits attributable to non-controlling interests	(11,362)	(14,437)	35,523	37,876	28,287	10, 924
Total comprehensive income attributable to shareholders of parent company	141,198	235,829	143,517	126,258	983,198	117, 669
Total comprehensive income attributable to non-controlling interests	(10,902)	(17,364)	31,771	36,446	31,669	10, 527
Earnings per Share	1.21	1.61	1.06	1.00	6.39	0. 92

Note: The financial data from 2018 to 2022 was audited and attested by CPAs; the financial data for the first quarter of 2023 was reviewed by CPAs.

### Individual - Condensed Balance Sheet

Unit: NT\$ thousand

Year  Item		Financial information for the most recent 5 years (Note 1)					Financial information for the year up to March 31, 2023
		2018	2019	2020	2021	2022	
Current assets		3,603,277	3,404,303	2,628,672	3,670,753	4,479,671	Not applicable
Property, plant, and equipment		1,523,107	1,528,884	1,448,281	1,414,927	1,393,935	
Intangible assets		59,331	62,482	72,287	59,636	45,803	
Other assets		792,989	1,247,448	1,348,501	1,713,650	2,255,068	
Total Assets		5,978,704	6,243,117	5,497,741	6,858,966	8,174,477	
Current liabilities	Before distribution	3,469,857	3,485,700	2,729,287	3,823,178	4,196,429	
	After distribution	3,568,716	3,598,681	2,842,268	3,681,952	Note 2	
Non-current liabilities		60,833	175,172	151,489	405,151	536,884	
Total Liabilities	Before distribution	3,530,690	3,660,872	2,880,776	4,228,329	4,733,313	
	After distribution	3,629,549	3,773,853	2,993,757	4,087,103	Note 2	
Equity attributable to shareholders of parent company		2,448,014	2,582,245	2,616,965	2,630,637	3,441,164	
Capital stock		1,412,265	1,412,265	1,412,265	1,412,265	1,412,265	
Capital reserves		361,820	363,184	367,368	367,763	367,987	
Retained earnings	Before distribution	764,861	889,723	883,310	916,734	1,691,099	
	After distribution	666,002	776,742	770,329	775,508	Note 2	
Other equities		(90,932)	(82,927)	(45,978)	(66,125)	(30,187)	
Treasury stock		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equities	Before distribution	2,448,014	2,582,245	2,616,965	2,630,637	3,441,164	
	After distribution	2,349,155	2,469,264	2,503,984	2,489,411	Note 2	

Note 1: Financial information for 2018 to 2022 has been audited and attested by CPAs.

Note 2: Pending distribution.

# Individual - Condensed Statement of Comprehensive Income

Unit: NT\$ thousand

Item \ Year	Financial information for the most recent 5 years (Note)					Financial information for the year up to March 31, 2023
	2018	2017	2020	2021	2022	
Operating revenue	5,252,901	5,367,783	4,368,668	4,297,547	5,576,554	Not applicable
Operating gross profit	955,387	1,033,216	783,296	701,119	1,091,385	
Operating profits or losses	54,362	201,226	(21,365)	(50,219)	249,003	
Non-operating income and expenses	146,390	77,599	159,103	194,594	927,167	
Net profits before tax	200,752	278,825	137,738	144,375	1,176,170	
Net profits for the period from continuing operations	200,752	278,825	137,738	144,375	1,176,170	
Losses from discontinued operations	-	-	-	-	-	
Net profits (losses) for the period	170,183	227,410	150,021	141,545	902,188	
Other comprehensive income (net after tax) for the period	(28,985)	8,419	(6,504)	(15,287)	49,341	
Total comprehensive income for the period	141,198	235,829	143,517	126,258	951,529	
Net profits attributable to shareholders of parent company	170,183	227,410	150,021	141,545	902,188	
Net profits attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to shareholders of parent company	141,198	235,829	143,517	126,258	951,529	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per Share	1.21	1.61	1.06	1.00	6.39	

Note: Financial information for 2018 to 2022 has been audited and attested by CPAs.

(II) Condensed balance sheet and comprehensive income statement - ROC Enterprise Accounting Standard

**Condensed Balance Sheet - ROC Enterprise Accounting Standard**

Unit: NT\$ thousand

<div>Year</div> <div>Item</div>		Financial information for the most recent 5 years				
		Year	Year	Year	Year	Year
Current assets		Not applicable				
<u>Property, plant, and equipment</u>						
Intangible assets						
Other assets						
Total Assets						
Current liabilities	Before distribution					
	After distribution					
<u>Non-current liabilities</u>						
Other liabilities						
Total Liabilities	Before distribution					
	After distribution					
Capital stock						
Capital reserves						
Retained earnings	Before distribution					
	After distribution					
<u>Other equities</u>						
<u>Treasury stock</u>						
<u>Total equities</u>	Before distribution					
	After distribution					



# Condensed Statement of Comprehensive Income - ROC Enterprise Accounting Standard

Unit: NT\$ thousand

Item \ Year	Financial information for the most recent 5 years				
	Year	Year	Year	Year	Year
Operating revenue	Not applicable				
Operating gross profit					
Operating profits or losses					
<u>Non-operating revenue and expenses</u>					
<u>Net profit (loss) before tax</u>					
<u>Net profit (loss) of continuing operations</u>					
<u>Profit (loss) from discontinued operations</u>					
<u>Net profit (loss) for the current period</u>					
<u>Other comprehensive income for the current period</u>					
<u>Total comprehensive income for the period</u>					

(III) Attesting CPAs' names audit opinions for the most recent 5 years

Year	Name of attesting CPAs	Audit opinion
2018	Wu Han-Chi and Hsu Sheng-Chung	Unqualified opinion
2019	Hsu Sheng-Chung and Wu Han-Chi	Unqualified opinion
2020	Wu Han-Chi and Hsu Sheng-Chung	Unqualified opinion with emphasis matters or other matters paragraphs
2021	Wu Han-Chi and Hsu Sheng-Chung	Unqualified opinion with emphasis matters or other matters paragraphs
2022	Wu Han-Chi, Tsai Yi-Tai	Unqualified opinion with emphasis matters or other matters paragraphs

## II. Financial analysis for the most recent 5 years

### (I) Financial analysis - consolidated

Analysis item (Note 1)		Year	Financial analysis for the most recent 5 years					For the year up to March 31, 2023
			2018	2019	2020	2021	2022	
Capital structure (%)	Debt to assets ratio		60.60	60.62	56.72	64.46	60.01	54.64
	Ratio of long-term capital to property, plant, and equipment		158.01	176.74	188.64	208.12	280.06	288.69
Solvency (%)	Current ratio		112.67	112.39	118.66	115.10	133.24	144.76
	Quick ratio		58.70	62.92	74.16	53.05	80.59	84.92
	Interests coverage multiplier		9.71	11.35	9.74	9.36	30.73	15.19
Operating performance	Accounts receivable turnover rate (times)		4.36	4.22	3.97	4.02	4.35	3.85
	Average collection days		83.64	86.52	92.06	90.81	83.90	94.80
	Inventory turnover rate (times)		2.88	2.83	3.04	2.45	2.27	1.98
	Accounts payable turnover rate (times)		5.00	4.56	4.79	6.02	4.23	3.28
	Average sales days		126.74	128.98	120.07	148.98	160.79	184.34
	Property, plant and equipment turnover rate (times)		4.39	4.52	4.27	4.48	5.40	4.58
	Total assets turnover rate (times)		1.04	1.04	1.03	0.85	0.90	0.82
Profitability	Return on assets (%)		3.19	3.82	2.52	2.23	11.16	6.88
	Return on equity (%)		7.08	9.04	5.77	5.40	29.72	3.70
	Net profits before tax to paid-in capital (%)		13.74	20.38	14.85	14.54	95.84	12.94
	Net profit margin (%)		2.56	3.15	2.24	2.09	11.40	7.78
	Earnings per Share (NT\$)		1.21	1.61	1.06	1.00	6.39	0.92
Cash flow	Cash flow ratio (%)		(3.44)	10.60	27.19	(11.99)	9.06	7.77
	Cash flow adequacy ratio (%)		5.75	22.12	58.54	25.83	33.67	39.48
	Cash reinvestment ratio (%)		(7.05)	10.51	24.82	(20.13)	6.35	6.46
Leverage	Operating leverage		103.70	19.38	26.38	32.45	15.78	8.17
	Financial leverage		1.76	1.10	1.13	1.16	1.12	1.08

Please specify the reasons for the changes in the financial ratios for the most recent 2 years (This section need not be filled in if the change is within 20%)

1. Ratio of long-term capital to fixed assets increased in 2022 from 2021 mainly due to the increase in net profit in 2022 resulting in the increase in shareholders' equity.
2. Quick ratio increased in 2022 from 2021 mainly due to the increase in net profit in 2022 resulting in the increase in quick assets such as bank deposits.
3. Interests coverage multiplier increased in 2022 from 2021 mainly due to the increase in net profit resulting in the increase in net profit before tax.
4. Accounts payable turnover rate decreased in 2022 from 2021 mainly due to the decrease in purchases in 2022.
5. Property, plants, and equipment turnover rate increased in 2022 from 2021 mainly due to the increase in operating revenue in 2022.
6. All profitability ratios increased in 2022 from 2021 mainly due to the increase in profit in 2022.
7. All cash flow ratios increased in 2022 from 2021 mainly due to the increase in profit resulting in the increase of cash flow from operating activities.
8. Operating leverage increased in 2022 from 2021 mainly due to the increase in profit in 2022.

Note 1: The following calculation formula should be shown at the end of this table in the annual report.

1. Capital structure

(1) Debt to assets ratio = total liabilities/total assets

(2) Ratio of long-term capital to property, plant, and equipment = (total equity + non-current liabilities)/net property, plant, and equipment.

2. Solvency

(1) Current ratio = current assets/current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities.

(3) Interests coverage multiplier = net profits before tax and interest expense/interest expense for the period.

3. Operating performance

(1) Receivables (including accounts receivable and notes receivable from business operations) turnover rate = net sales/balance of average accounts receivable for various periods (including accounts receivable and notes receivable from business operations).

(2) Average collection days = 365/receivables turnover rate.

(3) Inventory turnover rate = costs of goods sold/average inventory.

(4) Payables (including accounts payable and notes payable from business operations) turnover rate = costs of goods sold/balance of average accounts payable for various periods (including accounts payable and notes payable from business operations).

(5) Average sales days = 365/inventory turnover rate.

(6) Property, plant, and equipment turnover rate = net sales/average net property, plant, and equipment.

(7) Total assets turnover rate = net sales/average total assets.

#### 4. Profitability

(1) Return on assets = [net profits after tax + interest expense x (1 - tax rate)]/average total assets.

(2) Return on equity = net profits after tax/average total equity.

(3) Net profit margin = net profits after tax/net sales.

(4) Earnings per share = (net profits attributable to shareholders of the parent - preferred stock dividend)/weighted average number of shares outstanding. (See Note 2)

#### 5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities/current liabilities.

(2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years/sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 years.

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend)/(gross property, plant, and equipment + long-term investment + other non-current assets + working capital). (See Note 3)

#### 6. Leverage:

(1) Operating leverage = (net operating revenues - variable operating costs and expenses)/operating profits (See Note 4).

(2) Financial leverage = operating profits/(operating profits - interest expense).

Note 2: Special attention should be paid to the following when measuring earnings per share with the above calculation formula:

1. Based on the weighted-average number of common shares rather than the number of shares outstanding at the end of the year.
2. Where there is cash capital increase or treasury stock transactions, the weighted average number of shares should be used considering the period of circulation.
3. Where there is a capital increase by retained earnings or capital surplus, when calculating the annual or semi-annual earnings per share for previous years, retrospective adjustments should be made in proportion to the capital increase, regardless of the issuance period of such capital increase.
4. If the preferred shares are non-convertible and cumulative, their dividends for the current year (whether paid or not) should be deducted from the net profits after tax, or added to the net losses after tax. If the preferred shares are non-cumulative, their dividends should be deducted from net profits after tax if there are net profits after tax; if there are net losses, no adjustment is required.

Note 3: Special attention should be paid to the following when performing cash flow analysis:

1. Net cash flow from operating activities represents the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures represent the annual cash outflows from capital investments.
3. Increase in inventory is included only if the ending balance is greater than the beginning balance, or zero if inventory decreases at the end of the year.
4. Cash dividends include cash dividends on common stock and preferred stock.
5. Gross property, plant and equipment represent the total amount of property, plant and equipment before accumulated depreciation.

Note 4: The issuer should distinguish between fixed and variable operating costs and operating expenses according to their nature, and where estimates or subjective judgments are involved, pay attention to the reasonableness and maintain consistency.

Note 5: If the Company's stock has no face value or the face value per share is not NT\$10, the ratios related to paid-in capital in the preceding paragraph should be replaced with the ratio of equity attributable to shareholders of the parent in the balance sheet.

## (II) Financial analysis - Individual

Analysis item (Note 2)		Year	Financial analysis for the most recent 5 years (Note 1)					For the year up to March 31, 2023 (Note 1)
			2018	2019	2020	2021	2022	
Capital structure (%)	Debt to assets ratio		59.05	58.64	52.40	61.65	57.90	Not applicable
	Ratio of long-term capital to property, plant, and equipment		164.72	180.35	191.15	214.55	285.38	
Solvency (%)	Current ratio		103.85	97.66	96.31	96.01	106.75	
	Quick ratio		56.84	60.50	58.52	48.23	59.73	
	Interests coverage multiplier		10.02	11.27	7.58	8.75	32.40	
Operating performance	Accounts receivable turnover rate (times)		3.09	2.88	2.64	2.79	3.06	
	Average collection days		118.19	126.80	138.16	130.82	119.18	
	Inventory turnover rate (times)		2.91	3.00	3.15	2.56	2.38	
	Accounts payable turnover rate (times)		4.99	4.41	4.75	5.24	4.01	
	Average sales days		125.43	121.67	115.87	142.58	153.36	
	Property, plant and equipment turnover rate (times)		3.58	3.52	2.93	3.00	3.97	
	Total assets turnover rate (times)		0.88	0.86	0.79	0.63	0.68	
Profitability	Return on assets (%)		3.36	4.08	2.84	2.53	12.40	
	Return on equity (%)		7.08	9.04	5.77	5.39	29.72	
	Net profits before tax to paid-in capital (%)		14.21	19.74	9.75	10.22	83.28	
	Net profit margin (%)		3.24	4.24	3.43	3.29	16.18	
	Earnings per Share (NT\$)		1.21	1.61	1.06	1.00	6.39	
Cash flow	Cash flow ratio (%)		(0.88)	14.86	26.68	(10.66)	11.96	
	Cash flow adequacy ratio (%)		6.92	34.40	65.61	43.54	59.66	
	Cash reinvestment ratio (%)		(3.88)	13.57	18.96	(15.78)	8.27	
Leverage	Operating leverage		78.90	22.43	(173.65)	(74.16)	18.97	
	Financial leverage		1.69	1.16	0.51	0.73	1.18	

Please specify the reasons for the changes in the financial ratios for the most recent 2 years (This section need not be filled in if the change is within 20%)

1. Ratio of long-term capital to fixed assets increased in 2022 from 2021 mainly due to the increase in net profit in 2022 resulting in the increase in shareholders' equity.
2. Quick ratio increased in 2022 from 2021 mainly due to the increase in net profit in 2022 resulting in the increase in quick assets such as bank deposits.
3. Interests coverage multiplier increased in 2022 from 2021 mainly due to the increase in net profit resulting in the increase in net profit before tax.
4. Accounts payable turnover rate decreased in 2022 from 2021 mainly due to the decrease in purchases in 2022.
5. Property, plants, and equipment turnover rate increased in 2022 from 2021 mainly due to the increase in operating revenue in 2022.
6. All profitability ratios increased in 2022 from 2021 mainly due to the increase in profit in 2022.
7. All cash flow ratios increased in 2022 from 2021 mainly due to the increase in profit resulting in the increase of cash flow from operating activities.
8. Operating leverage increased in 2022 from 2021 mainly due to the increase in profit in 2022.

Note 1: The financial data from 2018 to 2022 was audited and attested by CPAs; the financial data for the first quarter of 2023 was reviewed by CPAs.

Note 2: The following calculation formula should be shown at the end of this table in the annual report.

1. Capital structure

(1) Debt to assets ratio = total liabilities/total assets

(2) Ratio of long-term capital to property, plant, and equipment = (total equity + non-current liabilities)/net property, plant, and equipment.

2. Solvency

(1) Current ratio = current assets/current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities.

(3) Interests coverage multiplier = net profits before tax and interest expense/interest expense for the period.

3. Operating performance

(1) Receivables (including accounts receivable and notes receivable from business operations) turnover rate = net sales/balance of average accounts receivable for various periods (including accounts receivable and notes receivable from business operations).

(2) Average collection days = 365/receivables turnover rate.

(3) Inventory turnover rate = costs of goods sold/average inventory.

(4) Payables (including accounts payable and notes payable from business operations) turnover rate = costs of goods sold/balance of average accounts payable for various periods (including accounts payable and notes payable from business operations).

(5) Average sales days =  $365/\text{inventory turnover rate}$ .

(6) Property, plant, and equipment turnover rate =  $\text{net sales}/\text{average net property, plant, and equipment}$ .

(7) Total assets turnover rate =  $\text{net sales}/\text{average total assets}$ .

#### 4. Profitability

(1) Return on assets =  $[\text{net profits after tax} + \text{interest expense} \times (1 - \text{tax rate})]/\text{average total assets}$ .

(2) Return on equity =  $\text{net profits after tax}/\text{average total equity}$ .

(3) Net profit margin =  $\text{net profits after tax}/\text{net sales}$ .

(4) Earnings per share =  $(\text{net profits attributable to shareholders of the parent} - \text{preferred stock dividend})/\text{weighted average number of shares outstanding}$ . (See Note 2)

#### 5. Cash flow

(1) Cash flow ratio =  $\text{net cash flow from operating activities}/\text{current liabilities}$ .

(2) Cash flow adequacy ratio =  $\text{sum of net cash flow from operating activities for the most recent 5 years}/\text{sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 years}$ .

(3) Cash reinvestment ratio =  $(\text{net cash flow from operating activities} - \text{cash dividend})/(\text{gross property, plant, and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})$ . (See Note 3)

#### 6. Leverage:

(1) Operating leverage =  $(\text{net operating revenues} - \text{variable operating costs and expenses})/\text{operating profits}$  (See Note 4).

(2) Financial leverage =  $\text{operating profits}/(\text{operating profits} - \text{interest expense})$ .

Note 2: Special attention should be paid to the following when measuring earnings per share with the above calculation formula:

1. Based on the weighted-average number of common shares rather than the number of shares outstanding at the end of the year.
2. Where there is cash capital increase or treasury stock transactions, the weighted average number of shares should be used considering the period of circulation.
3. Where there is a capital increase by retained earnings or capital surplus, when calculating the annual or semi-annual earnings per share for previous years, retrospective adjustments should be made in proportion to the capital increase, regardless of the issuance period of such capital increase.
4. If the preferred shares are non-convertible and cumulative, their dividends for the current year (whether paid or not) should be deducted from the net profits after tax, or added to the net losses after tax. If the preferred shares are non-cumulative, their dividends should be deducted from net profits after tax if there are net profits after tax; if there are net losses, no adjustment is required.



Note 3: Special attention should be paid to the following when performing cash flow analysis:

1. Net cash flow from operating activities represents the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures represent the annual cash outflows from capital investments.
3. Increase in inventory is included only if the ending balance is greater than the beginning balance, or zero if inventory decreases at the end of the year.
4. Cash dividends include cash dividends on common stock and preferred stock.
5. Gross property, plant and equipment represent the total amount of property, plant and equipment before accumulated depreciation.

Note 4: The issuer should distinguish between fixed and variable operating costs and operating expenses according to their nature, and where estimates or subjective judgments are involved, pay attention to the reasonableness and maintain consistency.

Note 5: If the Company's stock has no face value or the face value per share is not NT\$10, the ratios related to paid-in capital in the preceding paragraph should be replaced with the ratio of equity attributable to shareholders of the parent in the balance sheet.

**(3) Financial analysis - Enterprise Accounting Standard of the ROC**

Analysis item		Year	Financial analysis for the most recent 5 years				
		Year	Year	Year	Year	Year	
Capital structure (%)	Debt to assets ratio	Not applicable					
	Ratio of long-term capital to <u>property, plant, and equipment</u>						
Solvency (%)	Current ratio						
	Quick ratio						
	Interests coverage multiplier						
Operating performance	Accounts receivable turnover rate (times)						
	Average collection days						
	Inventory turnover rate (times)						
	Accounts payable turnover rate (times)						
	Average sales days						
	<u>Property, plant, and equipment</u> turnover rate (times)						
	Total assets turnover rate (times)						
Profitability	Return on assets (%)						
	Return on equity (%)						
	Ratio to paid-up capital (%)						Operating profit
							Net profits before tax
	Net profit margin (%)						
	Earnings per Share (NT\$)						
Cash flow	Cash flow ratio (%)						
	Cash flow adequacy ratio (%)						
	Cash reinvestment ratio (%)						
Leverage	Operating leverage						
	Financial leverage						

Please specify the reasons for the changes in the financial ratios for the most recent 2 years (This section need not be filled in if the change is within 20%)

### **III. Audit Committee Review Report on the financial statements for 2022**

## **NEXCOM International Co., Ltd.**

### **Audit Committee Review Report**

The Board of Directors prepared and presented the Company's 2022 Business Report, 2021 individual financial statements, and 2021 consolidated financial statements, among which the 2021 individual financial statements and 2021 consolidated financial statements were audited by CPA Wu Han-Chi and CPA Tsai Yi-Tai of PwC Taiwan, who also released an independent auditors' report containing their opinion. The above-mentioned financial statements have been reviewed by the Audit Committee and no discrepancies have been found and a report was prepared for your review according to the provisions of Article 219 of the Company Act and Article 14-4 of the Securities and Exchange Act.

**To**

**The 2023 General Shareholders' Meeting of NEXCOM International Co., Ltd.**

**Audit Committee Convener**

**Wang Yun-Yuao**

**February 22, 2023**

- IV. The 2022 financial report includes Independent Auditors' Report, 2-year Comparative Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and Notes or Schedules**

**Please refer to Pages 167-249 of this Annual Report.**

- V. Individual financial report for 2022 audited and attested by CPAs**

**Please refer to Pages 250-332 of this Annual Report.**

- VI. If the Company or its affiliates have experienced financial difficulties in the most recent year or during the current year up to the date of publication of the annual report, their effects on the Company's financial status shall be disclosed: None.**

## Seven. Review and analysis of financial status and financial performance and risk

### I. Analysis of financial status

- (I) Main reasons for any material change in the company's assets, liabilities, or equity during the past 2 fiscal years, and the effect thereof:

Unit: NT\$ thousand

Year Item	2022	2021	Percentage of change	
			Increased (decreased) amount	%
Current assets	6,297,382	5,370,059	927,323	17
Funds and investments	59,019	139,426	(80,407)	(58)
Fixed assets	1,436,124	1,495,061	(58,937)	(4)
Intangible assets	55,462	72,981	(17,519)	(24)
Other assets	995,609	906,720	88,889	10
Total Assets	8,843,596	7,984,247	859,349	11
Current liabilities	4,726,350	4,665,694	60,656	1
Non-current liabilities	580,799	480,927	99,872	21
Total Liabilities	5,307,149	5,146,621	160,528	3
Capital stock	1,412,265	1,412,265	0	0
Capital reserves	367,987	367,763	224	0
Retained earnings	1,691,099	916,734	774,365	84
Other equities	(30,187)	(66,125)	35,938	(54)
Non-controlling interests	95,283	206,989	(111,706)	(54)
Total shareholders' equity	3,536,447	2,837,626	698,821	25

Description of items sustaining material changes (i.e., items of which the annually changed amount reached 20% and NT\$10 million or more in the past two fiscal years):

1. Funds and investments decreased from 2021 mainly due to the decrease in financial assets at fair value through other comprehensive income - non-current.
2. Intangible assets decreased from 2021 mainly due to the decrease in acquisition of intangible assets.
3. Non-current liabilities increased from 2021 mainly due to the increase in deferred income tax liabilities.
4. Retained earnings increased from 2021 mainly due to the increase in undistributed earnings.
5. Other equities increased from 2021 mainly due to the increase in other comprehensive income.
6. Non-controlling interests decreased from 2021 mainly due to the disposal of a subsidiary.
7. Total shareholders' equity increased from 2021 mainly due to the increase in undistributed earnings.

(II) Items wielding material impacts shall be disclosed, specifying therein future countermeasures, and their impact on the Company's business and financial affairs.

## II. Financial performance analysis

(I) Main reasons for any material change in operating revenues, operating profit, or pre-tax profit during the past 2 fiscal years:

Unit: NT\$ thousand

Item \ Year	2022	2021	Percentage of change	
			Increased (decreased) amount	(%)
Net operating income	7,916,697	6,780,580	1,136,117	17
Operating costs	5,906,015	5,215,867	690,148	13
Operating gross profit	2,010,682	1,564,713	445,969	29
Operating expenses	1,600,737	1,388,613	212,124	15
Operating profit	409,945	176,100	233,845	133
Non-operating income and expenses	943,546	29,195	914,351	3,132
Net profits before tax	1,353,491	205,295	1,148,196	559
Income tax expense	423,016	25,874	397,142	1,535
Net profits for the period	930,475	179,421	751,054	419
Other comprehensive income (net after tax) for the period	52,723	(16,717)	69,440	(415)
Total comprehensive income for the period	983,198	162,704	820,494	504
Net profits attributable to shareholders of parent company	902,188	141,545	760,643	537
Net profits (losses) attributable to non-controlling interests	28,287	37,876	(9,589)	(25)
Comprehensive income attributable to shareholders of parent company	951,529	126,258	825,271	654
Comprehensive income attributable to non-controlling interests	31,669	36,446	(4,777)	(13)
Earnings per share- Basic	6.39	1.00	5	539
Earnings per share- Diluted	6.38	1.00	5	538

Description of items sustaining material changes (i.e., items of which the annually changed amount reached 20% and NT\$10 million or more in the past two fiscal years):

1. Gross profit increased from 2021 mainly due to the increase in sales of high-gross-profit products.
2. Operating profit increased from 2021 mainly due to the increase in operating revenue.
3. Non-operating income and expenses increased from 2021 mainly due to the disposal of a subsidiary.
4. Profit before tax, income tax expenses, net income, net other comprehensive income for the period, total comprehensive income for the period, net profit attributable to shareholders of the parent, earnings per share - basic, and earnings per share -diluted increased from 2021 mainly due to the increase in operating revenue and the disposal of a subsidiary.

(II) Estimated sales amount and estimation basis:

Item	Estimated sales amount for 2023
Single-board computer (piece)	155,000
System product (unit)	520,000
Industrial computer peripherals (article)	175,000

The Company's estimated sales amount is based on consideration of the industrial environment, market supply and demand in the future, R&D plan, business development, the orders currently on hand, and the capacity improvement of contractors.

(III) Effects on the company's business and financial affairs; countermeasures:

The Company has been growing in scale and has a sound financial structure that is sufficient to cope with any expenses associated with future business growth. As such, there is no material impact on the Company's business and financial affairs.

### III. Cash flow analysis

(I) Description and analysis of cash flow changes in the most recent year (2022):

Unit: NT\$ thousand

Cash balance, beginning of period	Net cash flow from operating activities during the year	Net cash flow from other activities during the year	Cash balance (shortage)	Expected remedies for cash shortage	
				Investment plan	Wealth manageme nt plan
709,436	428,084	326,955	1,464,475	—	—

Net cash inflow from investing and financing activities of NT\$279,147 thousand was mainly due to the consideration received for the disposal of a subsidiary in 2022.

(II) Corrective actions responsive to insufficient liquidity: Not applicable.



(III) Cash flow analysis for the coming year:

Unit: NT\$ thousand

Cash balance, beginning of period	Net cash flow from operating activities during the year	Net cash flow from other activities during the year	Cash balance (shortage)	Expected remedies for cash shortage	
				Investment plan	Wealth managemen t plan
1,464,475	500,000	-	1,964,475	—	—

Analysis of changes in projected cash flows for the coming year:

- (1) Operating activities: In terms of operating revenue, it is expected to slowly return to steady growth after materials supply shortage has eased the impacts of the COVID-19 pandemic have subsided and therefore more cash inflow from operating activities.
- (2) Investing and Financing Activities: Expected to receive the second consideration for the disposal of a subsidiary in 2022. In addition, the Company will continue to acquire assets and software for its operational needs, distribute cash dividends, directors remuneration and employee bonus, and actively repay short- and long-term borrowings to reach breakeven.

**IV. Effect of major capital expenditures on finance and business matters in the most recent year: None.**

**V. Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.**

**(I) Reinvestment Policy**

The Company has established its “Regulations Governing the Supervision of Subsidiaries”, and stipulated a set of investee management procedures in its investment cycle; both serve as the guidelines on engaging in or managing investees.

**(II) Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, and the plan for improving re-investment profitability**

1. Nex Computers, Inc., Nexcom Japan Co., Ltd., Nexcom International Co.,Ltd.(SAMOA), Green Base Technology Corp., NexAIOT Co., Ltd., and NexCOBOT Taiwan CO.,Ltd. recognized a reinvestment profit in the amount of NT\$829,848 thousand in 2022 primarily due to the disposal of a subsidiary in 2022 and the ease of material shortages leading to the increases in both sales and number of projects.
2. Nexcom Europe Ltd., NEXCOBOT Inc., EMBUX Technology Co., Ltd, All IoT Cloud Corp., and TMR Technologies Co., Ltd. recognized an investment loss in the amount of NT\$15,170 thousand in 2022. Such an operating loss is due to the subsidiaries still being in the business development phase where economies of scale are not yet achieved. They will focus on product development and business promotion in the future in order to increase operating revenue and profit. In addition, Nexcom France was liquidated in December 2022.
3. In order to effectively integrate group resources, Nexcom France was liquidated in December 2022.

### (III) Investment Plan for the Coming Year

The Company will continue its investment at home and abroad, deploy globally, and expand scale, so as to swiftly seize the business opportunities embedded in the various application fields of industrial computer products and thereby maintain the growth momentum.

## VI. Risk analysis

- (I) Impact of changes in the interest rates, exchange rates, and inflation on the Company's profit and loss in the most recent year and in the current year up to the publication date of this annual report, and future countermeasures

Unit: NT\$ thousand

Risk item	Impact on the Company's profit or loss			Future countermeasures
	Financial account	As of March 31, 2023	2022	
Interest rate	Interest income	186	1663	<ol style="list-style-type: none"> <li>Accounting for a minor percentage of the Company's operating revenue and net profits before tax, the interest income has no material impact on the Company's profit or loss.</li> <li>The Company's Finance Unit has minimized the impact of interest rate fluctuation on the Company by keeping close relations with many financial institutions and striving for favorable borrowing rates.</li> </ol>
	Interest expense	12,877	45,521	
Exchange rate	Gain (loss) on exchange	17,868	84,333	<ol style="list-style-type: none"> <li>By buying and selling foreign deposits at an appropriate time at which the Company uses the foreign currency derived from sales to pay the foreign currency payables arising from purchase, and by taking out foreign currency borrowings, the Company lowers the impact of exchange rate changes on the profit or loss and thereby achieves a natural hedging effect.</li> <li>The Company will closely observe the foreign exchange rate trend to have a good grasp of the market information. If the exchange rate changes substantially, the Company negotiates transaction prices with existing customers or suppliers to an extent appropriate to alleviate the shock of exchange rate changes to the Company's revenue and profits.</li> <li>The Company will attend to changes in the foreign exchange market and, where appropriate, conduct foreign currency hedging operation using derivatives with a hedging nature, e.g., selling foreign exchange forward contracts to avert exchange rate risk and thereby minimize the effect of exchange rate changes on the Company's profit or loss.</li> </ol>
Inflation	-	—	-	The Company has taken the initiative to reduce costs and at the same time kept close relations with suppliers and customers. In the event of a price hike of raw materials, it dynamically adjusts its procurement and sales policies matching prices to relax to inflation pressure.

- (II) Policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

Risk item	State of implementation	Policy and countermeasures
High-risk, highly-leverage investments	The Company did not engage in any high-risk or highly-leverage investments. Mainly the investment in the establishment of domestic and foreign operating bases, a majority of which being the strategic alliance in which the Company holds a majority stake or which is associated with Company's primary business activities.	The Company focuses on operating its primary business and does not engage in any high-risk or highly-leverage investments.
Lending funds to others; Endorsement and guarantee	The parties for which the Company makes an endorsement or guarantee are all its subsidiaries, sub-subsidiaries, or associates.	The Company makes endorsement and guarantee in accordance with its "Operating Procedures for Loaning of Funds to Others" and "Operating Procedure for Making of Endorsements/Guarantees" and, as required by law, timely and accurately discloses the various information.
Derivative trading	The Company did not engage in derivative trading in the period between January 1, 2022 through March 31, 2023.	If there is a need for engaging in derivative trading in the future for the purposes of exchange rate hedging or business development, the Company will do so in accordance with its "Procedures for Acquisition and Disposal of Assets" and, as required by law, timely and accurately disclose the various trading information.

(III) Future R&D plans and estimated R&D expenses

1. Future annual R&D plans

(1) Vertically integrated hardware platform product development

High-end network security dedicated hardware platform

5G Open-RAN telecom network access platform

Smart high-performance 5G professional universal user-end device

- 5G disaggregated cell site gateway router
- Industrial network security gateway
- NISE/NIFE series industrial automation dedicated hardware platform
- VTC/VMC/MVS/ATC series telematics hardware platform
- nROK/aROK/vROK series railway information and communication hardware platform
- NViS series network digital high performance surveillance and video recording system
- NDiS series outdoor visual display computer hardware system
- Neu-X series automatic service machine and equipment hardware platform
- XPPC series ultra-thin touchscreen computer hardware platform
- AIEdge series AI application hardware system
- nPAC programmable automation controller
- nDAS IoT Smart Device
- NexMOV autonomous mobile robot
- (2) Advanced hardware technology development
  - 5G communication network equipment hardware platform
  - 400G class UHF broadband card development
  - Introduce the computing platforms that are based on the latest high-performance x86 and ARM architecture
  - Development of 5G low-latency disaggregated cell site gateway router
  - Research and development of 800G and 1.6T network technology
  - Application of the various AI accelerator cards to telematics
  - Application of an intelligent controller to autonomous mobile robots
  - Application of an FPGA hardware accelerator to AI vision
  - Functional safety (FuSa) hardware platform integration
  - Robot functional safety controller development
  - Robot joint module development
  - EtherCAT miniaturized I/O module development
  - Development of handheld robot teaching pendant
  - Development of handheld robot teaching pendants (functional safety version)
- (3) Emerging application technology and integrated solution development
  - 5G private network hardware platform integration solution
  - 5G smart network gateway integrated application solution
  - Atlas OS embedded network communication operating system
  - Integration solution of ONL + PTP/SyncE applications to DCSG

Develop solutions in which in-vehicle the android system that is compatible with customer's APP

Develop in-vehicle audio and video remote transmission solutions

Development of public transportation ITxPT standards

Webcam person/vehicle detection and multiple target tracking technology

Webcam electronic fence system

Webcam behavior model analysis technology

Thermal image webcam technology

Speed Dome servo control and object autofocus technology

WiFi low-power-consumption vibration analysis solution

Low-power-consumption BLE mesh network smart building energy conservation solution

Robot offline programming language

Robot P-T motion pattern control technology

Robot speed control technology

Robot singularity speed control technology

Collaborative robot dynamic parameter identification technology

Collaborative robot sensorless collision detection technology

Development of robot external TCP function

Robot eye on hand correction technology

EtherCAT Functional Safety FSoE Technology

EtherCAT advanced remote control function

EtherCAT advanced cable redundant function

eSAF Frontier X series IT/OT network protection technology for malware and cyberattack prevention

eSAF Frontier V series OT protection technology for web mining and deep packet inspection

## 2. Estimated R&D expenses

The R&D expenses stated on the financial statements for 2022 and 2021 accounted for 6.97% and 8.75%, respectively, of the operating revenue. Estimated R&D expenses for 2023 stands at NT\$570,000 thousand.

### (IV) The impact of changes in significant policy and laws, domestic and foreign alike, on the Company's finance and business matters and the countermeasures

The Company's business and finance matters were not impacted by any changes in domestic or foreign policy and laws that are significant in the most recent year. However, to cope with future changes, the Company plans related countermeasures based on the

consultation with and recommendation of the professional accounting and law units in order to mitigate the impact of changes in domestic and foreign policy and law on the Company's business and finance matters.

- (V) The impact of technological changes (including cyber safety risks) and industry changes on the Company's finance and business matters and the countermeasures

Labor shortage has been bothering the industry over the past years. As time and environment shifts, the new generation have largely lost a diligent work attitude, but have embraced fun and changes at work. To cope with future changes, the Company has launched automation to minimize the requirements for labors, so that the production process can be simpler and purer. Reducing the dependence on human intelligence and making the production process simpler is the direction that the Company is heading towards. To respond to the soaring domestic demands of China and its made-in-China policy, the Company must adopt a strategy that shifts certain production to China. Production in Taiwan still has a niche, in that it can provide low-quantity highly-customized products.

IoT will be an important trend that thrives in the post PC era, having the technology serve humanity. IoT applications will also cover the IPC industry. This is a customized product that features diversified specifications and is produced in little quantity by multiple means; it requires flexibility from order-taking to production and a short time-to-market. Such an advantage, which the IPC industry used to distinguish itself from the PC industry, will give the IPC industry more say on the market if taking into account future market variation trend.

- (VI) Impact of recent corporate image change on corporate crisis management, and countermeasures

The Company's corporate image has been good. The Company did not engage in any illegal conduct, and no change in corporate image occurred. The Company's corporate crisis management mechanism functions well. The Crisis Management Team composed of the Company's responsible person, spokesperson, and related executives is fully competent to cope with any contingency. The emergency procedures will start upon the occurrence of a corporate crisis. The Crisis Management Team will handle the crisis and assign corresponding contacts who are responsible for disclosing real-time and correct information and related countermeasures to investors, the competent authority, and the media.

- (VII) Expected benefits and possible risks of the merger and acquisition, and countermeasures

As of the most recent year and in the current year up to the publication date of this annual report, the Company did not have any merger and acquisition plan. Should there be



any merger and acquisition plan in the future, it should be prudently evaluated based on the consideration as to whether such a merger and acquisition brings concrete synergy to the Company, so as to ensure the original shareholder equity.

(VIII) Expected benefits of plant expansion, possible risks, and countermeasures

Any expansion or addition to the Company's plant must undergo a feasibility analysis and a financial analysis, and be supplemented with countermeasures.

(IX) Risks associated with the concentration of purchases and sales, and countermeasures

As disclosed in related chapters of this annual report, the Company mainly purchases from and sells to the parties based on considerations regarding their distinctively industrial characteristics and the Company's needs at different operating phases. In the future, the Company will mitigate the purchase and sales concentration risk by developing important clients, new projects, new suppliers of parts and components, and new partnership with clients.

(X) Any risk associated with substantial shift or change in shareholding of directors, supervisors, or major shareholders holding more than 10% of total issued shares, its impact on the Company, and the countermeasures therefor: As of the most recent year and in the current year up to the publication date of this annual report, none of the Company's directors, supervisors, or major shareholders holding more than 10% of total issued shares shifted a substantial portion of their shareholding to others; as such, the impact on the Company should not be material.

(XI) The impact of the change in management rights on the Company, the risks, and countermeasures

There was no change in management rights in the most recent year and the current year up to the publication date of this annual report. All of the Company's directors and employees have been striving to manage the Company, a reason why the Company has remained a good operational performance in the past years. In the future, the Company will uphold a philosophy of a robust management to earn shareholders' recognition for the management team. As such, it's not likely that a substantial shift or change in shareholding will occur such that the management rights are changed and thereby the Company is impacted or any risks arise therefrom.

(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, supervisors, president, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10%, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially

affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:

1. For any litigious, non-litigious or administrative disputes, whether concluded or still in progress, of which the results might materially affect shareholder equity or securities prices as of the most recent year and in the current year up to the publication date of this annual report, the annual report shall disclose the fact in dispute, the monetary amount involved in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute: None.
2. For major litigious, non-litigious or administrative disputes, whether concluded or still in progress as of the most recent year and in the current year up to the publication date of this annual report, that involve the company and/or any company director, supervisors, president, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10%, and/or any company or companies controlled by the company, where the results might materially affect shareholder equity or securities prices, the annual report shall disclose the fact in dispute, the monetary amount involved in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute: None.

(XIII) Other important risks and countermeasures: None.

## **VII. Other important matters: Matters associated with cyber-security risk assessment and analysis, and countermeasures therefor**

To satisfy the information security needs requisite for supply chain safety and internal audit and internal control, NEXCOM has formulated a set of regulations for risk assessment and evaluation, including:

### **(I) A responsible unit for risk assessment**

The Risk Control Team evaluates and identifies the risk of possible information security threats and incidents, with the participating departments being:

1. IT Management Department: Evaluate and handle the risks associated with information assets.
2. Administration and Service Department: Evaluate the physical security risk (e.g., access control).
3. Personnel Department: Formulate and promulgate related regulations; announce the rewards to and discipline on personnel.
4. Other user departments: Evaluate the risks associated with daily operations.

## (II) Means of evaluation

- 1 By using scientific data and evidence, the Company quantitatively assesses the possibility of hazardous effects that might impact certain assets exposing to certain threats.
- 2 The following items are defined:
  - (1) Asset (A)
  - (2) Threat (T)
  - (3) Vulnerability (V)
  - (4) Exposure frequency (E)
  - (5) Likelihood (L)
  - (6) Consequence (C)
  - (7) Security risk = Consequence (C) \* Likelihood (L)
- 3 Asset inventory and risk evaluation are regularly conducted to define each asset's risk level (index).
- 4 Vulnerability risk index are ranked in order of scores to serve as a reference for the Company's risk improvement in order of priority.

## (III) Means of control

- 1 Countermeasures are formulated to mitigate the possibility of the occurrence of a threatening circumstance and thereby the occurrence of security incidents of such kind, or to reduce the harm brought by such a threatening circumstance.
- 2 Countermeasures may be in either of the following forms:
  - (1) Being dealt with: Dealt with by concrete measures within the organization.
  - (2) Transfer: Transfer of substantive risk to other places, points in time, or parties.
  - (3) Termination: This might be that the risk has reached a certain extent such that the organization decides not to continue such an activity.

## (IV) Improvement planning and measures:

- 1 After the means to control and plan the risk is determined, each unit fills the improvement planning and measures in the column titled "Expected risk management measures" of the "Information Asset Risk Evaluation Record", and implements the control of the "Risk Management Plan and Project Table".
- 2 Each unit executive shall communicate with their staff so that the staff understand the supply chain security risk resulting from the staff's operation, and the means to control the risk.

## Eight. Special Items

### I. Information on affiliates

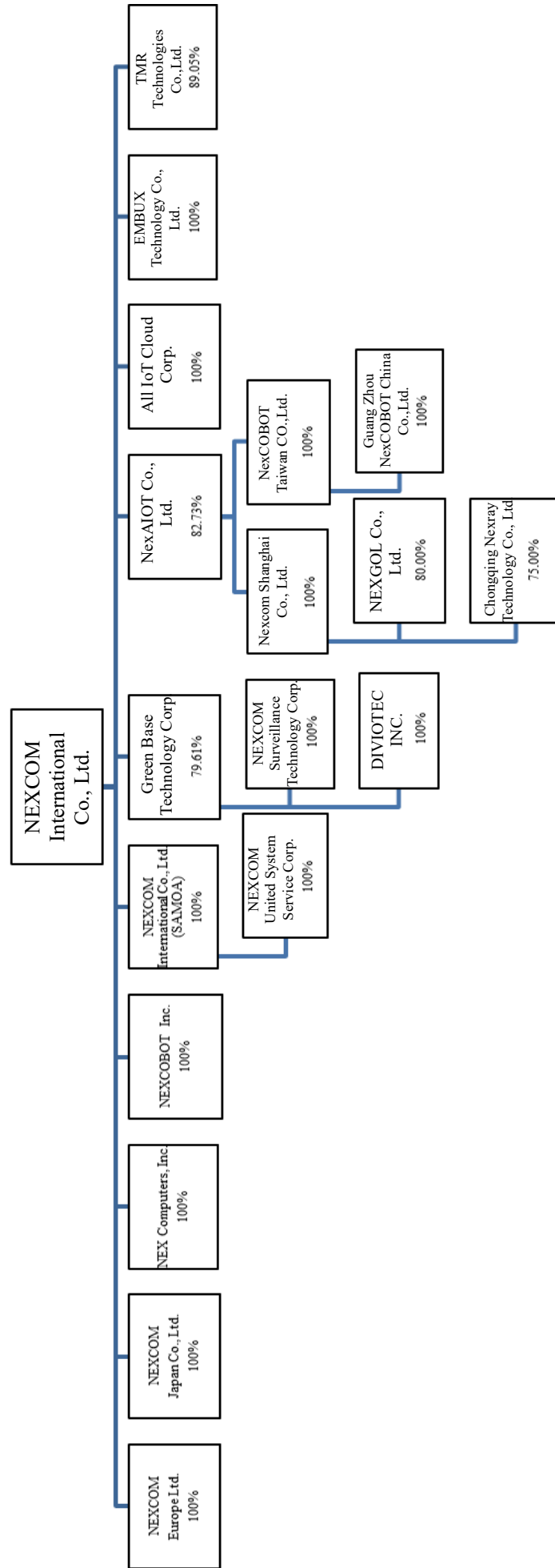
#### (I) Consolidated business report of affiliates

##### 1. Overview of affiliates

##### (1) Organizational chart of affiliates

NEXCOM International Co., Ltd.

Organizational chart of affiliates



## (2) Basic information on affiliates

December 31, 2022

Unit: NT\$ thousand

Company name	Date incorporated	Address	Paid-in capital	Major business activities or product lines
NEXCOM Europe Ltd.	1999/07/19	10 Vincent Avenue, Crownhill Milton Keynes, MK80AB Buckinghamshire, U.K.	28,310	Computer and Peripheral Equipment Trading
Nex Computers, Inc.	1999/09/01	46665 Fremont Blvd, Fremont CA 94538, USA	56,977	Computer and Peripheral Equipment Trading
NEXCOM Japan Co., Ltd.	2000/12/04	9F, Tamachi Hara Bldg., 4-11-5, Shiba Minato-ku, Tokyo, Japan	12,762	Computer and Peripheral Equipment Trading
NEXCOM International Co., Ltd. (SAMOA)	2004/08/30	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	195,893	Investment
Green Base Technology Corp.	2011/05/20	13F., No. 922, Zhongzheng Rd., Zhonghe Dist., New Taipei City	173,044	Computer and Peripheral Equipment Trading
NexAIOT Co., Ltd.	2014/03/19	13F., No. 922, Zhongzheng Rd., Zhonghe Dist., New Taipei City	208,720	Computer and Peripheral Equipment Trading
Nexcom Shanghai Co., Ltd.	2014/05/12	Room 406-407, Building C, No. 154, Lane 953, Jianchuan Road, Minhang District, Shanghai	104,234	Computer and Peripheral Equipment Trading
EMBUX Technology Co., Ltd	2014/06/30	13F., No. 916, Zhongzheng Rd., Zhonghe Dist., New Taipei City	36,450	Computer and Peripheral Equipment Trading
NEXCOM United System Service Corp.	2015/03/30	Room 604, No. 609, East Yunling Road, Putuo District, Shanghai	33,998	Computer and Peripheral Equipment Trading
NEXCOM Surveillance Technology Corp.	2015/05/27	South Block B, 8th Floor, Building B3, Xiufeng Industrial City, Gankeng Community, Buji Street, Longgang District, Shenzhen	30,321	Computer and Peripheral Equipment Trading
All IoT Cloud Corp.	2015/09/08	13F., No. 922, Zhongzheng Rd., Zhonghe Dist., New Taipei City	10,000	Computer and Peripheral Equipment Trading
NEXGOL Co., Ltd	2017/02/21	Building 1, No. 999, Xingguang Avenue, Yongchuan District, Chongqing	44,650	Computer and Peripheral Equipment Trading
CHONGQING NEXRAY TECHNOLOGY Co., Ltd.	2017/03/27	Building 1, No. 999, Xingguang Avenue, Yongchuan District, Chongqing	17,888	Computer and Peripheral Equipment Manufacturing

Company name	Date incorporated	Address	Paid-in capital	Major business activities or product lines
TMR Technologies Co.,Ltd.	2017/10/06	13F., No. 916, Zhongzheng Rd., Zhonghe Dist., New Taipei City	26,072	Computer and Peripheral Equipment Trading
NexCOBOT Taiwan CO.,Ltd.	2018/04/03	13F., No. 916, Zhongzheng Rd., Zhonghe Dist., New Taipei City	60,000	Computer and Peripheral Equipment Trading
NEXCOBOT Inc.	2018/04/05	46665 Fremont Blvd, Fremont CA 94538, USA	5,921	Computer and Peripheral Equipment Trading
Guang Zhou NexCOBOT China Co.,Ltd.	2018/07/24	No. 008, Room 1716, No. 37, Jinlong, Nansha Street, Xiangjiang Financial Business Center, Nansha District, Guangzhou	15,777	Computer and Peripheral Equipment Trading
DIVIOTEC INC.	2012/11/05	29F.-1, No. 97, Sec. 4, Chongxin Rd., Sanchong Dist., New Taipei City	8,844	Computer and Peripheral Equipment Manufacturing

- (3) Information on the same shareholder of affiliates presumed to have a relationship of control or subordination: Not applicable.
- (4) Businesses covered by affiliate companies: Computer and Peripheral Equipment Manufacturing and Trading

(5) Information on directors, supervisors, and presidents of affiliate companies:

December 31, 2022  
Unit: thousand shares; %

Company name	Title	Name or Representative	Shareholding	
			Number of shares	Shareholding Percentage
NEXCOM Europe Ltd.	Director	NEXCOM International Co., Ltd. Representative: Lin Mao-Chang and Yang Chien-Hsing	580	100.00%
Nex Computers, Inc.	Director	NEXCOM International Co., Ltd. Representative: Lin Mao-Chang and Yang Chien-Hsing	5,000	100.00%
NEXCOM Japan Co., Ltd.	Director	NEXCOM International Co., Ltd. Representative: Lin Mao-Chang, Yang Chien-Hsing, and Yang Yu-Shu	1	100.00%
	Supervisor	NEXCOM International Co., Ltd. Representative: Chen Yuan-Pin		
NEXCOM International Co., Ltd. (SAMOA)	Director	NEXCOM International Co., Ltd. Representative: Lin Mao-Chang	6,386	100.00%
Green Base Technology Corp.	Director	NEXCOM International Co., Ltd. Representative: Lin Mao-Chang, Yang Chien-Hsing, and Yang Hsing-Yao	13,777	79.62%
	Supervisor	Yang Yu-Shu	—	—
	President	Yang Hsing-Yao	—	—
NexAIOT Co., Ltd.	Director	NEXCOM International Co., Ltd. Representative: Lin Mao-Chang, Lin Hung-Chou, and Shen Chien-I	17,268	82.73%
	Supervisor	Yang Yu-Shu	—	—
	President	Lin Hung-Chou	—	—
Nexcom Shanghai Co., Ltd.	Director	NexAIOT Co., Ltd. Representative: Lin Mao-Chang	—	100.00%
	Supervisor	NexAIOT Co., Ltd. Representative: Chen Yuan-Pin		
NEXCOM United System Service Corp.	Director	NEXCOM International Co., Ltd. (SAMOA) Representative: Lin Mao-Chang	—	100.00%
	Supervisor	NEXCOM International Co., Ltd. (SAMOA) Representative: Chen Yuan-Pin		
	President	Wang Cheng-Jen	—	—
NEXCOM Surveillance Technology Corp.	Director	Green Base Technology Corp. Representative: Lin Mao-Chang	—	100.00%
	Supervisor	Green Base Technology Corp. Representative: Chen Yuan-Pin		
	President	Yang Hsing-Yao	—	—
All IoT Cloud Corp.	Director	NEXCOM International Co., Ltd. Representative: Lin Mao-Chang, Lin Hung-Chou, and Chen Po-Hsu	1,000	100.00%
	Supervisor	NEXCOM International Co., Ltd. Representative: Yang Yu-Shu		

Company name	Title	Name or Representative	Shareholding	
			Number of shares	Shareholding Percentage
NEXGOL Co.,Ltd	Director	Nexcom Shanghai Co., Ltd. Representative: Lin Mao-Chang and Lin Hung-Chou	—	80.00%
		Chongqing Googol Changjiang Research Institute Representative: Lu Shu	—	20.00%
	Supervisor	Chongqing Googol Changjiang Research Institute Representative: Lin Chen-Jung		
	President	Chen Chih-Hang	—	—
EMBUX Technology Co., Ltd	Director	NEXCOM International Co., Ltd. Representative: Lin Mao-Chang, Lin Hung-Chou, and Ting Wen-Ching	7,290	100.00%
	Supervisor	NEXCOM International Co., Ltd. Representative: Yang Yu-Shu		
	President	Ting Wen-Ching	—	—
TMR Technologies Co.,Ltd.	Director	NEXCOM International Co., Ltd. Representatives: Lin Mao-Chang, Lin Hung-Chou, and Lai Kuan-Chou	2,322	89.05%
	Supervisor	Yang Yu-Shu	—	—
	President	Lai Kuan-Chou	65	2.50%
NexCOBOT Taiwan CO.,Ltd.	Director	NexAIOT Co., Ltd. Representative: Lin Mao-Chang, Lin Hung-Chou, and Shen Chien-I	6,000	100.00%
	Supervisor	NexAIOT Co., Ltd. Representative: Yang Yu-Shu		
	President	Shen Chien-I	—	—
NEXCOBOT Inc.	Director	NEXCOM International Co., Ltd. Representative: Lin Mao-Chang and Lin Hung-Chou	200	100.00%
Guang Zhou NexCOBOT China Co.,Ltd.	Director	NexCOBOT Taiwan CO.,Ltd. Representative: Lin Mao-Chang, Lin Hung-Chou, and Yang Ching-Cheng	—	100.00%
	Supervisor	NexCOBOT Taiwan CO.,Ltd. Representative: Tu Shu-Ling		
	President	Yang Ching-Cheng	—	—
CHONGQING NEXRAY TECHNOLOGY Co., Ltd.	Director	Suzhou Surite Trading Co., Ltd. Representative: Ma Yuan	—	25.00%
		Nexcom Shanghai Co., Ltd. Representative: Lin Hung-Chou and Lin Ming-Hao	—	75.00%
	Supervisor	Nexcom Shanghai Co., Ltd. Representative: Chen Chih-Hang		
	President	Tu Cheng-Yen	—	—
DIVIOTEC INC.	Director	Green Base Technology Corp. Representative: Lin Mao-Chang, Yu Ju-Fen, and Yang Hsing-Yao	884	100.00%
	Supervisor	Green Base Technology Corp. Representative: Yang Yu-Shu		
	President	Yu Ju-Fen	—	—

Note: Information on directors, supervisors, and presidents of affiliates as of the publication date of this annual report.



(II) Consolidated Financial Statements of Affiliates

NEXCOM International Co., Ltd.

Declaration of Consolidated Financial Statements of Affiliates

Considering that the companies to be included into the consolidated financial statements of affiliates under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises ” were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 in 2022 (from January 1, 2022 to December 31, 2022) and the related information to be disclosed in the consolidated financial statements of affiliates was already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliates were prepared separately.

In witness thereof, the Declaration is hereby presented.

Company name: NEXCOM International Co., Ltd.

Responsible person: Lin Mao-Chang

February 22, 2023

(III) Affiliation Report: Not applicable, because, by law, the Company does not need to prepare an affiliation report.

- II. Private placement of marketable securities in the most recent year and the current year up till the publication date of this annual report: None.**
- III. Holding or disposal of the Company's shares by its subsidiaries in the most recent year and the current year up to the publication date of this annual report: None.**
- IV. Other matters that require additional explanation: None.**
- V. Any events in the most recent year and the current year up to the publication date of this annual report that materially affect shareholders' equity or the price of securities as defined in Paragraph 2, Subparagraph 2, Article 36 of the Securities and Exchange Act: None.**

**NEXCOM INTERNATIONAL CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2022 AND 2021**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of NEXCOM International Co., Ltd.

PWCR22000525

### **Opinion**

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

In our opinion, based on our audits and the reports of other auditors (refer to the Other matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

### **Basis for opinion**

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

### **Emphasis of matter - Disposal of subsidiaries in Beijing**

We draw attention to Notes 4(3) and 6(32) to the consolidated financial statements, which describes that the Board of Directors of the Company resolved to dispose all the shares of its second-tier subsidiary, NEXSEC Incorporated and the Group's subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022. Consequently, the Group lost control over the abovementioned subsidiaries and recognised a gain on disposal of NT\$846,367 thousand in 2022. Our opinion is not modified in respect of this matter.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

### **Adequacy of allowance for inventory valuation loss**

#### Description

Refer to Note 4(12) for description of accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(4) for details of inventories. As of December 31, 2022, the Group's inventories and allowance for inventory valuation loss amounted to NT\$2,744,077 thousand and NT\$330,812 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of industrial personal computers and there is a higher risk of inventory losing value or becoming obsolete due to the rapid technology innovation and stiff competition in the market. The Group's inventories are stated at the lower of cost and net realisable value, and the Group recognises loss on decline in value of obsolete or damaged inventories based on specific identification.

Since the amounts of inventories are material, types of inventories are various, and the identification of the net realisable value for individually identified obsolete or scrap inventories involves subjective judgement, we identified the adequacy of allowance for inventory valuation loss a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding of and assessed the reasonableness of accounting policies on provision of allowance for inventory valuation losses and confirmed whether they were adopted consistently in the comparative period.

- B. Inspected the annual plan of the physical inventory count and performed observation of inventory count, and evaluated the effectiveness of procedures in determining obsolete inventories.
- C. Verified the appropriateness of the system logic in calculating the ageing of inventories, and confirmed whether it is consistent with the accounting policy.
- D. For the net realisable value of inventories that are over a certain age and individually identified obsolete and damaged inventories, discussed with the management, obtained supporting documents and reviewed the calculation of the net realisable value.
- E. Tested the market price used to estimate the net realisable value of individual inventories, and selected samples to verify the calculation of net realisable value.

## **Cutoff of sales revenue**

### Description

Refer to Note 4(28) for description of accounting policy on revenue recognition and Note 6(25) for the details of operating revenue.

The Company's sales mainly arise from manufacturing and sales of industrial personal computers and is mainly for export. The Company recognises export revenue in accordance with the terms of the transaction with the customer. Since the Company has many sales targets, sales regions and transaction conditions, we considered the cutoff of sales revenue as a key audit matter

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding of the transaction terms of sales revenue and tested the internal control relating to revenue recognition
- B. Selected samples to check the supporting documents for revenue recognition. The procedures performed include checking relevant documents such as orders and delivery orders to evaluate the appropriateness of cutoff of revenue.
- C. Performed sales transaction cut-off test for a certain period before and after balance sheet date to assess the appropriateness of cutoff on sales revenue.

***Other matter - Reference to the audits of other auditors***

The financial statements of certain subsidiaries and investments accounted for under the equity method as at and for the years ended December 31, 2022 and 2021 were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements in respect of these subsidiaries and investees, is based solely on the reports of the other auditors. Total assets of these subsidiaries including investments accounted for using equity method, amounted to NT\$1,562,997 thousand and NT\$338,702 thousand, constituting 18% and 4% of the consolidated total assets as at December 31, 2022 and 2021, respectively, and the operating revenue amounted to NT\$2,752,109 thousand and NT\$604,910 thousand, constituting 35% and 9% of the consolidated total operating revenue for the years then ended, respectively.

***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of NEXCOM International Co., Ltd. as at and for the years ended December 31, 2022 and 2021.

***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group's financial reporting process.

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

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

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

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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Wu, Han-Chi

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Tsai, Yi-Tai

For and on Behalf of PricewaterhouseCoopers, Taiwan

February 22, 2023

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,464,475	17	\$ 709,436	9
1150	Notes receivable, net	6(2)	2,919	-	8,713	-
1170	Accounts receivable, net	6(2)	1,896,736	21	1,598,043	20
1180	Accounts receivable - related parties	7	23,107	-	107,770	1
1200	Other receivables	6(3)	421,861	5	51,056	1
130X	Inventory	6(4)	2,413,265	27	2,782,314	35
1410	Prepayments		75,019	1	112,727	1
11XX	Total current assets		6,297,382	71	5,370,059	67
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(5)	44,801	1	117,664	2
1535	Non-current financial assets at amortised cost	6(6)	307	-	3,899	-
1550	Investments accounted for under equity method	6(7)	13,911	-	17,863	-
1600	Property, plant and equipment	6(8) and 8	1,436,124	16	1,495,061	19
1755	Right-of-use assets	6(9)	435,946	5	546,523	7
1760	Investment property - net	6(11) and 8	172,555	2	174,075	2
1780	Intangible assets	6(12)	55,462	1	72,981	1
1840	Deferred income tax assets	6(30)	91,192	1	108,282	1
1900	Other non-current assets	6(13) and 8	295,916	3	77,840	1
15XX	Total non-current assets		2,546,214	29	2,614,188	33
1XXX	Total assets		\$ 8,843,596	100	\$ 7,984,247	100

(Continued)

**NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(14) and 8	\$ 2,470,000	28	\$ 2,542,702	32
2110	Short-term notes and bills payable	6(15)	100,000	1	100,000	1
2130	Current contract liabilities	6(25)	179,685	2	103,003	1
2150	Notes payable		382	-	181	-
2170	Accounts payable	7	1,232,124	14	1,340,179	17
2200	Other payables	6(16)	527,649	6	422,520	5
2230	Current income tax liabilities		108,336	1	22,646	-
2250	Provisions for liabilities - current	6(17)	31,059	-	27,912	1
2280	Current lease liabilities		66,524	1	93,375	1
2300	Other current liabilities	6(18)	10,591	-	13,176	-
21XX	Total current liabilities		4,726,350	53	4,665,694	58
Non-current liabilities						
2540	Non-current portion of non-current borrowings	6(18) and 8	-	-	477	-
2550	Provisions for liabilities - non-current	6(17)	11,490	-	9,744	-
2570	Deferred income tax liabilities	6(30)	184,376	2	1,514	-
2580	Non-current lease liabilities		382,451	5	467,127	6
2600	Other non-current liabilities		2,482	-	2,065	-
25XX	Total non-current liabilities		580,799	7	480,927	6
2XXX	Total liabilities		5,307,149	60	5,146,621	64
Equity attributable to owners of parent						
	Share capital	6(22)				
3110	Common stock		1,412,265	16	1,412,265	18
	Capital surplus	6(23)				
3200	Capital surplus		367,987	4	367,763	4
	Retained earnings	6(24)				
3310	Legal reserve		336,749	4	322,108	4
3320	Special reserve		66,125	1	45,978	1
3350	Unappropriated retained earnings		1,288,225	14	548,648	7
	Other equity interest					
3400	Other equity interest		( 30,187)	-	( 66,125)	( 1)
31XX	Equity attributable to owners of parent		3,441,164	39	2,630,637	33
36XX	Non-controlling interest		95,283	1	206,989	3
3XXX	Total equity		3,536,447	40	2,837,626	36
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	Total liabilities and equity		\$ 8,843,596	100	\$ 7,984,247	100

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

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items		Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(25) and 7	\$ 7,916,697	100	\$ 6,780,580	100
5000	Operating costs	6(4)(28)(29) and 7	( 5,906,015)	( 75)	( 5,215,867)	( 77)
5900	Gross profit from operations		2,010,682	25	1,564,713	23
	Operating expenses	6(28)(29)				
6100	Selling expenses		( 783,349)	( 10)	( 626,507)	( 9)
6200	Administrative expenses		( 189,558)	( 2)	( 181,297)	( 2)
6300	Research and development expense		( 551,492)	( 7)	( 593,414)	( 9)
6450	(Expected credit impairment loss) impairment gain determined in accordance with IFRS 9	12(2)	( 76,338)	( 1)	12,605	-
6000	Total operating expenses		( 1,600,737)	( 20)	( 1,388,613)	( 20)
6900	Operating profit		409,945	5	176,100	3
	Non-operating income and expenses					
7010	Other income	6(26)	71,773	1	83,413	1
7020	Other gains and losses	6(27)	921,523	12	( 20,970)	-
7050	Finance costs		( 45,521)	( 1)	( 34,605)	( 1)
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(7)	( 4,229)	-	1,357	-
7000	Total non-operating income and expenses		943,546	12	29,195	-
7900	<b>Profit from continuing operations before income tax</b>		1,353,491	17	205,295	3
7950	Income tax expense	6(30)	( 423,016)	( 5)	( 25,874)	( 1)
8200	<b>Profit for the year</b>		\$ 930,475	12	\$ 179,421	2

(Continued)

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

		Year ended December 31				
		2022		2021		
Items	Notes	AMOUNT	%	AMOUNT	%	
<b>Other comprehensive income</b>						
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>						
8311	Actuarial gains on defined benefit plans	6(20)				
		\$	2,650	-	\$ 6,075	-
8316	Unrealised gain (loss) on financial assets measured at fair value through other comprehensive income	6(5)				
			5,112	-	( 5,078)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)				
			( 530)	-	( 1,215)	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss					
			7,232	-	( 218)	-
<b>Other comprehensive income (loss) that will be reclassified to profit or loss</b>						
8361	Exchange differences on translation of foreign financial statements					
			45,491	-	( 16,499)	-
8360	Other comprehensive income (loss) that will be reclassified to profit or loss					
			45,491	-	( 16,499)	-
8300	<b>Total other comprehensive income (loss) for the year</b>		<u>\$ 52,723</u>	<u>-</u>	<u>( \$ 16,717)</u>	<u>-</u>
8500	<b>Total comprehensive income for the year</b>		<u>\$ 983,198</u>	<u>12</u>	<u>\$ 162,704</u>	<u>2</u>
Profit attributable to:						
8610	Owners of the parent		\$ 902,188	12	\$ 141,545	1
8620	Non-controlling interest		28,287	-	37,876	1
			<u>\$ 930,475</u>	<u>12</u>	<u>\$ 179,421</u>	<u>2</u>
Comprehensive income attributable to:						
8710	Owners of the parent		\$ 951,529	12	\$ 126,258	1
8720	Non-controlling interest		31,669	-	36,446	1
			<u>\$ 983,198</u>	<u>12</u>	<u>\$ 162,704</u>	<u>2</u>
Earnings per share (in dollars)						
9750	Basic earnings per share	6(31)				
			<u>\$ 6.39</u>		<u>\$ 1.00</u>	
9850	Diluted earnings per share	6(31)				
			<u>\$ 6.38</u>		<u>\$ 1.00</u>	

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

**NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Retained Earnings			Other Equity Interest				Non-controlling interest	Total	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income					
Year ended December 31, 2021												
	\$ 1,412,265	\$ 367,368	\$ 311,451	\$ 82,927	\$ 488,932	(\$ 24,993)	(\$ 20,985)		\$ 195,382	\$ 2,616,965	\$ 2,812,347	
	-	-	-	-	141,545	-	-		37,876	141,545	179,421	
	-	-	-	-	4,860	( 15,069)	( 5,078)		( 1,430)	( 15,287)	( 16,717)	
	-	-	-	-	146,405	( 15,069)	( 5,078)		36,446	126,258	162,704	
6(24)												
	-	-	10,657	-	( 10,657)	-	-		-	-	-	
	-	-	-	( 36,949)	36,949	-	-		-	-	-	
	-	-	-	-	( 112,981)	-	-		-	( 112,981)	( 112,981)	
6(21)	-	41	-	-	-	-	-		-	41	41	
	-	-	-	-	-	-	-		( 4,336)	-	( 4,336)	
	-	354	-	-	-	-	-		( 20,503)	354	( 20,149)	
	\$ 1,412,265	\$ 367,763	\$ 322,108	\$ 45,978	\$ 548,648	(\$ 40,062)	(\$ 26,063)		\$ 206,989	\$ 2,630,637	\$ 2,837,626	
Year ended December 31, 2022												
	\$ 1,412,265	\$ 367,763	\$ 322,108	\$ 45,978	\$ 548,648	(\$ 40,062)	(\$ 26,063)		\$ 206,989	\$ 2,630,637	\$ 2,837,626	
	-	-	-	-	902,188	-	-		28,287	902,188	930,475	
	-	-	-	-	2,120	42,109	5,112		3,382	49,341	52,723	
	-	-	-	-	904,308	42,109	5,112		31,669	951,529	983,198	
6(24)												
	-	-	14,641	-	( 14,641)	-	-		-	-	-	
	-	-	-	20,147	( 20,147)	-	-		-	-	-	
	-	-	-	-	( 141,226)	-	-		-	( 141,226)	( 141,226)	
6(5)	-	-	-	-	11,283	-	( 11,283)		-	-	-	
6(32)	-	-	-	-	-	-	-		( 150,137)	( 150,137)	( 150,137)	
	-	-	-	-	-	-	-		5,872	-	5,872	
	-	224	-	-	-	-	-		890	224	1,114	
	\$ 1,412,265	\$ 367,987	\$ 336,749	\$ 66,125	\$ 1,288,225	\$ 2,047	(\$ 32,234)		\$ 95,283	\$ 3,441,164	\$ 3,536,447	

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

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 1,353,491	\$ 205,295
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including investment property)	6(27)(28)	99,318	112,382
Depreciation (Right-of-use assets)	6(9)(28)	84,987	103,896
Amortization	6(12)(28)	36,309	41,174
Expected credit loss (impairment gain)	12(2)	76,338	(12,605)
Interest expense		36,886	24,560
Interest expense (lease liability)	6(9)	8,635	10,045
Interest income	6(26)	(7,713)	(899)
Dividend income	6(26)	(5,200)	(4,250)
Share-based payments	6(21)	-	41
Share of loss (profit) of associates accounted for under the equity method	6(7)	4,229	(1,357)
(Gain) loss on disposal and scrap of property, plant and equipment	6(27)	(522)	294
Gain on disposal of subsidiaries	6(27)	(846,367)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		5,594	8,927
Accounts receivable	(	521,621)	(31,623)
Accounts receivable - related parties	(	27,797)	(93,489)
Other receivables	(	39,442)	(16,642)
Inventories	(	337,221)	(1,353,595)
Prepayments		19,999	(72,496)
Other non-current assets	(	(9,200)	(663)
Changes in operating liabilities			
Contract liabilities		83,725	14,518
Notes payable		201	(1,733)
Accounts payable		426,476	533,640
Other payables		164,451	59,295
Provision		4,893	(2,942)
Other current liabilities		2,210	(9,288)
Other liabilities		260	-
Cash inflow (outflow) generated from operations		612,919	(487,515)
Interest received		1,663	888
Dividends received		5,200	4,250
Interest paid	(	(44,748)	(35,210)
Income tax paid	(	(146,950)	(42,035)
Net cash flows from (used in) operating activities		428,084	(559,622)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(5)	77,975	-
Decrease in financial assets at amortised cost		3,592	92
Acquisition of property, plant and equipment	6(32)	(84,130)	(71,292)
Proceeds from disposal of property, plant and equipment		1,480	117
Acquisition of intangible assets	6(32)	(34,010)	(25,480)
Increase in refundable deposits		10,671	3,165
Decrease in restricted assets		2,727	32,996
Increase in other non-current assets	(	(6,013)	-
Cash outflow from disposal of subsidiaries	6(32)	523,164	(4,704)
Increase in other non-current assets	(	(16,400)	(1,573)
Net cash flows from (used in) investing activities		479,056	(66,679)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term loans		25,931	660,155
Increase in short-term notes and bills payable		-	100,000
Payment of long-term debt	(	(5,245)	(4,810)
Increase (decrease) in guarantee deposits received		170	(8,542)
Payment of lease liabilities	(	(89,837)	(107,978)
Cash dividends paid	6(24)	(141,226)	(112,981)
Change in non-controlling interest		10,298	(4,336)
Net cash flows (used in) from financing activities	(	(199,909)	521,508

(Continued)

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
Effect of foreign exchange translations		\$ 47,808	( \$ 20,239 )
Net increase (decrease) in cash and cash equivalents		755,039	( 125,032 )
Cash and cash equivalents at beginning of year	6(1)	709,436	834,468
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,464,475</u>	<u>\$ 709,436</u>

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



NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

**1. HISTORY AND ORGANISATION**

Nexcom International Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) in November 1992. The Company and its subsidiaries (collectively referred herein as the "Group") are engaged in the manufacture and sales of industrial personal computers and peripherals, agent of distribution, design of computer programs and computer software applications, etc. The shares of the Company have been traded on the Taipei Exchange since June 7, 2007.

**2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION**

These consolidated financial statements were authorised for issuance by the Board of Directors on February 22, 2023.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

**(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") that came into effect as endorsed by the Financial Supervisory Commission ("FSC")**

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through other comprehensive income.
  - (b) Defined benefit asset recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
  - (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Footnote
			December 31, 2022	December 31, 2021	
Nexcom International Co., Ltd.	Nex Computers, Inc.	Sales of PCs and peripherals	100	100	
Nexcom International Co., Ltd.	Nexcom International Co., Ltd. (SAMOA)	General investment	100	100	
Nexcom International Co., Ltd.	Nexcom Japan Co., Ltd.	Sales of PCs and peripherals	100	100	
Nexcom International Co., Ltd.	Nexcom Europe Ltd.	Sales of PCs and peripherals	100	100	
Nexcom International Co., Ltd.	Nexcom France	Sales of PCs and peripherals	-	100	Note 5

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Footnote
			December 31, 2022	December 31, 2021	
Nexcom International Co., Ltd.	Greenbase Technology Corp.	Sales of PCs and peripherals	79.62	79.62	
Nexcom International Co., Ltd.	NexAIoT Co., Ltd.	Sales of PCs and peripherals	82.73	82.73	
Nexcom International Co., Ltd.	All IoTCloud Corp.	Sales of PCs and peripherals	100	100	
Nexcom International Co., Ltd.	EMBOX Technology Co., Ltd.	Sales of PCs and peripherals	100	100	
Nexcom International Co., Ltd.	TMR Technologies Co., Ltd.	Sales of PCs and peripherals	89.05	80	Note 4
Nexcom International Co., Ltd.	NexCOBOT Inc.	Sales of PCs and peripherals	100	100	
NexAIoT Co., Ltd.	NexCOBOT Taiwan Co., Ltd.	Sales of PCs and peripherals	100	100	Note 1
NexAIoT Co., Ltd.	Nexcom Shanghai Co., Ltd.	Sales of PCs and peripherals	100	100	Note 2

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Footnote
			December 31, 2022	December 31, 2021	
Nexcom International Co., Ltd. (SAMOA)	NEXSEC Incorporated	Sales of PCs and peripherals	-	69.73	Note 3
Nexcom International Co., Ltd. (SAMOA)	Zhuhai Xinxin Management Consulting Partnership	General investment	-	6.98	Note 3
Nexcom International Co., Ltd. (SAMOA)	Nexcom United System Service Co., Ltd.	Sales of PCs and peripherals	100	100	
Nexcom Shanghai Co., Ltd.	NEXGOL Co., Ltd.	Sales of PCs and peripherals	80	80	
Nexcom Shanghai Co., Ltd.	Chongqing NEXRAY Technology Co., Ltd.	Sales of PCs and peripherals	75	75	
Zhuhai Xinxin Management Consulting Partnership	NEXSEC Incorporated	Sales of PCs and peripherals	-	13.03	Note 3
NexCOBOT Taiwan Co., Ltd.	GuangZhou NexCOBOT China Co., Ltd.	Sales of PCs and peripherals	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Footnote
			December 31, 2022	December 31, 2021	
NEXSEC Incorporated	Dongguan Xing Han Yun Zhi Electronics Co., Ltd.	Sales of PCs and peripherals	-	60	Note 3
Greenbase Technology Corp.	Nexcom Surveillance Technology Co., Ltd.	Sales of PCs and peripherals	100	100	
Greenbase Technology Corp.	DIVIOTEC INC.	Sales of PCs and peripherals	100	100	

Note 1: On December 30, 2021, the Company and the subsidiary, NexAIoT Co., Ltd., acquired a 100% equity interest in NexCOBOT Taiwan Co., Ltd. through a share swap, and NexCOBOT Taiwan Co., Ltd. became a subsidiary of NexAIoT Co., Ltd.

Note 2: On December 30, 2021, the Group had an organisational restructuring whereby Nexcom Shanghai Co., Ltd. will now be held by NexAIoT Co., Ltd.

Note 3: On July 27, 2022, the Board of Directors of the Group resolved to dispose all the shares of its subsidiary, NEXSEC Incorporated, the subsidiaries of NEXSEC Incorporated and the Group's subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022. Consequently, the Group lost control over the abovementioned subsidiaries during the third quarter of 2022. Refer to 6(32) C for more details.

Note 4: In October 2022, the Company's subsidiary, TMR Technologies Co., Ltd., reduced its capital to offset against accumulated deficit, then increased its cash capital. The investment amount was \$20,000 thousand. The Company acquired the shares in the amount of \$18,600 thousand and the shareholding ratio was 89.05% after the capital increase.

Note 5: The liquidation of the Company's subsidiary, Nexcom France, was completed in December 2022.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

#### (4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in "New Taiwan Dollars", which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise, they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date.



(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Financial assets at fair value through other comprehensive income

A. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

B. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item-by-item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale.

(13) Investments accounted for using equity method

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 ~ 50 years
Machinery and equipment	1 ~ 10 years
Office equipment	1 ~ 10 years
Leasehold improvements	1 ~ 10 years
Transportation equipment	2 ~ 5 years

(15) Leasing arrangements (lessee) — right-of-use assets / lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the Group's incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20 to 50 years.

(17) Intangible assets

- A. Goodwill arises in a business combination accounted for by applying the acquisition method.
- B. Intangible assets are computer software and patent stated at historical cost and amortised over their estimated useful lives of 1 to 10 years.

(18) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(19) Borrowings

Borrowings comprise long-term, short-term bank borrowings and other short-term borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Provisions

Provisions (including warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

## B. Pensions

### (a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

### (b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

## C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

### (25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(27) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders. Cash dividends are recorded as liabilities.

(28) Revenue recognition

A. Sales of goods

- (a.) The Group researches and develops, manufactures and sells industrial personal computers. Sales are recognised 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, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b.) Sales revenue arising from industrial personal computers is recognised based on the price that is made from negotiating with customers based on purchased volume and items. No element of financing is deemed present as the sales are made with a credit terms that are the same with the general commercial transactions, which is consistent with market practice.
- (c.) The Group's obligation to provide a maintenance service for faulty products under the standard warranty terms is recognised as a provision.
- (d.) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Service revenue

Service revenue arises from extended warranty and maintenance service. Revenue from delivering services is recognised based on the progress of the services to be provided when the outcome of services provided can be estimated reliably.



### C. Construction contract revenue

The Group provides intelligent manufacturing solution engineering business, and the contract includes equipment sales and installation services. The equipment and the installation services provided by the Group are not distinct and are identified to be one performance obligation satisfied over time since the installation services involve significant customisation and modification. The Group recognises revenue on the basis of costs incurred relative to the total expected costs of that performance obligation. If the Group has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to accounts receivable when the entitlement to payment becomes unconditional. If the payments exceed the services rendered, a contract liability is recognised.

The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

#### (29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

#### (30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

#### (1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value at balance sheet date, and writes down the cost of inventories to the net realisable value. Such evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2022, the carrying amount of inventories is described in Note 6(4).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 835	\$ 1,300
Checking accounts and demand deposits	1,463,640	708,136
Time deposits	<u>14,349</u>	<u>17,076</u>
	1,478,824	726,512
Transferred to restricted assets (shown as other non-current assets)	( <u>14,349</u> )	( <u>17,076</u> )
	<u>\$ 1,464,475</u>	<u>\$ 709,436</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The time deposits as of December 31, 2022 and 2021 were transferred to restricted assets based on their nature as they were pledged as performance guarantee and guarantee for import duty.

Refer to Note 8 for details.

(2) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	<u>\$ 2,919</u>	<u>\$ 8,713</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$ 1,947,417	\$ 1,636,835
Less: Allowance for uncollectible accounts	( <u>50,681</u> )	( <u>38,792</u> )
	<u>\$ 1,896,736</u>	<u>\$ 1,598,043</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2022	December 31, 2021
Not past due	\$ 1,643,387	\$ 1,423,909
1 to 90 days	176,354	165,408
91 to 180 days	81,406	11,845
Over 181 days	46,270	35,673
	<u>\$ 1,947,417</u>	<u>\$ 1,636,835</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$1,696,708.

C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$2,919 and \$8,713, and accounts receivable were \$1,896,736 and \$1,598,043, respectively.

D. Information relating to credit risk is provided in Note 12(2).

(3) Other receivables

	December 31, 2022	December 31, 2021
Receivables from disposal of subsidiaries (Note)	\$ 356,958	\$ -
Tax refund receivable	51,918	43,793
Others	12,985	7,263
	<u>\$ 421,861</u>	<u>\$ 51,056</u>

Note: On July 27, 2022, the Board of Directors of the Group resolved to dispose all the shares of its subsidiary, NEXSEC Incorporated, the subsidiaries of NEXSEC Incorporated and the Group's subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022. Consequently, the Group lost control over the abovementioned subsidiaries during the third quarter of 2022. Refer to 6(32) C for more details.

(4) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,589,503	(\$ 174,221)	\$ 1,415,282
Work in progress	438,251	( 1,682)	436,569
Semi-finished goods	238,658	( 41,824)	196,834
Finished goods	477,665	( 113,085)	364,580
	<u>\$ 2,744,077</u>	<u>(\$ 330,812)</u>	<u>\$ 2,413,265</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 2,132,381	(\$ 221,628)	\$ 1,910,753
Work in progress	198,673	( 651)	198,022
Semi-finished goods	277,865	( 54,007)	223,858
Finished goods	548,128	( 98,447)	449,681
	<u>\$ 3,157,047</u>	<u>(\$ 374,733)</u>	<u>\$ 2,782,314</u>

The cost of inventories recognised as expense for the year:

	2022	2021
Cost of goods sold	\$ 5,846,567	\$ 5,191,426
Loss on scrap inventory	13,439	( 34,152)
Loss on inventory valuation (gain from price recovery)(Note1)	13,506	25,860
Others(Note2)	32,503	32,733
	<u>\$ 5,906,015</u>	<u>\$ 5,215,867</u>

Note 1: The Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold as certain inventory items which were previously provided with allowance were subsequently sold.

Note 2: Others include gain or loss on physical inventory, revenue from scrap and low capacity utilisation.

(5) Financial assets at fair value through other comprehensive income

Items	December 31, 2022	December 31, 2021
Unlisted stocks	\$ 80,257	\$ 146,949
Valuation adjustment	( 35,456)	( 29,285)
	<u>\$ 44,801</u>	<u>\$ 117,664</u>

A. In the first half of 2022, the fair value of the equity investments sold was \$77,975, taking into consideration the Group's operations.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	2022	2021
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>\$ 5,112</u>	<u>\$ 5,078</u>
Cumulative gains (losses) reclassified to retained earnings due to derecognition	<u>\$ 11,283</u>	<u>\$ -</u>

C. The Group has elected to classify financial assets that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$44,801 and \$117,664 as at December 31, 2022 and 2021, respectively.

D. As of December 31, 2022 and 2021, no financial assets at fair value through other comprehensive income held by the Group were pledged to others.

(6) Financial assets at amortised cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Time deposits with original maturity over twelve months	<u>\$ 307</u>	<u>\$ 3,899</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>2022</u>	<u>2021</u>
Interest income	<u>\$ 6</u>	<u>\$ 18</u>

B. As of December 31, 2022 and 2021, no financial assets at amortised cost held by the Group were pledged to others.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(7) Investments accounted for using equity method

A. Details are as follows:

	<u>December 31, 2022</u>	
	<u>Percentage of ownership</u>	<u>Carrying amount</u>
Beijing NexGemo Technology Co., Ltd.	45%	<u>\$ 13,911</u>
	<u>December 31, 2021</u>	
	<u>Percentage of ownership</u>	<u>Carrying amount</u>
Beijing NexGemo Technology Co., Ltd.	45%	<u>\$ 17,863</u>

B. Amount recognised in profit (loss) of associates and joint ventures accounted for using equity method for the year ended December 31, 2022 was (\$4,229).

Amount recognised in profit (loss) of associates and joint ventures accounted for using equity method from August 1, 2021 to December 31, 2021 was \$1,357.

C. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of December 31, 2022 and 2021, the carrying amount of the Group's individually immaterial associates amounted to \$30,913 and \$39,697, respectively.

	<u>2022</u>	<u>2021</u>
(Loss) profit from continuing operations	<u>(\$ 9,397)</u>	<u>\$ 4,331</u>
Total comprehensive (loss) income	<u>(\$ 9,397)</u>	<u>\$ 4,331</u>

D. The Group's subsidiary, Nexcom Shanghai Co., Ltd., terminated the minor equity investment cooperation agreement with Beijing NEXGEMO Technology Co., Ltd., on July 31, 2021. Nexcom Shanghai Co., Ltd. was assessed to have significant influence on the operating decisions of Beijing NEXGEMO Technology Co., Ltd., but have no actual control power, thus, it was transferred from consolidated entity to investments accounted for using equity method.

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2022</u>						
Cost	\$ 839,249	\$ 567,495	\$ 706,798	\$ 91,990	\$ 159,478	\$ 2,365,010
Accumulated depreciation	-	( 174,522)	( 511,225)	( 75,630)	( 108,572)	( 869,949)
	<u>\$ 839,249</u>	<u>\$ 392,973</u>	<u>\$ 195,573</u>	<u>\$ 16,360</u>	<u>\$ 50,906</u>	<u>\$ 1,495,061</u>
<u>2022</u>						
At January 1	\$ 839,249	\$ 392,973	\$ 195,573	\$ 16,360	\$ 50,906	\$ 1,495,061
Additions	-	-	67,259	4,428	13,207	84,894
Disposals	-	-	( 649)	( 30)	( 279)	( 958)
Disposal of subsidiaries	-	-	( 40,605)	( 3,578)	( 6,885)	( 51,068)
Transfers	-	-	4,164	-	-	4,164
Depreciation	-	( 9,429)	( 59,727)	( 6,389)	( 22,253)	( 97,798)
Net exchange differences	-	-	973	643	213	1,829
At December 31	<u>\$ 839,249</u>	<u>\$ 383,544</u>	<u>\$ 166,988</u>	<u>\$ 11,434</u>	<u>\$ 34,909</u>	<u>\$ 1,436,124</u>
<u>At December 31, 2022</u>						
Cost	\$ 839,249	\$ 567,495	\$ 694,477	\$ 80,279	\$ 147,104	\$ 2,328,604
Accumulated depreciation	-	( 183,951)	( 527,489)	( 68,845)	( 112,195)	( 892,480)
	<u>\$ 839,249</u>	<u>\$ 383,544</u>	<u>\$ 166,988</u>	<u>\$ 11,434</u>	<u>\$ 34,909</u>	<u>\$ 1,436,124</u>

	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Total
<u>At January 1, 2021</u>						
Cost	\$ 839,249	\$ 567,495	\$ 671,593	\$ 89,423	\$ 155,450	\$ 2,323,210
Accumulated depreciation	-	( 160,764)	( 467,065)	( 72,661)	( 88,513)	( 789,003)
	<u>\$ 839,249</u>	<u>\$ 406,731</u>	<u>\$ 204,528</u>	<u>\$ 16,762</u>	<u>\$ 66,937</u>	<u>\$ 1,534,207</u>
<u>2021</u>						
At January 1	\$ 839,249	\$ 406,731	\$ 204,528	\$ 16,762	\$ 66,937	\$ 1,534,207
Additions	-	-	49,940	8,384	9,919	68,243
Disposals	-	-	( 397)	( 14)	-	( 411)
Disposal of subsidiaries	-	-	( 571)	( 150)	-	( 721)
Transfers	-	-	4,601	-	281	4,882
Depreciation	-	( 13,758)	( 62,530)	( 8,519)	( 26,055)	( 110,862)
Net exchange differences	-	-	2	( 103)	( 176)	( 277)
At December 31	<u>\$ 839,249</u>	<u>\$ 392,973</u>	<u>\$ 195,573</u>	<u>\$ 16,360</u>	<u>\$ 50,906</u>	<u>\$ 1,495,061</u>
<u>At December 31, 2021</u>						
Cost	\$ 839,249	\$ 567,495	\$ 706,798	\$ 91,990	\$ 159,478	\$ 2,365,010
Accumulated depreciation	-	( 174,522)	( 511,225)	( 75,630)	( 108,572)	( 869,949)
	<u>\$ 839,249</u>	<u>\$ 392,973</u>	<u>\$ 195,573</u>	<u>\$ 16,360</u>	<u>\$ 50,906</u>	<u>\$ 1,495,061</u>

Refer to Note 8 for the pledged property, plant and equipment.

(9) Leasing arrangements - lessee

- A. The Group leases various assets including buildings. Rental contracts are typically made for periods from 2017 to 2031. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise certain parking spaces and warehouses.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 435,946</u>	<u>\$ 546,523</u>
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	<u>\$ 84,987</u>	<u>\$ 103,896</u>

- D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$37,184 and \$339,825, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 8,635	\$ 10,045
Expense on short-term lease contracts	\$ 25,178	\$ 22,929

F. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$123,650 and \$140,952, respectively.

(10) Leasing arrangements - lessor

A. The Group leases various assets including buildings and structures. Rental contracts are typically made for periods of 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the years ended December 31, 2022 and 2021, the Group recognised rent income in the amounts of \$11,602 and \$11,418, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2022	December 31, 2021
2022	\$ -	\$ 13,904
2023	11,562	-
	\$ 11,562	\$ 13,904

(11) Investment property

	Land	Buildings and structures	Total
<u>At January 1, 2022</u>			
Cost	\$ 128,902	\$ 97,512	\$ 226,414
Accumulated depreciation	-	( 52,339)	( 52,339)
	\$ 128,902	\$ 45,173	\$ 174,075
<u>2022</u>			
At January 1	\$ 128,902	\$ 45,173	\$ 174,075
Depreciation	-	( 1,520)	( 1,520)
At December 31	\$ 128,902	\$ 43,653	\$ 172,555
<u>At December 31, 2022</u>			
Cost	\$ 128,902	\$ 97,512	\$ 226,414
Accumulated depreciation	-	( 53,859)	( 53,859)
	\$ 128,902	\$ 43,653	\$ 172,555



	Land	Buildings and structures	Total
<u>At January 1, 2021</u>			
Cost	\$ 128,902	\$ 97,512	\$ 226,414
Accumulated depreciation	-	( 50,819)	( 50,819)
	<u>\$ 128,902</u>	<u>\$ 46,693</u>	<u>\$ 175,595</u>
<u>2021</u>			
At January 1	\$ 128,902	\$ 46,693	\$ 175,595
Depreciation	-	( 1,520)	( 1,520)
At December 31	<u>\$ 128,902</u>	<u>\$ 45,173</u>	<u>\$ 174,075</u>
<u>At December 31, 2021</u>			
Cost	\$ 128,902	\$ 97,512	\$ 226,414
Accumulated depreciation	-	( 52,339)	( 52,339)
	<u>\$ 128,902</u>	<u>\$ 45,173</u>	<u>\$ 174,075</u>

- A. The Group leased land and buildings at Sanchong Dist. and Zhonghe Dist., New Taipei City to other companies as factories or offices until November 2023. The Group received the rental payment monthly.
- B. Refer to Note 8 for the pledged investment property.
- C. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	2022	2021
Rental income from investment property	\$ 10,571	\$ 10,407
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 2,206</u>	<u>\$ 2,207</u>

- D. The fair value of the investment property held by the Group as at December 31, 2022 and 2021 was \$376,330 and \$354,452, respectively, which was revalued based on market trading prices of similar property in the neighbouring areas. Valuations were categorised within Level 3 in the fair value hierarchy.

(12) Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2022</u>				
Cost	\$ 2,167	\$ 193,629	\$ 9,503	\$ 205,299
Accumulated amortisation	-	( 125,613)	( 6,705)	( 132,318)
	<u>\$ 2,167</u>	<u>\$ 68,016</u>	<u>\$ 2,798</u>	<u>\$ 72,981</u>
<u>2022</u>				
At January 1	\$ 2,167	\$ 68,016	\$ 2,798	\$ 72,981
Additions	-	23,062	1,506	24,568
Disposal of subsidiaries	-	( 6,032)	-	( 6,032)
Amortisation charge	-	( 33,513)	( 2,796)	( 36,309)
Exchange differences	-	242	12	254
At December 31	<u>\$ 2,167</u>	<u>\$ 51,775</u>	<u>\$ 1,520</u>	<u>\$ 55,462</u>
<u>At December 31, 2022</u>				
Cost	\$ 2,167	\$ 175,499	\$ 11,262	\$ 188,928
Accumulated amortisation	-	( 123,724)	( 9,742)	( 133,466)
	<u>\$ 2,167</u>	<u>\$ 51,775</u>	<u>\$ 1,520</u>	<u>\$ 55,462</u>
	<u>Goodwill</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2021</u>				
Cost	\$ 2,167	\$ 161,518	\$ 6,737	\$ 170,422
Accumulated amortisation	-	( 87,081)	( 4,090)	( 91,171)
	<u>\$ 2,167</u>	<u>\$ 74,437</u>	<u>\$ 2,647</u>	<u>\$ 79,251</u>
<u>2021</u>				
At January 1	\$ 2,167	\$ 74,437	\$ 2,647	\$ 79,251
Additions-acquired separately	-	32,107	2,815	34,922
Amortisation charge	-	( 38,531)	( 2,643)	( 41,174)
Exchange differences	-	3	( 21)	( 18)
At December 31	<u>\$ 2,167</u>	<u>\$ 68,016</u>	<u>\$ 2,798</u>	<u>\$ 72,981</u>
<u>At December 31, 2021</u>				
Cost	\$ 2,167	\$ 193,629	\$ 9,503	\$ 205,299
Accumulated amortisation	-	( 125,613)	( 6,705)	( 132,318)
	<u>\$ 2,167</u>	<u>\$ 68,016</u>	<u>\$ 2,798</u>	<u>\$ 72,981</u>

Details of amortisation on intangible assets are as follows:

	<u>2022</u>	<u>2021</u>
Operating costs	\$ 9,969	\$ 6,762
Selling expenses	5,133	6,200
Administrative expenses	12,159	24,641
Research and development expenses	9,048	3,571
	<u>\$ 36,309</u>	<u>\$ 41,174</u>

(13) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Long-term receivables from disposal of subsidiaries (Note)	\$ 217,606	\$ -
Prepayments for equipment	12,766	530
Refundable deposits	25,924	36,595
Net defined benefit assets	24,868	22,218
Restricted assets	14,349	17,076
Others	403	1,421
	<u>\$ 295,916</u>	<u>\$ 77,840</u>

Note: On July 27, 2022, the Board of Directors of the Group resolved to dispose all the shares of its subsidiary, NEXSEC Incorporated, the subsidiaries of NEXSEC Incorporated and the Group's subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022. Consequently, the Group lost control over the abovementioned subsidiaries during the third quarter of 2022. Refer to 6(32) C for more details.

(14) Short-term borrowings

Type of borrowings	<u>December 31, 2022</u>	<u>Interest rate range</u>
Bank borrowings		
Unsecured borrowings	\$ 1,400,000	1.43% ~ 2.14%
Secured borrowings	1,070,000	1.43% ~ 1.98%
	<u>\$ 2,470,000</u>	
Type of borrowings	<u>December 31, 2021</u>	<u>Interest rate range</u>
Bank borrowings		
Unsecured borrowings	\$ 1,412,702	0.52% ~ 3.85%
Secured borrowings	1,130,000	0.88% ~ 1.00%
	<u>\$ 2,542,702</u>	

Details of collateral for short-term borrowings are provided in Note 8.

(15) Short-term notes and bills payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper	\$ 100,000	\$ 100,000
Interest rate	<u>1.92%~1.938%</u>	<u>1.012%~1.05%</u>

(16) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accrued salaries and bonus	\$ 308,530	\$ 233,383
Processing fees payable	24,131	3,763
Labour and health insurance payable	23,480	18,918
Pension cost payable	8,853	7,328
Business tax payable	106	7,137
Payable on machinery and equipment	5,653	1,889
Payable on software	-	9,442
Others	156,896	140,660
	<u>\$ 527,649</u>	<u>\$ 422,520</u>

(17) Provisions

	<u>2022</u>	<u>2021</u>
At January 1	\$ 37,656	\$ 40,598
Additional provisions	34,846	29,680
Used during the year	( 29,953)	( 32,622)
At December 31	<u>\$ 42,549</u>	<u>\$ 37,656</u>

Analysis of total provisions:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	\$ 31,059	\$ 27,912
Non-current	<u>\$ 11,490</u>	<u>\$ 9,744</u>

The Group's warranty provisions were associated with the sales of industrial personal computer products, and were estimated in accordance with the historical warranty data of products.

(18) Other current liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current portion of long-term borrowings	\$ -	\$ 4,768
Others	10,591	8,408
	<u>\$ 10,591</u>	<u>\$ 13,176</u>

(19) Long-term borrowings

Type of borrowings	Borrowing period / repayment term	December 31, 2021
Installment-repayment borrowings		
Secured borrowings	Borrowing period is from April 2020 to June 2023; interest and principal are payable monthly	\$ 5,245
Less: Current portion		( 4,768)
		\$ 477
Undrawn borrowing facilities		\$ -
Interest rate		4.65%~4.75%

There were no such transactions on December 31, 2022.

Details of collateral for long-term borrowings are provided in Note 8.

(20) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 4% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.

(b) The amounts recognised in the balance sheet are determined as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ -	\$ -
Fair value of plan assets	24,868	22,218
Net defined benefit asset (shown as other non-current assets)	\$ 24,868	\$ 22,218

(c) Movements in net defined benefit assets are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
<u>2022</u>			
Balance at January 1	\$ -	\$ 22,218	\$ 22,218
<u>Remeasurements:</u>			
Return on plan assets			
(excluding amounts included in interest income or expense)	-	2,650	2,650
Balance at December 31	\$ -	\$ 24,868	\$ 24,868
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
<u>2021</u>			
Balance at January 1	(\$ 17,296)	\$ 33,391	\$ 16,095
Interest (expense) income	( 52)	100	48
	( 17,348)	33,491	16,143
<u>Remeasurements:</u>			
Return on plan assets			
(excluding amounts included in interest income or expense)	-	485	485
Experience adjustments	5,590	-	5,590
	5,590	485	6,075
Paid pension	11,758	( 11,758)	-
Balance at December 31	\$ -	\$ 22,218	\$ 22,218

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value percentage of plan assets for the years ended December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The actuarial report showed that the Group had contributed sufficient pension funds. Thus, the Group discontinued contributing to the labor pension reserve funds temporarily from June 2020 to May 2022 in accordance with Labor Affairs Department, New Taipei City Government Letter No.1101223971 and No. 1091145569, respectively. The Group has no expected contributions to the defined benefit pension plan for the year ending December 31,2022.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Group's overseas subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the local pension regulations are based on a certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$46,196 and \$39,340, respectively.

(21) Share-based payment

A. The Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock option certificates	2016.8.30	600 units	5 years	Note 1
"	2017.4.25	400 units	"	"

Note 1: Employee stock options grant period and exercise conditions are as follows:

Vesting period	Accumulated maximum exercisable employee stock options
After 2 years	40%
After 3 years	80%
After 4 years	100%

B. Details of the share-based payment arrangements are as follows:

	2022		2021	
	No. of options	Weighted -average exercise price (in dollars)	No. of options	Weighted -average exercise price (in dollars)
Options outstanding at beginning of the year	400	\$ 30.51	960	\$ 31.60
Options forfeited	( 400)	29.42	( 560)	31.60
Options outstanding at end of the year	-	-	400	30.51
Options exercisable at end of the year	-	-	400	30.51

C. As of December 31, 2022 and 2021, the exercise prices of stock options outstanding were \$29.42 and \$30.51 (in dollars), respectively; while the weighted-average remaining contractual periods were 0 year and 0.50 year, respectively.

D. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Exercise price volatility	Expected vesting period	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock option certificates	2016.8.30	\$ 29.1	\$ 35	36.71%	3.9 years	0%	0.50%	\$ 6.5633
Employee stock option certificates	2017.4.25	31.6	35	38.64%	3.9 years	0%	0.80%	8.5859

Note: The calculation of expected price volatility was based on the historical closing price of the target stock within the approximate length of expected duration.



E. Expenses incurred on share-based payment transactions are shown below:

	2022	2021
Equity-settled	\$ -	\$ 41

F. As of December 31, 2022, the share-based payment reward plan of the subsidiary, Greenbase Technology Corp., was as follows:

Type of arrangement	Grant date	No. of shares granted	Vesting conditions/ restrictions
Employee stock options	2022.11.21	901,000	Stock options can be exercised during the period from February 21, 2023 to March 20, 2023 and unexercised stock option certificates will expire on March 31, 2023.

(22) Share capital

As of December 31, 2022, the Company's authorised capital was \$1,800,000 (including 15,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,412,265, consisting of 141,226 thousand shares with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(23) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2022			
	Share premium	Treasury share transactions	Employee restricted shares	Changes in subsidiaries accounted for using equity method
At January 1	\$ 351,234	\$ 2,880	\$ 9,521	\$ 4,128
Share-based payment transactions	9,521	-	( 9,521)	-
Recognition of change in equity of subsidiaries in proportion to the Group's ownership	-	-	-	224
At December 31	<u>\$ 360,755</u>	<u>\$ 2,880</u>	<u>\$ -</u>	<u>\$ 4,352</u>

	2021			
	Share premium	Treasury share transactions	Employee restricted shares	Changes in subsidiaries accounted for using equity method
At January 1	\$ 345,520	\$ 2,880	\$ 15,194	\$ 3,774
Share-based payment transactions	5,714	-	( 5,673)	-
Recognition of change in equity of subsidiaries in proportion to the Group's ownership	-	-	-	354
At December 31	<u>\$ 351,234</u>	<u>\$ 2,880</u>	<u>\$ 9,521</u>	<u>\$ 4,128</u>

(24) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings (after appropriation of no less than 1% as employees' compensation and no more than 1% as directors' remuneration), if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve unless the legal reserve equals the total authorised capital. In addition, special reserve that has been appropriated or reversed in accordance with related regulations along with the beginning unappropriated retained earnings can be distributed as dividend provided that the appropriation is proposed by the Board of Directors and approved by shareholders during their meeting.
- B. In order to meet future capital requirements and long-term financial plan, the Company takes into account the Company's business environment and growth stage. Every year, total distributed shareholders' dividends shall not be higher than 90% of the total earnings distributable, and cash dividends shall not be lower than 5% of total dividends. If the total dividends distributable is lower than \$0.5 (in dollars) per share, the above restriction on ratio shall not apply.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

- E. The appropriations of 2021 and 2020 earnings as resolved by the shareholders at their meetings on June 29, 2022 and August 27, 2021, respectively, are as follows:

	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 14,641		\$ 10,657	
Special reserve	20,147		( 36,949)	
Cash dividends	141,226	\$ 1.00	112,981	\$ 0.80

The information on distribution of earnings of the Company as resolved by the Board of Directors and shareholders will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

- F. For the information relating to employees’ compensation and directors’ remuneration, refer to Note 6(29).

(25) Operating revenue

- A. The Group derives revenue from the transfer of goods and services at a point in time, as follows:

<u>Year ended December 31, 2022</u>	<u>Industrial personal computers</u>	<u>Others</u>	<u>Total</u>
Timing of revenue recognition			
At a point in time	\$ 6,893,939	\$ 728,503	\$ 7,622,442
Over time	294,255	-	294,255
	<u>\$ 7,188,194</u>	<u>\$ 728,503</u>	<u>\$ 7,916,697</u>

<u>Year ended December 31, 2021</u>	<u>Industrial personal computers</u>	<u>Others</u>	<u>Total</u>
Timing of revenue recognition			
At a point in time	\$ 6,188,708	\$ 518,230	\$ 6,706,938
Over time	73,642	-	73,642
	<u>\$ 6,262,350</u>	<u>\$ 518,230</u>	<u>\$ 6,780,580</u>

- B. Contract liabilities

- (a) The Group has recognised the following revenue-related contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities:			
Contract liabilities			
-Advance sales receipts	\$ 179,685	\$ 103,003	\$ 88,566

- (b) Revenue recognised that was included in the contract liability balance at the beginning of the year:

	2022	2021
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Advance sales receipts	\$ 75,589	\$ 67,859

(26) Other income

	2022	2021
Government grants revenue	\$ 34,780	\$ 28,573
Rental revenue	11,602	11,418
Marketing allowance revenue	8,489	6,692
Dividend income	5,200	4,250
Interest income from bank deposits	7,713	899
Reimbursement income	-	13,872
Others	3,989	17,709
	\$ 71,773	\$ 83,413

(27) Other gains and losses

	2022	2021
Gain on disposals of investments (Note)	\$ 846,367	\$ -
Net gain (loss) on foreign exchange	84,333	( 13,983)
Gain (loss) on disposal of property, plant and equipment	522	( 294)
Investment property depreciation expense	( 1,520)	( 1,520)
Other losses	( 8,179)	( 5,173)
	\$ 921,523	\$ 20,970)

Note: On July 27, 2022, the Board of Directors of the Group resolved to dispose all the shares of its subsidiary, NEXSEC Incorporated, the subsidiaries of NEXSEC Incorporated and the Group's subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022. Consequently, the Group lost control over the abovementioned subsidiaries during the third quarter of 2022. Refer to 6(32) C for more details.

(28) Expenses by nature

	2022		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expense	\$ 389,047	\$ 1,038,945	\$ 1,427,992
Depreciation charges on right-of-use assets	68,148	16,839	84,987
Depreciation charges on property, plant and equipment	46,291	51,507	97,798
Amortisation charges on intangible assets	9,935	26,374	36,309
	<u>\$ 513,421</u>	<u>\$ 1,133,665</u>	<u>\$ 1,647,086</u>
	2021		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expense	\$ 324,939	\$ 938,101	\$ 1,263,040
Depreciation charges on right-of-use assets	72,018	31,878	103,896
Depreciation charges on property, plant and equipment	50,145	60,717	110,862
Amortisation charges on intangible assets	6,762	34,412	41,174
	<u>\$ 453,864</u>	<u>\$ 1,065,108</u>	<u>\$ 1,518,972</u>

(29) Employee benefit expense

	2022		
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 323,150	\$ 911,009	\$ 1,234,159
Labour and health insurance fees	35,598	66,763	102,361
Pension costs	14,094	32,102	46,196
Other personnel expenses	16,205	29,071	45,276
	<u>\$ 389,047</u>	<u>\$ 1,038,945</u>	<u>\$ 1,427,992</u>

	2021		
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 280,415	\$ 809,861	\$ 1,090,276
Labour and health insurance fees	26,977	68,110	95,087
Pension costs	7,370	31,922	39,292
Other personnel expenses	10,177	28,208	38,385
	<u>\$ 324,939</u>	<u>\$ 938,101</u>	<u>\$ 1,263,040</u>

A. According to the Articles of Incorporation of the Company, a ratio of the current year's profit (profit before tax without provision for employees' compensation and directors' remuneration), if any, shall be accrued as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 1% for directors' remuneration. However, if the Company has accumulated deficit, earnings shall first be reserved to cover the deficit.

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$11,924 and \$2,650, respectively; directors' remuneration was accrued at \$4,307 and \$1,256, respectively. The aforementioned amounts were recognised in salary expenses.

Employees' compensation and directors' and supervisors' remuneration for 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	2022	2021
Current tax:		
Current tax on profits for the year	\$ 241,189	\$ 33,978
Tax on undistributed earnings	17	41
Prior year income tax overestimation	( 17,612)	( 9,339)
Total current tax	<u>\$ 223,594</u>	<u>\$ 24,680</u>
Deferred tax:		
Origination and reversal of temporary differences	199,422	1,194
Income tax expense	<u>\$ 423,016</u>	<u>\$ 25,874</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	2022	2021
Remeasurement of defined benefit assets	\$ 530	\$ 1,215

B. Reconciliation between income tax expense and accounting profit:

	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 389,523	\$ 52,222
Expenses disallowed by tax regulation	940	1,393
Tax exempt income by tax regulation	( 16,657)	( 13,901)
Prior year income tax overestimation	( 17,612)	( 9,339)
Current loss not recognised as deferred tax	2,389	8,832
Change in assessment of realisation of deferred tax assets	64,416	( 13,374)
Tax on undistributed earnings	17	41
Income tax expense	\$ 423,016	\$ 25,874

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Loss on inventory valuation	\$ 64,690	(\$ 4,830)	\$ -	\$ 59,860
Unrealised transaction gain from affiliates	6,493	776	-	7,269
Unrealised product warranty cost	7,531	979	-	8,510
Unrealised exchange loss	6,108	( 2,157)	-	3,951
Time difference of sales revenue recognition	961	( 717)	-	244
Compensated absences	4,369	334	-	4,703
Amount of allowance for bad debts that exceed the limit for tax purpose	2,028	333	-	2,361
Others	1,483	1,809	-	3,292
Loss carryforward	14,619	( 13,617)	-	1,002
	<u>\$ 108,282</u>	<u>(\$ 17,090)</u>	<u>\$ -</u>	<u>\$ 91,192</u>
Deferred tax liabilities:				
Temporary differences				
Net defined benefit assets	(\$ 1,514)	\$ -	(\$ 530)	(\$ 2,044)
Unrealised exchange gain	-	( 1,356)	-	( 1,356)
Calculation for tax on remittance of overseas earnings	-	( 180,976)	-	( 180,976)
	<u>(\$ 1,514)</u>	<u>(\$ 182,332)</u>	<u>(\$ 530)</u>	<u>(\$ 184,376)</u>
	<u>\$ 106,768</u>	<u>(\$ 199,422)</u>	<u>\$ 530</u>	<u>\$ 93,184</u>



2021				
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
Deferred tax assets:				
Temporary differences:				
Loss on inventory valuation	\$ 71,851	(\$ 7,161)	\$ -	\$ 64,690
Unrealised transaction gain from affiliates	10,699	( 4,206)	-	6,493
Unrealised product warranty cost	8,119	( 588)	-	7,531
Unrealised exchange loss	2,556	3,552	-	6,108
Time difference of sales revenue recognition	1,340	( 379)	-	961
Compensated absences	3,306	1,063	-	4,369
Amount of allowance for bad debts that exceed the limit for tax purpose	4,841	( 2,813)	-	2,028
Others	1,704	( 221)	-	1,483
Loss carryforward	<u>5,050</u>	<u>9,569</u>	<u>-</u>	<u>14,619</u>
	<u>\$ 109,466</u>	<u>(\$ 1,184)</u>	<u>\$ -</u>	<u>\$ 108,282</u>
Deferred tax liabilities:				
Temporary differences				
Net defined benefit assets	(\$ 289)	(\$ 10)	(\$ 1,215)	(\$ 1,514)
	<u>\$ 109,177</u>	<u>(\$ 1,194)</u>	<u>(\$ 1,215)</u>	<u>\$ 106,768</u>

D. The Company and domestic subsidiaries' income tax returns through 2020 have been assessed and approved by the Tax Authority.

(31) Earnings per share

2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 902,188	141,226	\$ 6.39
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares	-	194	
Profit plus effect of potential ordinary shares	\$ 902,188	141,420	\$ 6.38
2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 141,545	141,226	\$ 1.00
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares	-	109	
Employees' compensation	-	110	
Employee stock option certificates	-	110	
Profit plus effect of potential ordinary shares	\$ 141,545	141,445	\$ 1.00

(32) Supplemental cash flow information

A. Investing activities with partial cash payments:

	2022	2021
Purchase of property, plant and equipment	\$ 84,894	\$ 68,243
Add: Opening balance of payable on equipment	1,889	4,938
Less: Ending balance of payable on equipment	( 2,653)	( 1,889)
Cash paid during the year	<u>\$ 84,130</u>	<u>\$ 71,292</u>

	2022	2021
Purchase of software	\$ 24,568	\$ 34,922
Add: Opening balance of payable on software	9,442	-
Less: Ending balance of payable on software	-	( 9,442)
Cash paid during the year	<u>\$ 34,010</u>	<u>\$ 25,480</u>

- B. On July 27, 2022, the Board of Directors of the Group resolved to dispose all the shares of its subsidiary, NEXSEC Incorporated (NEXSEC), the subsidiaries of NEXSEC and the Group's subsidiary, Zhuhai Xinxin Management Consulting Partnership (Zhuhai Xinxin), with the effective date set on August 1, 2022. Consequently, the Group lost control over the abovementioned subsidiaries during the third quarter of 2022. The details of the consideration received from the transaction (including cash and cash equivalents) and assets and liabilities relating to the subsidiaries are as follows:

	<u>July 27, 2022</u>
Total consideration	\$ 1,207,710
Present value of long-term other receivables	( 26,809)
Ending balance of other receivables	<u>1,180,901</u>
Carrying amount of the assets and liabilities of NEXSEC, the subsidiaries of NEXSEC and Zhuhai Xinxin	
Cash	64,040
Notes receivable	200
Accounts receivable (including related parties)	259,050
Other receivables	25,613
Inventories	706,270
Prepayments	13,071
Other current assets	4,638
Property, plant and equipment	51,068
Right-of-use assets	65,712
Intangible assets	6,032
Other non-current assets	10,219
Bank borrowings (including current portion)	( 98,633)
Contract liabilities	( 7,043)
Accounts payable	( 534,531)
Other payables	( 42,782)
Current tax liabilities	( 5,401)
Other current liabilities	( 27)
Lease liabilities	( 70,738)
Other non-current liabilities	( 13)
Carrying amount of subsidiaries disposed	<u>446,745</u>
Non-controlling interest	( 150,137)
Effect of exchange rate changes	<u>37,926</u>
Gain on disposal of subsidiaries	<u>\$ 846,367</u>
 Proceeds from disposal of subsidiaries	 \$ 1,180,901
Less: Cash held by subsidiaries	( 574,564)
Ending balance of other receivables	( 1,180,901)
Cash outflows from disposal of subsidiaries	<u>(\$ 574,564)</u>
	 <u>Year ended December 31, 2022</u>
Proceeds from disposal of subsidiaries	\$ 1,180,901
Less: Ending balance of other receivables	( 574,564)
Effect of exchange rate changes and discount	( 19,133)
Cash inflows from disposal of subsidiaries	587,204
Less: Cash held by subsidiaries	( 64,040)
Net cash inflows from disposal of subsidiaries	<u>\$ 523,164</u>

The above equity interest disposal can be divided into two parts, including the disposals of equity interests in NEXSEC and Zhuhai Xinxin by Nexcom International Co., Ltd. (SAMOA). For the disposal of equity interest in NEXSEC, SAMOA agreed with the buyer to divide the payment into three installments. The first instalment amounted to \$571,886 (RMB 131,525 thousand). As of November 21, 2022, the first instalment was being reviewed by the China's State Administration of Foreign Exchange (SAFE) and was to be collected after the review is completed.

In addition, the second instalment of \$356,958 (RMB 81,000 thousand) is expected to be collected by April 30, 2023; while the third instalment of \$217,5606 (RMB 54,000 thousand) is expected to be collected by April 30, 2024. Under the agreement, Industrial and Commercial Bank of China and China Merchants Bank will issue irrevocable guarantees for the above payments. However, since the guarantees have not yet been issued, the buyer has deposited the second and third instalments in a joint account opened in the name of the buyer. The joint account will be cancelled upon the issuance of the guarantees.

As for the disposal of equity interest in Zhuhai Xinxin, based on the agreement, SAMOA will withdraw from the partnership with Zhuhai Xinxin after Zhuhai Xinxin disposes its equity interest in NEXSEC. The proceeds from the disposal of equity interest in NEXSEC by Zhuhai Xinxin amounted to \$15,318 (RMB 3,475 thousand). Based on the agreement, the buyer will make the payment (net of tax) to Zhuhai Xinxin and Zhuhai Xinxin will carry out the partnership withdrawal process after the legal documents of Zhuhai Xinxin's disposal of equity interest in NEXSEC and the SAMOA's withdrawal from the partnership with Zhuhai Xinxin are signed. As of December 30, 2022, the buyer has made the aforesaid payment.

- C. The Group terminated the minor equity investment cooperation agreement with Beijing NEXGEMO Technology Co., Ltd., on July 31, 2021. Nexcom Shanghai Co., Ltd. was assessed to have significant influence on the operating decisions of Beijing NEXGEMO Technology Co., Ltd., but it has no actual control power; thus, the Group lost control over the subsidiary. Assets and liabilities relating to the subsidiary are as follows:

Carrying amount of Beijing NexGemo Technology Co., Ltd.'s

assets and liabilities:

	July 31, 2021
Cash	\$ 4,704
Notes receivable	43,672
Accounts receivable	30,023
Inventory	44,189
Prepayments	3,801
Property, plant and equipment	721
Other non-current assets	1,355
Contract liability	( 81)
Accounts payable	( 85,402)
Other payables	( 6,308)
Total net assets	\$ 36,674

## 7. RELATED PARTY TRANSACTIONS

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

<u>Names of related parties</u>	<u>Relationship with the Group</u>
EXOR International S.P.A	Associate (Note)
Nexcom Italia S.R.L.	Subsidiary of associate (Note)
Beijing NexGemo Technology Co., Ltd.	Associate

Note: The Group sold its equity interest in EXOR on June 24, 2022, thus, the Group is no longer a related party of the company starting from June 24, 2022.

### (2) Significant transactions with related parties

#### A. Operating revenue

	<u>2022</u>	<u>2021</u>
Sales of goods:		
Associate	\$ 92,043	\$ 108,502

Goods are sold based on the price lists in force and terms that would be available to third parties.

#### B. Purchases

	<u>2022</u>	<u>2021</u>
Purchases of goods:		
Associate	\$ 12,756	\$ -

Goods are purchased based on the price lists in force and terms that would be available to third parties.

#### C. Accounts receivable:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
Associate	\$ 79,337	\$ 107,770
Subsidiary of associate	( 56,230)	-
	<u>\$ 23,107</u>	<u>\$ 107,770</u>

The receivables due from related parties had no collateral, were not pledged and do not bear interest.

#### D. Accounts payable:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
Associate	\$ 11,677	\$ 5,916

### (3) Key management compensation

	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 48,073	\$ 36,267
Post-employment benefits	1,321	882
	<u>\$ 49,394</u>	<u>\$ 37,149</u>

## 8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Other non-current assets-time deposits	\$ 14,349	\$ 17,076	Guarantee for import duty and performance guarantee
Property, plant and equipment -land and buildings and structures	1,222,620	1,231,876	Guarantee for long-term secured borrowings
Investment property -land and buildings and structures			Guarantee for short-term secured borrowings
	138,108	139,273	
	<u>\$ 1,375,077</u>	<u>\$ 1,388,225</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

### (1) Contingencies

None.

### (2) Commitments

- A. The Group had issued and deposited certified checks amounting to \$2,540,000 and US\$33 million for the Group's short and long-term credit facilities and forward exchange contracts.
- B. The amount of endorsements and guarantees provided by the Group in order to assist its subsidiaries for the lease of warehouses, offices, enter into cooperative contracts, purchases of raw materials and financing loan are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Nexcom Japan Co., Ltd.	\$ 5,814 (JPY 25,018 thousand)	\$ 6,107 (JPY 25,018 thousand)
NexAIoT Co., Ltd.	206,775 (USD 2,500 thousand) (NTD 130,000 thousand)	199,200 (USD 2,500 thousand) (NTD 130,000 thousand)
EMBOX Technology Co., Ltd.	25,000 (NTD 25,000 thousand)	25,000 (NTD 25,000 thousand)
NexCOBOT Taiwan Co., Ltd.	90,000 (NTD 90,000 thousand)	
NEXSEC Incorporated	-	29,440 (RMB 35,000 thousand) (USD 5,000 thousand)
Dongguan Xing Han Yun Zhi Electronics Co., Ltd.	-	17,376 (RMB 4,000 thousand)
NEXGOL Co., Ltd.	-	21,720 (RMB 5,000 thousand)

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

#### 12. OTHERS

##### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares to reduce debt.

##### (2) Financial instruments

###### A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$ 44,801	\$ 117,664
Financial assets at amortised cost (Note)	\$ 4,052,935	\$ 2,515,512
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost (Note)	\$ 4,332,377	\$ 4,412,890
Lease liability	\$ 448,975	\$ 560,502



Note: For financial assets at amortised cost, including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable (including related parties), other receivables (including related parties) and guarantee deposits paid, and financial liabilities at amortised cost, including short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received, refer to the balance sheet for details.

**B. Financial risk management policies**

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's each operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

**C. Significant financial risks and degrees of financial risks**

**(a) Market risk**

**Foreign exchange risk**

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR, GBP and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Group's businesses involve some non-functional currency operations (the Group's functional currency: NTD; subsidiaries' functional currency: USD, EUR, RMB, JPY and GBP). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022

December 31, 2022							
	Foreign Currency Amount (In thousands)	Exchange Rate	Book Value (NTD)	Sensitivity Analysis			
				Degree of variation	Effect on profit (loss)	Effect on other comprehensive income	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD : NTD	\$ 57,716	30.71	\$ 1,772,458	1%	\$ 17,725	\$	-
EUR : NTD	4,013	32.72	131,305	1%	1,313		-
RMB : NTD	183,573	4.41	809,553	1%	8,096		-
RMB : USD	216,380	0.41	954,236	1%	9,542		-
USD : RMB	803	6.97	24,660	1%	247		-
USD : JPY	699	132.14	21,466	1%	215		-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : NTD	\$ 146,107	30.71	\$ 4,486,946	1%	\$ 44,869	\$	-
USD : JPY	2,468	132.14	326,122	1%	3,261		-
RMB : NTD	7,488	4.41	33,022	1%	330		-

December 31, 2021

	Foreign Currency	Exchange Rate	Book Value (NTD)	Sensitivity Analysis			
	Amount (In thousands)			Degree of variation	Effect on profit (loss)	Effect on other comprehensive income	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD : NTD	\$ 44,013	27.68	\$ 1,218,280	1%	\$ 12,183	\$ -	
EUR : NTD	3,029	31.32	94,868	1%	949	-	
RMB : NTD	173,935	4.34	755,574	1%	7,556	-	
USD : RMB	1,266	6.37	35,055	1%	351	-	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : NTD	\$ 27,003	27.68	\$ 747,443	1%	\$ 7,474	\$ -	
USD : RMB	16,042	6.37	444,037	1%	4,440	-	
USD : JPY	136	115.09	3,764	1%	38	-	
RMB : NTD	10,885	4.34	47,284	1%	473	-	

Total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to \$84,333 and (\$13,983), respectively.

### Price risk

The Group invests in equity securities issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, profit before income tax for the years ended December 31, 2022 and 2021 would have increased/decreased by \$803 and \$1,469, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

### Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from long-term and short-term borrowings and short-term notes and bills payable. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.
- ii. At December 31, 2022 and 2021, if interest rates on borrowings had been 0.25% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have been \$6,425 and \$6,620 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
  - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
  - (ii) The actual or expected significant changes of customer operating results.
  - (iii) The existing or estimated adverse changes in operations, finance or economic circumstances that were expected to cause significant changes in the customer's ability to fulfil its debt obligation.

- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 180 days.
- v. The Group classifies customer's accounts receivable in accordance with customer's types. The Group applies the simplified approach using the provision matrix to estimate expected credit loss.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2022 and 2021, the provision matrix is as follows:

	Individual		Group				
			Up to 90 days		91 ~ 180 days	Over 180 days	
		Not past due	past due	past due	past due	past due	Total
<u>At December 31, 2022</u>							
Expected loss rate		0.03%	0.03%	0.03%-50%	85.21%-100%		
Total book value	\$ 314,778	\$ 1,407,946	\$ 176,354	\$ 81,406	\$ 46,270	\$ 2,026,754	
Loss allowance	\$ 60,240	\$ 365	\$ 36	\$ 415	\$ 45,855	\$ 106,911	

	<u>Individual</u>		<u>Group</u>				
			Up to 90 days		91 ~ 180 days	Over 180 days	
		<u>Not past due</u>	<u>past due</u>	<u>past due</u>	<u>past due</u>		<u>Total</u>
<u>At December 31, 2021</u>							
Expected loss rate		0.03%	0.03%	18%-50%	91.42%-100%		
Total book value	\$ 84,352	\$ 1,437,951	\$ 174,720	\$ 11,909	\$ 35,673		\$ 1,744,605
Loss allowance	\$ -	\$ 971	\$ 813	\$ 2,168	\$ 34,840		\$ 38,792

Individual: Subsidiaries and accounts receivable in individually material that have defaulted were individually estimated expected credit losses.

Group: Other customers.

- viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2022	2021
	Accounts receivable	Accounts receivable
At January 1	\$ 38,792	55,871
Provision for impairment	76,338	-
Reversal of provision for impairment	- (	12,605)
Write-offs	( 8,299)	-
Disposal of subsidiaries	- (	4,317)
Effect of foreign exchange	80 (	157)
At December 31	<u>\$ 106,911</u>	<u>\$ 38,792</u>

ix. The Group has no loss allowance for investments in debt instruments carried at amortised cost.

(c) Liquidity risk

- i. Surplus cash held by the operating entities over and above balance required for working capital management are used and invested properly. The Group chooses instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom.
- ii. The Group's non-derivative financial liabilities classified into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities.

Except for the following, the maturity dates of non-derivative financial liabilities comprising short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables and long-term borrowings expiring within one year are all less than 360 days as of December 31, 2022 and 2021.

Non-derivative financial liabilities:

		Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>December 31, 2022</u>	<u>Less than 1 year</u>			
Lease liability	\$ 72,864	\$ 72,542	\$ 194,609	\$ 130,114
<u>December 31, 2021</u>	<u>Less than 1 year</u>	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term borrowings (including current portion)	\$ 4,902	\$ 483	\$ -	\$ -
Lease liability	104,583	87,375	207,055	195,705

- iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 is as follows:

On December 31, 2022 and 2021, financial assets at fair value through other comprehensive income categorised within Level 3 amounted to \$44,801 and \$117,664, respectively.

D. The methods and assumptions the Group used to measure fair value are as follows:

The valuation of financial assets at fair value through other comprehensive income uses the most recent non-active market price, market comparable companies and the net assets value as their fair values (that is, Level 3).

E. For the years ended December 31, 2022 and 2021, there was no transfer among each valuation level.

F. The following chart is the movements of Level 3 for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
At January 1	\$ 117,664	\$ 122,742
Gains and losses recognised in other comprehensive income	5,112 (	5,078)
Disposal of equity instruments at fair value through other comprehensive income	( 77,975)	-
At December 31	<u>\$ 44,801</u>	<u>\$ 117,664</u>

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instruments:				
Unlisted shares	\$ 457	Market comparable companies	Enterprise value to EBITA multiple and discount for lack of marketability	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares				
Private equity fund investment	44,344	Net asset value	N/A	N/A

	<u>Fair value at December 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instruments:				
Unlisted shares	\$ 67,149	Market comparable companies	Enterprise value to EBITA multiple and discount for lack of marketability	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares				
Private equity fund investment	50,515	Net asset value	N/A	N/A

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: Refer to table 3.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 4.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more:  
Refer to table 5.

I. Derivative financial instruments: None.

J. Significant inter-company transactions during the reporting periods: Refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Shareholders information:

Major shareholders information: Refer to table 9.



#### 14. SEGMENT INFORMATION

##### (1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this period.

##### (2) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Year ended December 31, 2022	Taiwan	Asia	America	Europe	Adjustments and elimination	Total
Revenue from external customers	\$ 6,106,972	\$ 1,102,611	\$ 694,941	\$ 12,173	\$ -	\$ 7,916,697
Inter-segment revenue	698,089	121,877	7,562	5,954	( 833,482)	-
Total segment revenue	<u>\$ 6,805,061</u>	<u>\$ 1,224,488</u>	<u>\$ 702,503</u>	<u>\$ 18,127</u>	<u>(\$ 833,482)</u>	<u>\$ 7,916,697</u>
Segment profit (loss) - profit (loss) before tax	<u>\$ 1,311,676</u>	<u>\$ 851,413</u>	<u>\$ 8,871</u>	<u>(\$ 4,455)</u>	<u>(\$ 814,014)</u>	<u>\$ 1,353,491</u>
Segment profit (loss) - profit before tax include:						
Depreciation and amortisation	-	-	-	-	-	(\$ 224,596)
Interest income	-	-	-	-	-	\$ 7,713
Interest expense	-	-	-	-	-	(\$ 45,421)
Segment asset (Note 1)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Year ended December 31, 2021	Taiwan	Asia	America	Europe	Adjustments and elimination	Total
Revenue from external customers	\$ 4,785,501	\$ 1,489,176	\$ 482,079	\$ 23,824	\$ -	\$ 6,780,580
Inter-segment revenue	605,211	161,140	8,552	5,785	( 780,688)	-
Total segment revenue	\$ 5,390,712	\$ 1,650,316	\$ 490,631	\$ 29,609	\$ 780,688	\$ 6,780,580
Segment profit (loss) - profit (loss) before tax	\$ 203,723	\$ 113,810	\$ 1,467	\$ 2,078	\$ 108,693	\$ 205,295
Segment profit (loss) - profit before tax include:						
Depreciation and amortisation	-	-	-	-	-	(\$ 257,452)
Interest income	-	-	-	-	-	\$ 899
Interest expense	-	-	-	-	-	(\$ 34,605)
Segment asset (Note 1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note 1: Since the Company does not prepare such information for management and thus the relevant information is not disclosed.

Note 2: Segment information is based on geographic location of each segment.

### (3) Reconciliation for segment income (loss)

The revenue from external customers and gains or losses reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

(4) Information on product and service

Revenue from external customers arises from sales of industrial personal computers. The details of sales are as follows:

	2022	2021
Industrial personal computers	\$ 7,188,194	\$ 6,262,350
Others	728,503	518,230
	<u>\$ 7,916,697</u>	<u>\$ 6,780,580</u>

(5) Revenue information by geographic area

Information by geographic area of the Group is as follows:

	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 1,156,781	\$ 12,232	\$ 1,651,835	\$ 121,936
United States of America	1,568,512	49,883	1,083,344	57,859
Taiwan	910,361	2,048,417	653,469	2,112,846
South Korea	530,350	-	565,341	-
United Kingdom	482,021	-	409,989	3
Israel	349,427	-	225,771	-
Ireland	159,170	-	180,893	-
Germany	107,038	-	119,984	-
Japan	286,303	217	115,831	5,709
Netherlands	549,541	-	381,182	-
Sweden	435,649	-	423,627	-
Others	1,381,544	217,606	969,314	-
	<u>\$ 7,916,697</u>	<u>\$ 2,328,355</u>	<u>\$ 6,780,580</u>	<u>\$ 2,298,353</u>

(6) Information on major customers

	2022		2021	
	Revenue	Segment	Revenue	Segment
Customer S	\$ 1,320,776	Taiwan	\$ 922,079	Taiwan
Customer D	\$ 503,069	Taiwan		

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2022 (Notes 5, 6)	Actual amount drawn down (Note 7)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/guarantees by		Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)								Provision of endorsements/guarantees by parent company to subsidiary (Note 8)	Provision of endorsements/guarantees to the party in Mainland China (Note 8)	
0	The Company	Nexcom Japan Co., Ltd.	2	\$ 1,032,350	\$ 6,085	\$ 5,814	\$ 5,814	\$ -	0.08	\$ 1,720,583	Y	N	-
0	The Company	NexAIoT Co., Ltd.	2	1,032,350	210,538	206,775	76,775	-	6.00	1,720,583	Y	N	-
0	The Company	EMBUX Technology Co., Ltd.	2	1,032,350	25,000	25,000	15,000	15,000	0.73	1,720,583	Y	N	-
0	The Company	NexCOBOT Taiwan Co., Ltd.	2	1,032,350	90,000	90,000	50,000	-	2.67	1,720,583	Y	N	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.
- Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:
- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: The guarantee ceiling is calculated as follows:

- (1) The Company's total guarantees and endorsements to others should not exceed 50% of the Company's net worth. Net worth is determined based on the latest audited financial statements.
- (2) The guarantees and endorsements for a single party should not exceed 20% of the Company's net worth, except that the guarantees and endorsements for any single foreign subsidiary should not exceed 30% of the Company's net worth. If the guarantees and endorsements were made upon business relationships, the guarantees and endorsements should not exceed the total transaction amount (higher of the purchase or the sales between the two parties) for the most recent year ended.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: The amount guaranteed by the Company to Nexcomm Japan Co.,Ltd., EMBUX Technology Co., Ltd., NexAIoT Co., Ltd. and NexCOBOT Taiwan Co., Ltd. was JPY 25,018 thousand, NTD 25,000 , USD 2,500 & NTD 30,000 thousand and NTD 90,000 thousand, respectively.

Note 6: Fill in the amount approved by the Board of Directors of the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 7: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 8: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland Chain.

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
Year ended December 31,2022

Table 2

					Expressed in thousands of NTD (Except as otherwise indicated)		
					As of December 31, 2022		
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousands)	Book value	Ownership (%)	Fair value (Note)
The Company	Lionic Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	190	-	0.86	-
The Company	WK Technology Fund Co., Ltd.	"	Financial assets at fair value through other comprehensive income-non-current	2,500	44,344	2.50	44,344
The Company	Datacom Technology Corp.	"	Financial assets at fair value through other comprehensive income-non-current	700	-	6.54	-
Greenbase Technology Corp.	Iryx Corporation	"	Financial assets at fair value through other comprehensive income-non-current	550	-	4.35	-
DIVIOTEC INC.	DIVIOTEC COMPANY LIMITED	"	Financial assets at fair value through other comprehensive income-non-current	5	457	19.00	457

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital  
Year ended December 31, 2022

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Relationship with the investor (Note 2)	Balance as at January 1, 2022		Addition (Note 3)		Disposal (Note 3 and 5)			Balance as at December 31, 2022	
				Number of shares	Amount	Number of shares	Amount	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Nexcom International Co., Ltd. (SAMOA)	NEXSEC Incorporated and Zhuhai Xinxin Management Consulting Partnershin	Investments accounted for under equity method	Beijing Dahao Technology Co. Ltd	20,367,661	\$ 278,012	-	\$ -	\$ 1,180,901	\$ 334,534	\$ 846,367	-	\$ -

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 5: Refer to 6(32) C for details of related transactions.

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2022

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable		Expressed in thousands of NT\$ (Except as otherwise indicated)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	NexAIoT Co., Ltd.	The Company's consolidated subsidiary	Sales	\$ 542,290	10	90 days after monthly billing	The Company's sales price to related parties was approximately the same as third parties.	The credit term to related parties was approximately the same as third parties.	\$ 195,509	10	
The Company	Greenbase Technology Corp.	The Company's consolidated subsidiary	Sales	454,476	8	90 days after monthly billing	The Company's sales price to related parties was approximately the same as third parties.	The credit term to related parties was approximately the same as third parties.	113,395	6	
The Company	Nex Computer, Inc.	The Company's consolidated subsidiary	Sales	389,147	7	90 days after monthly billing	The Company's sales price to related parties was approximately the same as third parties.	The credit term to related parties was approximately the same as third parties.	161,377	8	
The Company	NexCOBOT Taiwan Co., Ltd.	The Company's consolidated subsidiary	Sales	252,787	5	90 days after monthly billing	The Company's sales price to related parties was approximately the same as third parties.	The credit term to related parties was approximately the same as third parties.	138,473	7	

Table 4

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
December 31, 2022

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Overdue receivables		Amount collected subsequent to the balance sheet date (Note)	Allowance for doubtful accounts
				Turnover rate	Amount		
The Company	NexAIoT Co., Ltd.	The Company's consolidated subsidiary	\$ 195,509	3.05	\$ -	\$ 68,026	\$ -
The Company	Greenbase Technology Corp.	The Company's consolidated subsidiary	113,395	5.39	-	55,162	-
The Company	Nex Computer, Inc.	The Company's consolidated subsidiary	161,377	3.85	-	49,140	-
The Company	NexCOBOT Taiwan Co., Ltd.	The Company's consolidated subsidiary	138,473	1.88	5,576	19,964	-

Note: Represents amounts collected up to February 22, 2023.



NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
Significant inter-company transactions during the reporting period  
December 31, 2022

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number	Company name	Counterparty	Relationship (Note 1)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 2)
				General ledger account	Amount	Transaction terms	
0	The Company	NexAIoT Co., Ltd.	1	Sales	\$ 542,290	Note 3	7
0	The Company	NexAIoT Co., Ltd.	1	Accounts receivable	195,509	Note 3	2
0	The Company	NexCOBOT Taiwan Co., Ltd.	1	Sales	252,797	Note 3	3
0	The Company	NexCOBOT Taiwan Co., Ltd.	1	Accounts receivable	138,473	Note 3	1
0	The Company	Greenbase Technology Corp.	1	Sales	454,476	Note 3	6
0	The Company	Greenbase Technology Corp.	1	Accounts receivable	113,395	Note 3	1
0	The Company	Nexcom Computer, Inc.	1	Sales	389,147	Note 3	3
0	The Company	Nexcom Computer, Inc.	1	Accounts receivable	161,377	Note 3	1

Note 1: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 2: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 3: Sales and collection terms of sales to related parties are approximately the same as with third parties.

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
Information on investees  
December 31, 2022

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022		Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares (shares in thousands)	Ownership (%)	Book value		
The Company	Nex Computers, Inc.	United States of America	Sales of PCs and peripherals	\$ 56,977	\$ 56,977	5,000	100	\$ 111,029	\$ 6,224	6,224
The Company	Nexcom Japan Co., Ltd.	Japan	Sales of PCs and peripherals	16,780	16,780	1	100	40,004	126	126
The Company	Nexcom International Co., Ltd. (SAMOA)	Samoa	General investment	195,893	232,392	6,386	100	935,260	738,882	738,882
The Company	Nexcom Europe Ltd.	United Kingdom	Sales of PCs and peripherals	73,215	73,215	580	100	23,901 (	3,790) (	3,790)
The Company	Greenbase Technology Corp.	Taiwan	Sales of PCs and peripherals	82,834	82,834	13,777	79.62	221,056	80,396	64,011
The Company	Nexcom France	France	Sales of PCs and peripherals	-	32,761	-	-	- (	665) (	665) Note 1
The Company	NexAloT Co., Ltd.	Taiwan	Sales of PCs and peripherals	97,063	97,063	17,268	82.73	179,028	24,906	20,605
The Company	All IoTCloud Corp.	Taiwan	Sales of PCs and peripherals	34,415	34,415	1,000	100	3,932 (	643) (	643)
The Company	EMBUX Technology Co., Ltd.	Taiwan	Sales of PCs and peripherals	12,100	12,100	7,290	100	( 3,342) (	2,482) (	2,482)
The Company	TMR Technologies Co., Ltd.	Taiwan	Sales of PCs and peripherals	23,218	22,080	2,322	89.05	14,264 (	10,001) (	8,231)
The Company	NEXCOBOT INC.	United States of America	Sales of PCs and peripherals	5,921	5,921	200	100	8 (	24) (	24)
Greenbase Technology Corp.	DIVIOTED INC.	Taiwan	Sales of PCs and peripherals	12,579	12,579	884	100	17,404	5,714	5,714
NexAloT Co., Ltd.	NexCOBOT Taiwan Co., Ltd.	Taiwan	Sales of PCs and peripherals	67,549	67,549	6,000	100	90,105	21,835	21,835

Note 1: The Company's subsidiary, Nexcom GmbH, has completed the liquidation in December 2022.

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
Information on investments in Mainland China  
December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 8

Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022												
Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted back to Taiwan		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022 (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan						
NEXSEC Incorporated	Sales of PCs and peripherals	\$ 127,504	Through investing in an existing company (Nexcom International Co., Ltd. (SAMOA)) in the third area, which then invested in the investee in Mainland China.	\$ 56,126	\$ -	\$ 56,126	\$ 52,652	\$ -	\$ 37,193	\$ -	\$ 31,495	Note 3
Nexcom Shanghai Co., Ltd.	Sales of PCs and peripherals	104,234	Through investing in an investee company (NexAIoT Co., Ltd.) in Mainland China, which then invested in the investee in Mainland China.	104,234	-	104,234	21,311	82.73	17,631	( 34,662)	-	Notes 1
Nexcom Surveillance Technology Co., Ltd.	Sales of PCs and peripherals	30,321	Through investing in an investee company (Greenbase Technology Corp.) in Mainland China, which then invested in the investee in Mainland China.	30,321	-	30,321	5,138	79.62	4,091	36,369	-	Notes 1
Nexcom United System Service Co., Ltd.	Sales of PCs and peripherals	33,998	Through investing in an existing company (Nexcom International Co., Ltd. (SAMOA)) in the third area, which then invested in the investee in Mainland China.	28,691	-	28,691	493	100	493	1,023	-	-
NEXGOL Co., Ltd.	Sales of PCs and peripherals	44,650	Through investing in an investee (Nexcom Shanghai Co., Ltd.) in Mainland China, which then invested in the investee in Mainland China.	-	-	-	10,707	66.18	7,086	( 17,257)	-	Note 3
Zhuhai Xinxin Management Consulting Partnership	General investment	9,421	Through investing in an existing company (Nexcom International Co., Ltd. (SAMOA)) in the third area, which then invested in the investee in Mainland China.	2,275	-	2,275	6,759	-	471	-	-	Notes 3
Beijing NexGemo Technology Co., Ltd.	Sales of PCs and peripherals	45,770	Through investing in an investee (Nexcom Shanghai Co., Ltd.) in Mainland China, which then invested in the investee in Mainland China.	-	-	-	9,397	37.23	3,499	13,911	-	Notes 2 and 3
Dongguan Xing Han Yun Zhi Electronics Co., Ltd.	Sales of PCs and peripherals	47,938	Through investing in investees in Mainland China, which then invested in the investee in Mainland China (investment of NEXSEC Incorporated).	-	-	-	3,389	-	1,436	-	-	Notes 3
GuangZhou NexCOBOT China Co., Ltd.	Sales of PCs and peripherals	15,777	Through investing in investees, which then invested in the investee in Mainland China (investment of NexCOBOT Taiwan Co., Ltd.).	15,777	-	15,777	88	82.73	73	( 1,561)	-	Note 1
Chongqing Keli Ruixing Technology Co., Ltd.	Sales of PCs and peripherals	17,888	Through investing in an investee (Nexcom Shanghai Co., Ltd.) in Mainland China, which then invested in the investee in Mainland China.	-	-	-	4,217	62.05	2,617	1,507	-	Note 1
Chengdu Xinghan Xinchuang Technology Co., Ltd.	Sales of PCs and peripherals	13,517	Through investing in an investee (NEXSEC Incorporated) in Mainland China, which then invested in the investee in Mainland China.	-	-	-	1,400	-	346	-	-	Notes 3 and 4 and 5

Note 1: Since the consolidated subsidiary was an insignificant subsidiary, the investment income or loss was recognised based on the financial statements which were not reviewed by the independent auditors.

Note 2: In February 2022, the Group invested and established a new company, Chengdu Xinghan Xinchuang Technology Co., Ltd. as resolved by the Board of Directors.

Note 3: On July 27, 2022, the Board of Directors of the Group resolved to dispose all the shares of its subsidiary, NEXSEC Incorporated, the subsidiaries of NEXSEC Incorporated and the Group’s subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022. Consequently, the Group lost control over the abovementioned subsidiaries during the third quarter of 2022. Refer to 6(32) C for more details.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022		Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
	\$	237,424	\$	274,951	
The Company					206,469

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Major shareholders information  
December 31, 2022

Table 9

Name of major shareholders	Shares		Expressed in thousands of NTD (Except as otherwise indicated)
	Number of shares held	Ownership (%)	
Tai Ying Investment Co., Ltd. Meng-Ying, Lin	9,687		6.85%
	9,426		6.67%

Note: (a) The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.

(b) If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio was greater than 10% in accordance with the Securities and Exchange Act, the shareholding ratio included the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information on reported share equity of insiders, please refer to the Market Observation Post System.

**NEXCOM INTERNATIONAL CO., LTD.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITORS’**  
**REPORT**  
**DECEMBER 31, 2022 AND 2021**

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For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of NEXCOM International Co., Ltd.

PWCR22000542

### **Opinion**

We have audited the accompanying parent company only balance sheets of NEXCOM International Co., Ltd. (the "Company") as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, 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 reports of other auditors (refer to the Other matter section), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company 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 financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Emphasis of matter - Disposal of subsidiaries in Beijing***

We draw attention to Notes 6(5) to the consolidated financial statements, which describes that the Board of Directors of the Company resolved to dispose all the shares of its second-tier subsidiary, NEXSEC Incorporated, and the Group's subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022. Consequently, the Group lost control over the abovementioned subsidiaries and recognised a gain on disposal of NT\$846,367 thousand in 2022. Our opinion is not modified in respect of this matter.

## **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2022 parent company only financial statements. 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, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

### **Adequacy of allowance for inventory valuation loss**

#### Description

Refer to Note 4(10) for description of accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(3) for details of inventories. As of December 31, 2022, the Company's inventories and allowance for inventory valuation loss amounted to NT\$2,188,038 thousand and NT\$225,725 thousand, respectively.

The Company is primarily engaged in the manufacture and sales of industrial personal computers and there is a higher risk of inventory losing value or becoming obsolete due to the rapid technology innovation and stiff competition in the market. The Company's inventories are stated at the lower of cost and net realisable value, and the Company recognises loss on decline in value of obsolete or damaged inventories based on specific identification.

Since the amounts of inventories are material, types of inventories are various, and the identification of the net realisable value for individually identified obsolete or scrap inventories involves subjective judgement, we identified the adequacy of allowance for inventory valuation loss a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding of and assessed the reasonableness of accounting policies on provision of allowance for inventory valuation losses and confirmed whether they were adopted consistently in the comparative period.
- B. Inspected the annual plan of the physical inventory count and performed observation on inventory count, and evaluated the effectiveness of procedures in determining obsolete inventories.
- C. Verified the appropriateness of the system logic in calculating the ageing of inventories, and confirmed whether it is consistent with the accounting policy.



- D. For the net realisable value of inventories that are over a certain age and individually identified obsolete and damaged inventories, discussed with the management, obtained supporting documents and reviewed the calculation of the net realisable value.
- E. Tested the market price used to estimate the net realisable value of individual inventories, and selected samples to verify the calculation of net realisable value.

### **Cutoff of sales revenue**

#### **Description**

Refer to Note 4(26) for description of accounting policy on revenue recognition and Note 6(21) for the details of operating revenue.

The Company's sales mainly arise from manufacturing and sales of industrial personal computers and is mainly for export. The Company recognises export revenue in accordance with the terms of the transaction with the customer. Since the Company has many sales targets, sales regions and transaction conditions, we considered the cutoff of sales revenue as a key audit matter.

#### **How our audit addressed the matter**

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding of the transaction terms of sales revenue and tested the internal control relating to revenue recognition.
- B. Selected samples to check the supporting documents for revenue recognition. The procedures performed include checking relevant documents such as orders and delivery orders to evaluate the appropriateness of cutoff of revenue.
- C. Performed sales transaction cut-off test for a certain period before and after balance sheet date to assess the appropriateness of cutoff on sales revenue.

***Other matter - Reference to the audits of other auditors***

The financial statements of certain investees accounted for using equity method for the years ended December 31, 2022 and 2021 were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in the parent company only financial statements in respect of these companies, is based solely on the reports of the other auditors. The aforementioned investments accounted for using equity method amounted to NT\$396,742 thousand and NT\$158,160 thousand, constituting 5% and 2% of the Company's total assets as at December 31, 2022 and 2021, respectively, and the comprehensive income recognised from the aforementioned investees amounted to NT\$82,866 thousand and NT\$12,866 thousand, constituting 8% and 10% of the Company's total comprehensive income for the years then ended, respectively.

***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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of 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 the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Company's financial reporting process.

### ***Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 throughout the audit.

We also:

- A. 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.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. 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.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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.

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

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

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

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Wu, Han-Chi

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Tsai, Yi-Tai

For and on behalf of PricewaterhouseCoopers, Taiwan

February 22, 2023

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

NEXCOM INTERNATIONAL CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 474,583	6	\$ 111,355	2
1150	Notes receivable, net	6(2)	3	-	7	-
1170	Accounts receivable, net	6(2)	1,154,346	14	770,490	11
1180	Accounts receivable - related parties	7	822,706	10	894,195	13
1200	Other receivables		34,035	1	37,346	1
1210	Other receivables - related parties	7	20,753	-	30,415	1
130X	Inventory	6(3)	1,962,313	24	1,806,263	26
1410	Prepayments		10,932	-	20,682	-
11XX	Total current assets		4,479,671	55	3,670,753	54
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(4)	44,344	-	117,207	2
1550	Investments accounted for under equity method	6(5)	1,525,140	19	839,999	12
1600	Property, plant and equipment	6(6) and 8	1,393,935	17	1,414,927	21
1755	Right-of-use assets	6(7)	385,465	5	438,691	6
1760	Investment property - net	6(9) and 8	172,555	2	174,075	2
1780	Intangible assets	6(10)	45,803	-	59,636	1
1840	Deferred income tax assets	6(26)	67,071	1	86,021	1
1900	Other non-current assets	6(11) and 8	60,493	1	57,657	1
15XX	Total non-current assets		3,694,806	45	3,188,213	46
1XXX	Total assets		\$ 8,174,477	100	\$ 6,858,966	100

(Continued)

NEXCOM INTERNATIONAL CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(12) and 8	\$ 2,405,000	29	\$ 2,327,680	34
2110	Short-term notes and bills payable	6(13)	100,000	1	100,000	2
2130	Current contract liabilities	6(21)	38,000	1	18,770	-
2170	Accounts payable	7	1,074,182	13	992,083	15
2200	Other payables	6(14) and 7	403,222	5	285,660	4
2230	Current income tax liabilities		80,802	1	13,456	-
2250	Provisions for liabilities - current	6(15)	31,059	-	27,912	-
2280	Current lease liabilities		52,800	1	51,896	1
2300	Other current liabilities		11,364	-	5,721	-
21XX	Total current liabilities		4,196,429	51	3,823,178	56
Non-current liabilities						
2550	Provisions for liabilities - non-current	6(15)	11,490	-	9,744	-
2570	Deferred income tax liabilities	6(26)	183,020	3	1,514	-
2580	Non-current lease liabilities		340,152	4	391,842	6
2600	Net defined benefit liability - non-current		2,222	-	2,051	-
25XX	Total non-current liabilities		536,884	7	405,151	6
2XXX	Total liabilities		4,733,313	58	4,228,329	62
Equity						
	Share capital	6(18)				
3110	Common stock		1,412,265	17	1,412,265	20
	Capital surplus	6(19)				
3200	Capital surplus		367,987	4	367,763	5
	Retained earnings	6(20)				
3310	Legal reserve		336,749	4	322,108	5
3320	Special reserve		66,125	1	45,978	1
3350	Unappropriated retained earnings		1,288,225	16	548,648	8
	Other equity interest					
3400	Other equity interest		( 30,187)	-	( 66,125)	( 1)
3XXX	Total equity		3,441,164	42	2,630,637	38
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	Total liabilities and equity		\$ 8,174,477	100	\$ 6,858,966	100

The accompanying notes are an integral part of these parent company only financial statements.

NEXCOM INTERNATIONAL CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			Year ended December 31			
			2022		2021	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21) and 7	\$ 5,576,554	100	\$ 4,297,547	100
5000	Operating costs	6(3)(24)(25) and 7	( 4,481,287)	( 80)	( 3,617,460)	( 84)
5900	Net operating margin		1,095,267	20	680,087	16
5910	Unrealised profit from sales		( 36,346)	( 1)	( 32,464)	( 1)
5920	Realised profit from sales		32,464	-	53,496	1
5950	Net operating margin		1,091,385	19	701,119	16
	Operating expenses	6(24)(25)				
6100	Selling expenses		( 352,756)	( 6)	( 260,950)	( 6)
6200	General and administrative expenses		( 129,678)	( 2)	( 119,286)	( 3)
6300	Research and development expenses		( 355,108)	( 7)	( 375,814)	( 8)
6450	(Expected credit impairment loss) impairment gain determined in accordance with IFRS 9	12(2)	( 4,840)	-	4,712	-
6000	Total operating expenses		( 842,382)	( 15)	( 751,338)	( 17)
6900	Operating profit (loss)		249,003	4	( 50,219)	( 1)
	Non-operating income and expenses					
7010	Other income	6(22) and 7	110,884	2	120,465	3
7020	Other gains and losses	6(23)	39,728	1	( 11,441)	-
7050	Finance costs		( 37,458)	( 1)	( 23,057)	( 1)
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(5)	814,013	15	108,627	2
7000	Total non-operating income and expenses		927,167	17	194,594	4
7900	Profit before income tax		1,176,170	21	144,375	3
7950	Income tax expense	6(26)	( 273,982)	( 5)	( 2,830)	-
8200	Profit for the year		\$ 902,188	16	\$ 141,545	3
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gains on defined benefit plan	6(16)	\$ 2,650	-	\$ 6,075	-
8316	Unrealised gain (loss) from investments in equity instruments measured at fair value through other comprehensive income		5,112	-	( 5,078)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	( 530)	-	( 1,215)	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		7,232	-	( 218)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation		42,109	1	( 15,069)	-
8300	Other comprehensive income (loss) for the year		\$ 49,341	1	( \$ 15,287)	-
8500	Total comprehensive income for the year		\$ 951,529	17	\$ 126,258	3
	Earnings per share (in dollars)	6(27)				
9750	Basic earnings per share		\$ 6.39		\$ 1.00	
9850	Diluted earnings per share	6(27)	\$ 6.38		\$ 1.00	

The accompanying notes are an integral part of these parent company only financial statements.



**NEXCOM INTERNATIONAL CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

	Retained Earnings			Other Equity Interest				
Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
<u>Year ended December 31, 2021</u>								
Balance at January 1, 2021	\$ 1,412,265	\$ 367,368	\$ 311,451	\$ 82,927	\$ 488,932	(\$ 24,993 )	(\$ 20,985 )	\$ 2,616,965
Profit for the year	-	-	-	-	141,545	-	-	141,545
Other comprehensive income (loss) for the year	-	-	-	-	4,860	( 15,069 )	( 5,078 )	( 15,287 )
Total comprehensive income (loss)	-	-	-	-	146,405	( 15,069 )	( 5,078 )	126,258
Distribution of 2020 earnings	6(20)							
Legal reserve	-	-	10,657	-	( 10,657 )	-	-	-
Special reserve	-	-	-	( 36,949 )	36,949	-	-	-
Cash dividends	-	-	-	-	112,981	-	-	( 112,981 )
Share-based payment transactions	-	41	-	-	-	-	-	41
Changes in ownership interests in subsidiaries	-	354	-	-	-	-	-	354
Balance at December 31, 2021	\$ 1,412,265	\$ 367,763	\$ 322,108	\$ 45,978	\$ 548,648	(\$ 40,062 )	(\$ 26,063 )	\$ 2,630,637
<u>Year ended December 31, 2022</u>								
Balance at January 1, 2022	\$ 1,412,265	\$ 367,763	\$ 322,108	\$ 45,978	\$ 548,648	(\$ 40,062 )	(\$ 26,063 )	\$ 2,630,637
Profit for the year	-	-	-	-	902,188	-	-	902,188
Other comprehensive income for the year	-	-	-	-	2,120	42,109	5,112	49,341
Total comprehensive income	-	-	-	-	904,308	42,109	5,112	951,529
Distribution of 2021 earnings	6(20)							
Legal reserve	-	-	14,641	-	( 14,641 )	-	-	-
Special reserve	-	-	-	20,147	( 20,147 )	-	-	-
Cash dividends	-	-	-	-	141,226	-	-	( 141,226 )
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	224	-	-	11,283	-	( 11,283 )	224
Balance at December 31, 2022	\$ 1,412,265	\$ 367,987	\$ 336,749	\$ 66,125	\$ 1,288,225	\$ 2,047	(\$ 32,234 )	\$ 3,441,164

The accompanying notes are an integral part of these parent company only financial statements.

NEXCOM INTERNATIONAL CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 1,176,170	\$ 144,375
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including investment property)	6(6)(9)(24)	74,717	84,919
Depreciation (Right-of-use assets)	6(7)(24)	54,400	54,738
Amortization	6(10)(24)	34,098	38,449
Impairment gain and reversal of impairment loss determined in accordance with IFRS 9		( 4,840 )	( 4,712 )
Interest expense		33,319	18,631
Interest expense (lease liability)		4,139	4,426
Interest income	6(22)	( 603 )	( 188 )
Dividend income	6(22)	( 5,200 )	( 4,250 )
Share-based payment transactions	6(17)	413	41
Share of profit of subsidiaries accounted for under the equity method	6(5)	( 814,013 )	( 108,627 )
Gain on disposal and scrap of property, plant and equipment	6(23)	( 6 )	-
Loss on disposal of investment	6(23)	-	960
Unrealised gross profit		36,346	32,464
Realised gross profit		( 32,464 )	( 53,496 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		4	-
Accounts receivable		( 380,619 )	( 173,798 )
Accounts receivable - related parties		73,092	( 70,353 )
Other receivables		3,661	( 15,111 )
Other receivables - related parties		9,662	( 12,330 )
Inventories		( 156,050 )	( 781,031 )
Prepayments		9,750	( 14,285 )
Other non-current assets		-	( 48 )
Changes in operating liabilities			
Current contract liabilities		19,230	( 720 )
Notes payable		-	( 111 )
Accounts payable (including related parties)		82,099	433,402
Other payables		126,616	25,740
Provision		4,893	( 2,942 )
Other current liabilities		5,643	1,018
Cash inflow (outflow) generated from operations		354,457	( 402,839 )
Interest received		585	179
Dividends received		190,138	20,007
Interest paid		( 36,684 )	( 23,609 )
Income tax paid		( 6,710 )	( 1,407 )
Net cash flows from (used in) operating activities		501,786	( 407,669 )

(Continued)

NEXCOM INTERNATIONAL CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at fair value			
through other comprehensive income		\$ 77,975	\$ -
Increase in investments accounted for using equity			
method		( 18,360 )	-
Return of capital from liquidation of subsidiary		-	4,111
Acquisition of property, plant and equipment	6(28)	( 44,662 )	( 48,698 )
Proceeds from disposal of property, plant and equipment		380	-
Acquisition of intangible assets	6(28)	( 29,707 )	( 16,356 )
Decrease in refundable deposits		10,506	237
Increase in restricted assets		( 21 )	( 618 )
Increase in other non-current assets		( 14,835 )	( 562 )
Net cash flows used in investing activities		( 18,724 )	( 61,886 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		77,320	508,960
Increase in short-term notes and bills payable		-	100,000
Increase (decrease) in guarantee deposits received		171	( 192 )
Payment of lease liabilities		( 56,099 )	( 55,780 )
Cash dividends paid	6(20)	( 141,226 )	( 112,981 )
Net cash flows (used in) from financing activities		( 119,834 )	440,007
Net increase (decrease) in cash and cash equivalents		363,228	( 29,548 )
Cash and cash equivalents at beginning of year	6(1)	111,355	140,903
Cash and cash equivalents at end of year	6(1)	\$ 474,583	\$ 111,355

The accompanying notes are an integral part of these parent company only financial statements.

NEXCOM INTERNATIONAL CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Nexcom International Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) in November 1992. The Company is engaged in the manufacture and sales of industrial personal computers and peripherals, agent of distribution, design of computer programs and computer software applications, etc. The shares of the Company have been traded on the Taipei Exchange since June 7, 2007.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on February 22, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRSs 2018 - 2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

- A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through other comprehensive income.
  - (b) Defined benefit asset recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within other gains and losses.

**B. Translation of foreign operations**

- (a) The operating results and financial position of all the entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

**(4) Classification of current and non-current items**

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(6) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Impairment of financial assets

For debt instruments measured at financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(8) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(9) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.



(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Investments accounted for using equity method - subsidiaries and associates

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity
- B. Unrealised gains on transactions between the Company and its subsidiaries are eliminated. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

- F. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
- G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests of the associate in 'capital surplus' in proportion to its ownership.
- H. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- I. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- J. In accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss and other comprehensive income or loss presented on the parent company only financial statements are consistent with those presented on the consolidated financial statements. In addition, owner's equity presented on the parent company only is consistent with equity attributable to owners of parent presented on the consolidated financial statements.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 ~ 50 years
Machinery and equipment	1 ~ 10 years
Office equipment	1 ~ 10 years
Leasehold improvements	1 ~ 10 years
Transportation equipment	2 ~ 5 years

(13) Leasing arrangements (lessee) — right-of-use assets / lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the Company's incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(14) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20 to 50 years.

(15) Intangible assets

Intangible assets are computer software and patent stated at historical cost and amortised over their estimated useful lives of 1 to 10 years.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred.

(18) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(20) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(21) Provisions

Provisions (including warranties) are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

## B. Pension

### (a) Defined contribution plan

For defined contribution plan, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

### (b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

## C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

### (23) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

### (24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(26) Revenue recognition

Sales of goods

- A. The Company research and develops, manufactures and sells industrial personal computers. Sales are recognised 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, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. Sales revenue arising from industrial personal computers is recognised based on the price that is made from negotiating with customers based on purchased volume and items. No element of financing is deemed present as the sales are made with a credit terms that are the same with the general commercial transactions, which is consistent with market practice.
- C. The Company's obligation to provide a maintenance service for faulty products under the standard warranty terms is recognised as a provision.
- D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(27) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value at balance sheet date, and writes down the cost of inventories to the net realisable value. Such evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2022, the carrying amount of inventories is provided in Note 6(3)

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 413	\$ 540
Checking accounts and demand deposits	474,170	110,815
Time deposits	<u>12,305</u>	<u>12,284</u>
	486,888	123,639
Transferred to restricted assets (shown as other non-current assets)	( <u>12,305</u> )	( <u>12,284</u> )
	<u>\$ 474,583</u>	<u>\$ 111,355</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The time deposits as of December 31, 2022 and 2021 were transferred to restricted assets based on their nature as they were pledged as performance guarantee and guarantee for import duty.

Refer to Note 8 for details.

(2) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	<u>\$ 3</u>	<u>\$ 7</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$ 1,180,752	\$ 793,659
Less: Allowance for uncollectible accounts	( <u>26,406</u> )	( <u>23,169</u> )
	<u>\$ 1,154,346</u>	<u>\$ 770,490</u>



A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2022	December 31, 2021
Not past due	\$ 1,126,646	\$ 741,514
1 to 90 days	30,856	29,090
91 to 180 days	2,262	330
Over 180 days	20,988	22,725
	<u>\$ 1,180,752</u>	<u>\$ 793,659</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$619,861.

C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes receivable were \$3 and \$7, and accounts receivable were \$1,154,346 and \$770,490, respectively.

D. Information relating to credit risk is provided in Note 12(2).

### (3) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,450,553	(\$ 158,829)	\$ 1,291,724
Work in progress	340,353	( 1,570)	338,783
Semi-finished goods	235,996	( 41,258)	194,738
Finished goods	161,136	( 24,068)	137,068
	<u>\$ 2,188,038</u>	<u>(\$ 225,725)</u>	<u>\$ 1,962,313</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,561,676	(\$ 169,696)	\$ 1,391,980
Work in progress	188,352	( 651)	187,701
Semi-finished goods	182,135	( 51,144)	130,991
Finished goods	129,465	( 33,874)	95,591
	<u>\$ 2,061,628</u>	<u>(\$ 255,365)</u>	<u>\$ 1,806,263</u>

The cost of inventories recognised as expense for the year:

	2022	2021
Cost of goods sold	\$ 4,495,519	\$ 3,612,505
Gain on reversal of inventory valuation (Note 1)	( 29,640)	( 39,831)
Loss on scrap inventory	13,172	22,365
Others (Note 2)	2,236	22,421
	<u>\$ 4,481,287</u>	<u>\$ 3,617,460</u>

Note 1: The Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because the related inventory items were sold and scrapped.

Note 2: Includes low capacity utilisation, gain or loss on physical inventory and revenue from scrap.

(4) Financial assets at fair value through other comprehensive income

Items	December 31, 2022	December 31, 2021
Unlisted stocks	\$ 64,000	\$ 130,692
Valuation adjustment	( 19,656)	( 13,485)
	<u>\$ 44,344</u>	<u>\$ 117,207</u>

A. In the first half of 2022, the fair value of the equity investments sold was \$77,975, taking into consideration the Group's operations.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	2022	2021
<u>Equity instruments at fair value</u>		
<u>through other comprehensive income</u>		
Fair value change recognised in the other comprehensive income	<u>\$ 5,112</u>	<u>\$ 5,078</u>
Cumulative gains reclassified to retained earnings due to derecognition	<u>\$ 11,283</u>	<u>\$ -</u>

C. The Company has elected to classify financial assets at cost that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$44,344 and \$117,207 as at December 31, 2022 and 2021, respectively.

D. As of December 31, 2022 and 2021, no financial assets at fair value through other comprehensive income held by the Company were pledged to others.

E. Information relating to credit risk is provided in Note 12(2).

(5) Investments accounted for using equity method

A. Details of investments accounted for using equity method is as follows:

	December 31, 2022	December 31, 2021
Nexcom International Co., Ltd. (SAMOA)	\$ 935,260	\$ 315,822
Greenbase Technology Corp.	221,056	158,160
NexAIoT Co., Ltd.	179,028	157,342
Nex Computers, Inc.	111,029	109,131
Nexcom Japan Co., Ltd.	40,004	62,219
Nexcom Europe Ltd.	23,901	27,836
TMR Technologies Co., Ltd.	14,264	4,815
All IoTCloud Corp.	3,932	4,575
NEXCOBOT INC.	8	30
Nexcom France (Note)	-	981
EMBUX Technology Co., Ltd.	( 3,342)	( 912)
	<u>\$ 1,525,140</u>	<u>\$ 839,999</u>

Note : The Company's subsidiary, Nexcom France, has completed its liquidation in December 2022.

B. Except for Greenbase Technology Corp., NexAIoT Co., Ltd. and EMBUX Technology Co., Ltd. whose financial statements were audited by other auditors, the financial statements of other investees were audited by the Company's auditors for the years ended December 31, 2022 and 2021. Details of share of profit (loss) of associates and joint ventures accounted for using equity method recognised by the Company are as follows:

	2022	2021
Nexcom International Co., Ltd. (SAMOA)	\$ 738,882	\$ 75,265
NexCOBOT Taiwan Co., Ltd.	-	22,103
Greenbase Technology Corp.	64,011	12,933
NexAIoT Co., Ltd.	20,605	15,411
Nex Computers, Inc.	6,224	1,788
Nexcom GmbH.	- (	7)
Nexcom Japan Co., Ltd.	126 (	4,423)
NEXCOBOT Inc.	( 24) (	29)
All IoTCloud Corp.	( 643) (	39)
Nexcom France	( 665) (	501)
EMBUX Technology Co., Ltd.	( 2,482) (	4,436)
Nexcom Europe Ltd.	( 3,790) (	1,636)
TMR Technologies Co., Ltd.	( 8,231) (	7,802)
	<u>\$ 814,013</u>	<u>\$ 108,627</u>

C. On July 27, 2022, the Board of Directors of the Company resolved to dispose all the shares of the subsidiary, NEXSEC Incorporated, of Nexcom International Co., Ltd. (SAMOA), the subsidiaries of NEXSEC Incorporated and the Company's subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022. Consequently, the Company lost control over the abovementioned subsidiaries in the third quarter of 2022. The details of the consideration from the transaction are provided in Note 6(32) of consolidated financial statements for the year ended December 31, 2022.

D. Refer to Note 4(3) in the consolidated financial statements as at and for the year ended December 31, 2022 for the information regarding the Company's subsidiaries.

(6) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Total
<u>At January 1, 2022</u>						
Cost	\$ 839,249	\$ 567,495	\$ 629,504	\$ 51,964	\$ 114,658	\$ 2,202,870
Accumulated depreciation	-	( 174,522)	( 479,563)	( 46,687)	( 87,171)	( 787,943)
	<u>\$ 839,249</u>	<u>\$ 392,973</u>	<u>\$ 149,941</u>	<u>\$ 5,277</u>	<u>\$ 27,487</u>	<u>\$ 1,414,927</u>
<u>2022</u>						
At January 1	\$ 839,249	\$ 392,973	\$ 149,941	\$ 5,277	\$ 27,487	\$ 1,414,927
Additions	-	-	42,456	1,225	4,734	48,415
Disposals			( 374)			( 374)
Reclassifications	-	-	4,164	-	-	4,164
Depreciation	-	( 9,429)	( 50,087)	( 2,944)	( 10,737)	( 73,197)
At December 31	<u>\$ 839,249</u>	<u>\$ 383,544</u>	<u>\$ 146,100</u>	<u>\$ 3,558</u>	<u>\$ 21,484</u>	<u>\$ 1,393,935</u>
<u>At December 31, 2022</u>						
Cost	\$ 839,249	\$ 567,495	\$ 652,713	\$ 48,938	\$ 119,392	\$ 2,227,787
Accumulated depreciation	-	( 183,951)	( 506,613)	( 45,380)	( 97,908)	( 833,852)
	<u>\$ 839,249</u>	<u>\$ 383,544</u>	<u>\$ 146,100</u>	<u>\$ 3,558</u>	<u>\$ 21,484</u>	<u>\$ 1,393,935</u>

	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Total
<u>At January 1, 2021</u>						
Cost	\$ 839,249	\$ 567,495	\$ 602,449	\$ 55,135	\$ 110,231	\$ 2,174,559
Accumulated depreciation	-	( 160,764)	( 445,503)	( 46,974)	( 73,037)	( 726,278)
	<u>\$ 839,249</u>	<u>\$ 406,731</u>	<u>\$ 156,946</u>	<u>\$ 8,161</u>	<u>\$ 37,194</u>	<u>\$ 1,448,281</u>
<u>2021</u>						
At January 1	\$ 839,249	\$ 406,731	\$ 156,946	\$ 8,161	\$ 37,194	\$ 1,448,281
Additions	-	-	40,013	883	4,134	45,030
Reclassifications	-	-	4,615	-	400	5,015
Depreciation	-	( 13,758)	( 51,633)	( 3,767)	( 14,241)	( 83,399)
At December 31	<u>\$ 839,249</u>	<u>\$ 392,973</u>	<u>\$ 149,941</u>	<u>\$ 5,277</u>	<u>\$ 27,487</u>	<u>\$ 1,414,927</u>
<u>At December 31, 2021</u>						
Cost	\$ 839,249	\$ 567,495	\$ 629,504	\$ 51,964	\$ 114,658	\$ 2,202,870
Accumulated depreciation	-	( 174,522)	( 479,563)	( 46,687)	( 87,171)	( 787,943)
	<u>\$ 839,249</u>	<u>\$ 392,973</u>	<u>\$ 149,941</u>	<u>\$ 5,277</u>	<u>\$ 27,487</u>	<u>\$ 1,414,927</u>

Refer to Note 8 for the pledged property, plant and equipment.

(7) Leasing arrangements - lessee

A. The Company leases various assets including buildings. Rental contracts are typically made for periods from 2019 to 2031. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2022	December 31, 2021
	Carrying amount	Carrying amount
Buildings	<u>\$ 385,465</u>	<u>\$ 438,691</u>
	2022	2021
	Depreciation charge	Depreciation charge
Buildings	<u>\$ 54,400</u>	<u>\$ 54,738</u>

C. The information on profit and loss accounts relating to lease contracts is as follows:

	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 4,139	\$ 4,426
Expense on short-term lease contracts	9,299	8,018
	<u>\$ 13,438</u>	<u>\$ 12,444</u>

D. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$69,537 and \$68,224, respectively.

E. For the years ended December 31, 2022 and 2021, additions to right-of-use assets were \$1,174 and \$0, respectively.

(8) Leasing arrangements - lessor

A. The Company leases various assets including buildings and structures. Rental contracts are typically made for periods of 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the years ended December 31, 2022 and 2021, the Company recognised rent income in the amounts of \$17,189 and \$17,099, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
2022	\$ -	\$ 16,476
2023	17,149	-
	<u>\$ 17,149</u>	<u>\$ 16,476</u>

(9) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2022</u>			
Cost	\$ 128,902	\$ 97,512	\$ 226,414
Accumulated depreciation	-	( 52,339)	( 52,339)
	<u>\$ 128,902</u>	<u>\$ 45,173</u>	<u>\$ 174,075</u>
<u>2022</u>			
At January 1	\$ 128,902	\$ 45,173	\$ 174,075
Depreciation	-	( 1,520)	( 1,520)
At December 31	<u>\$ 128,902</u>	<u>\$ 43,653</u>	<u>\$ 172,555</u>
<u>At December 31, 2022</u>			
Cost	\$ 128,902	\$ 97,512	\$ 226,414
Accumulated depreciation	-	( 53,859)	( 53,859)
	<u>\$ 128,902</u>	<u>\$ 43,653</u>	<u>\$ 172,555</u>

	Land	Buildings and structures	Total
<u>At January 1, 2021</u>			
Cost	\$ 128,902	\$ 97,512	\$ 226,414
Accumulated depreciation	-	( 50,819)	( 50,819)
	<u>\$ 128,902</u>	<u>\$ 46,693</u>	<u>\$ 175,595</u>
<u>2021</u>			
At January 1	\$ 128,902	\$ 46,693	\$ 175,595
Depreciation	-	( 1,520)	( 1,520)
At December 31	<u>\$ 128,902</u>	<u>\$ 45,173</u>	<u>\$ 174,075</u>
<u>At December 31, 2021</u>			
Cost	\$ 128,902	\$ 97,512	\$ 226,414
Accumulated depreciation	-	( 52,339)	( 52,339)
	<u>\$ 128,902</u>	<u>\$ 45,173</u>	<u>\$ 174,075</u>

- A. The Company leased land and buildings at Sanchong Dist. and Zhonghe Dist., New Taipei City to other companies as factories or offices until November 2023. The Company received the rental payment monthly.
- B. Refer to Note 8 for the pledged investment property.
- C. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	2022	2021
Rental income from investment property	<u>\$ 10,571</u>	<u>\$ 10,407</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 2,206</u>	<u>\$ 2,207</u>

- D. The fair value of the investment property held by the Company as at December 31, 2022 and 2021 was \$376,330 and \$354,452, respectively, which was revalued based on market trading prices of similar property in the neighbouring areas. Valuations were categorised within Level 3 in the fair value hierarchy.

(10) Intangible assets

	Software	Others	Total
<u>At January 1, 2022</u>			
Cost	\$ 143,399	\$ 5,316	\$ 148,715
Accumulated amortisation	( 86,042)	( 3,037)	( 89,079)
	<u>\$ 57,357</u>	<u>\$ 2,279</u>	<u>\$ 59,636</u>

2022

At January 1	\$ 57,357	\$ 2,279	\$ 59,636
Additions-acquired separately	18,759	1,506	20,265
Amortisation charge	( 31,600)	( 2,498)	( 34,098)
At December 31	<u>\$ 44,516</u>	<u>\$ 1,287</u>	<u>\$ 45,803</u>

At December 31, 2022

Cost	\$ 128,047	\$ 6,822	\$ 134,869
Accumulated amortisation	( 83,531)	( 5,535)	( 89,066)
	<u>\$ 44,516</u>	<u>\$ 1,287</u>	<u>\$ 45,803</u>

	Software	Others	Total
<u>At January 1, 2021</u>			
Cost	\$ 156,295	\$ 3,102	\$ 159,397
Accumulated amortisation	( 85,548)	( 1,562)	( 87,110)
	<u>\$ 70,747</u>	<u>\$ 1,540</u>	<u>\$ 72,287</u>

2021

At January 1	\$ 70,747	\$ 1,540	\$ 72,287
Additions-acquired separately	23,333	2,465	25,798
Amortisation charge	( 36,723)	( 1,726)	( 38,449)
At December 31	<u>\$ 57,357</u>	<u>\$ 2,279</u>	<u>\$ 59,636</u>

At December 31, 2021

Cost	\$ 143,399	\$ 5,316	\$ 148,715
Accumulated amortisation	( 86,042)	( 3,037)	( 89,079)
	<u>\$ 57,357</u>	<u>\$ 2,279</u>	<u>\$ 59,636</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Operating expenses	\$ 9,953	\$ 6,762
Selling expenses	3,802	4,307
General and administrative expenses	12,159	24,641
Research and development expenses	8,184	2,739
	<u>\$ 34,098</u>	<u>\$ 38,449</u>



(11) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Refundable deposits	\$ 12,377	\$ 22,883
Net defined benefit assets	24,868	22,218
Restricted assets	12,305	12,284
Prepayments for equipment	10,943	272
	<u>\$ 60,493</u>	<u>\$ 57,657</u>

(12) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>
Bank borrowings		
Unsecured borrowings	\$ 1,335,000	1.43% ~ 2.14%
Secured borrowings	1,070,000	1.43% ~ 1.98%
	<u>\$ 2,405,000</u>	
<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>
Bank borrowings		
Unsecured borrowings	\$ 1,197,680	0.52% ~ 1.08%
Secured borrowings	1,130,000	0.88% ~ 1.00%
	<u>\$ 2,327,680</u>	

Details of collateral for short-term borrowings are provided in Note 8.

(13) Short-term notes and bills payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper	\$ 100,000	\$ 100,000
Discount amortisation	-	-
	<u>\$ 100,000</u>	<u>\$ 100,000</u>
Annual interest rate	<u>1.92%~1.938%</u>	<u>1.012%~1.05%</u>

(14) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accrued salaries and bonus	\$ 233,698	\$ 131,361
Processing fees payable	23,598	2,532
Labour and health insurance payable	17,592	16,393
Pension cost payable	7,364	5,449
Payable on machinery and equipment	4,960	1,207
Payable on software	-	9,442
Others	116,010	119,276
	<u>\$ 403,222</u>	<u>\$ 285,660</u>

(15) Provisions

	2022	2021
At January 1	\$ 37,656	\$ 40,598
Additional provisions	34,846	29,680
Unused amounts reversed	( 29,953)	( 32,622)
At December 31	<u>\$ 42,549</u>	<u>\$ 37,656</u>

Analysis of total provisions:

	December 31, 2022	December 31, 2021
Current	<u>\$ 31,059</u>	<u>\$ 27,912</u>
Non-current	<u>\$ 11,490</u>	<u>\$ 9,744</u>

The Company's warranty provisions were associated with the sales of industrial personal computer products, and were estimated in accordance with the historical warranty data of products.

(16) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 4% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b) The amounts recognised in the balance sheet are determined as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ -	\$ -
Fair value of plan assets	<u>24,868</u>	<u>22,218</u>
Net defined benefit asset (shown as other non-current assets)	<u>\$ 24,868</u>	<u>\$ 22,218</u>

(c) Movements in net defined benefit assets are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
<u>2022</u>			
Balance at January 1	\$ -	\$ 22,218	\$ 22,218
<u>Remeasurements:</u>			
Return on plan assets			
(excluding amounts included in interest income or expense)	-	2,650	2,650
Balance at December 31	\$ -	\$ 24,868	\$ 24,868
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
<u>2021</u>			
Balance at January 1	(\$ 17,296)	\$ 33,391	\$ 16,095
Interest (expense) income	( 52)	100	48
	( 17,348)	33,491	16,143
<u>Remeasurements:</u>			
Return on plan assets			
(excluding amounts included in interest income or expense)	-	485	485
Experience adjustments	5,590	-	5,590
	5,590	485	6,075
Paid pension	11,758	( 11,758)	-
Balance at December 31	\$ -	\$ 22,218	\$ 22,218

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value percentage of total assets or the fund for the years ended December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The actuarial report showed that the Company had contributed sufficient pension funds. Thus, the Company discontinued contributing to the labor pension reserve funds temporarily from June 2020 to May 2022 in accordance with Labor Affairs Department, New Taipei City Government Letter No.1101223971 and No. 1091145569, respectively.
- B.(a)Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b)The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2022 and 2021 were \$27,951 and \$21,647, respectively.

(17) Share-based payment

A. The Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock option certificates	2016.8.30	600 units	5 years	Note 1
Employee stock option certificates	2017.4.25	400 units	5 years	Note 1

Note 1: Employee stock options grant period and exercise conditions are as follows:

Vesting period	Accumulated maximum exercisable employee stock options
After 2 years	40%
After 3 years	80%
After 4 years	100%

B. Details of the share-based payment arrangements are as follows:

	2022		2021	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	400	\$ 30.51	960	\$ 31.60
Options forfeited	( 400)	29.42	( 560)	31.60
Options outstanding at end of the year	-	-	400	30.51
Options exercisable at end of the year	-	-	400	30.51

C. As of December 31, 2022 and 2021, the range of exercise prices of stock options outstanding was \$29.42 and \$30.51 (in dollars), respectively; while the weighted-average remaining contractual period was 0 year and 0.50 years, respectively.

D. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Exercise price volatility	Expected vesting period	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock option certificates	2016.8.30	\$ 29.1	\$ 35	36.71%	3.9 years	0%	0.50%	\$ 6.5633
Employee stock option certificates	2017.4.25	31.6	35	38.64%	3.9 years	0%	0.80%	8.5859

Note: The calculation of expected price volatility was based on the historical closing price of the target stock within the approximate length of expected duration.

E. Expenses incurred on share-based payment transactions are shown below:

	2022	2021
Equity-settled	\$ -	\$ 41

(18) Share capital

As of December 31, 2022, the Company's authorised capital was \$1,800,000 (including 15,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,412,265, consisting of 141,226 thousand shares with a par value of \$10 (in NT dollars) per share. All proceeds from shares issued have been collected.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2022			
	Share premium	Treasury share transactions	Employee restricted shares	Changes in subsidiaries accounted for using equity method
At January 1	\$ 351,234	\$ 2,880	\$ 9,521	\$ 4,128
Share-based payment transactions	9,521	-	( 9,521)	-
Recognition of change in equity of subsidiaries in proportion to the ownership	-	-	-	224
At December 31	\$ 360,755	\$ 2,880	\$ -	\$ 4,352

	Share premium	Treasury share transactions	Employee restricted shares	Changes in subsidiaries accounted for using equity method
At January 1	\$ 345,520	\$ 2,880	\$ 15,194	\$ 3,774
Share-based payment transactions	5,714	-	( 5,673)	-
Recognition of change in equity of subsidiaries in proportion to the ownership	-	-	-	354
At December 31	<u>\$ 351,234</u>	<u>\$ 2,880</u>	<u>\$ 9,521</u>	<u>\$ 4,128</u>

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings (after appropriation of no less than 1% as employees' compensation and no more than 1% as directors' remuneration), if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve unless the legal reserve equals the total authorised capital. In addition, special reserve that has been appropriated or reversed in accordance with related regulations along with the beginning unappropriated retained earnings can be distributed as dividend provided that the appropriation is proposed by the Board of Directors and approved by shareholders during their meeting.
- B. In order to meet future capital requirements and long-term financial plan, the Company takes into account the Company's business environment and growth stage. Every year, total distributed shareholders' dividends shall not be higher than 90% of the total earnings distributable, and cash dividends shall not be lower than 5% of total dividends. If the total dividends distributable are lower than \$0.5 (in dollars) per share, the above restriction on ratio shall not apply.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

- E. On June 29, 2022 and August 27, 2021, the stockholders resolved the distribution of earnings for the years ended December 31, 2021 and 2020 as follows:

	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 14,641		\$ 10,657	
Special reserve	20,147		( 36,949)	
Cash dividends	141,226	\$ 1.00	112,981	\$ 0.80

The information on distribution of earnings of the Company as resolved by the Board of Directors and shareholders will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

- F. For the information relating to employees’ compensation and directors’ remuneration, refer to Note 6(25).

(21) Operating revenue

- A. The Company derives revenue from the transfer of goods and services at a point in time, as follows:

	2022	2021
Revenue from industrial personal computers	\$ 5,264,337	\$ 4,031,410
Others	312,217	266,137
	<u>\$ 5,576,554</u>	<u>\$ 4,297,547</u>

B. Contract liabilities

The contract liabilities recognised by the Company were mainly advance sales receipts.

	December 31, 2022	December 31, 2021	January 1, 2021
Advance sales receipts	<u>\$ 38,000</u>	<u>\$ 18,770</u>	<u>\$ 19,490</u>

Revenue recognised that was included in the contract liability balance at the beginning of the year:

	2022	2021
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Advance sales receipts	<u>\$ 11,927</u>	<u>\$ 14,641</u>



(22) Other income

	2022	2021
Management and technical services and revenue	\$ 59,325	\$ 52,997
Government grants revenue	17,523	15,903
Rental revenue	17,189	17,099
Marketing allowance revenue	8,489	6,692
Dividend income	5,200	4,250
Interest income from bank deposits	603	188
Compensation income	-	13,872
Others	2,555	9,464
	<u>\$ 110,884</u>	<u>\$ 120,465</u>

(23) Other gains and losses

	2022	2021
Net loss on foreign exchange	\$ 48,369	(\$ 6,322)
Investment property depreciation expense	( 1,520)	( 1,520)
Gain on disposal of property, plant and equipment	6	-
Loss on disposals of investments	-	( 960)
Others	( 7,127)	( 2,639)
	<u>\$ 39,728</u>	<u>(\$ 11,441)</u>

(24) Expenses by nature

	2022		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expense	\$ 304,017	\$ 561,276	\$ 865,293
Depreciation charges on property, plant and equipment	39,437	33,760	73,197
Depreciation charges on right-of-use assets	52,263	2,137	54,400
Amortisation charges on intangible assets	9,953	24,145	34,098
	<u>\$ 405,670</u>	<u>\$ 621,318</u>	<u>\$ 1,026,988</u>

	2021		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expense	\$ 235,466	\$ 480,530	\$ 715,996
Depreciation charges on property, plant and equipment	42,020	41,379	83,399
Depreciation charges on right-of-use assets	52,674	2,064	54,738
Amortisation charges on intangible assets	6,762	31,687	38,449
	<u>\$ 336,922</u>	<u>\$ 555,660</u>	<u>\$ 892,582</u>

(25) Employee benefit expense

	2022		
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 258,204	\$ 487,085	\$ 745,289
Labour and health insurance fees	23,085	36,852	59,937
Pension costs	8,649	19,302	27,951
Other personnel expenses	14,079	18,037	32,116
	<u>\$ 304,017</u>	<u>\$ 561,276</u>	<u>\$ 865,293</u>

	2021		
	Recognised in operating costs	Recognised in operating expenses	Total
Wages and salaries	\$ 200,221	\$ 420,214	\$ 620,435
Labour and health insurance fees	19,098	32,425	51,523
Pension costs	6,516	15,083	21,599
Other personnel expenses	9,631	12,808	22,439
	<u>\$ 235,466</u>	<u>\$ 480,530</u>	<u>\$ 715,996</u>

- A. As at December 31, 2022 and 2021, the Company had 877 and 872 employees, respectively.
- B. According to the Articles of Incorporation of the Company, a ratio of the current year's profit (profit before tax without provision for employees' compensation and directors' remuneration), if any, shall be accrued as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 1% for directors' remuneration. However, if the Company has accumulated deficit, earnings shall first be reserved to cover the deficit.

C. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$11,924 and \$2,650, respectively; while directors' remuneration was accrued at \$4,307 and \$1,256, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2022, employees' compensation and directors' and supervisors' remuneration were accrued in the ratio of 1.00% and 0.36%, respectively, based on pre-tax profit of the year before deducting employees' compensation and directors' remuneration. The amount of employees' compensation, which will be distributed in the form of cash, is the same with the amount resolved by the Board of Directors.

Employees' compensation and directors' remuneration for 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

(a) Components of income tax (benefit) expense:

	2022	2021
Current tax:		
Current tax on profits for the year	\$ 86,831	\$ -
Prior year income tax (overestimation) underestimation	( 12,775)	541
Total current tax	74,056	541
Deferred tax:		
Origination and reversal of temporary differences	199,926	2,289
Income tax expense	<u>\$ 273,982</u>	<u>\$ 2,830</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	2022	2021
Remeasurement of defined benefit assets	<u>\$ 530</u>	<u>\$ 1,215</u>

B. Reconciliation between income tax expense and accounting profit:

	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 235,234	\$ 28,875
Expenses disallowed by tax regulation	868	1,268
Tax exempt income by tax regulation	( 18,871)	( 14,184)
Prior year income tax (overestimation) underestimation	( 12,775)	541
Change in assessment of realisation of deferred tax assets	69,526	( 13,670)
Income tax expense	<u>\$ 273,982</u>	<u>\$ 2,830</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Loss on inventory valuation	\$ 51,073	(\$ 5,928)	\$ -	\$ 45,145
Unrealised transaction gain from affiliates	6,493	776	-	7,269
Unrealised product warranty cost	7,531	979	-	8,510
Time difference of sales revenue recognition	718	( 718)	-	-
Unrealised exchange loss	3,318	( 1,172)	-	2,146
Compensated absences	2,013	242	-	2,255
Amount of allowance for bad debts that exceed the limit for tax purpose	1,258	488	-	1,746
Loss carryforward	13,617	( 13,617)	-	-
	<u>\$ 86,021</u>	<u>(\$ 18,950)</u>	<u>\$ -</u>	<u>\$ 67,071</u>
Deferred tax liabilities:				
Net defined benefit assets	(\$ 1,514)	\$ -	(\$ 530)	(\$ 2,044)
Income tax accrued on remittance of proceeds from disposal of subsidiaries.	-	(\$ 180,976)	\$ -	(\$ 180,976)
	<u>(\$ 1,514)</u>	<u>(\$ 180,976)</u>	<u>(\$ 530)</u>	<u>(\$ 183,020)</u>
	<u>\$ 84,507</u>	<u>(\$ 199,926)</u>	<u>(\$ 530)</u>	<u>\$ 115,949</u>

2021				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Loss on inventory valuation	\$ 59,039	(\$ 7,966)	\$ -	\$ 51,073
Unrealised transaction gain from affiliates	10,699	( 4,206)	-	6,493
Unrealised product warranty cost	8,119	( 588)	-	7,531
Time difference of sales revenue recognition	718	-	-	718
Unrealised exchange loss	936	2,382	-	3,318
Compensated absences	1,575	438	-	2,013
Amount of allowance for bad debts that exceed the limit for tax purpose	2,689	( 1,431)	-	1,258
Loss carryforward	4,525	9,092	-	13,617
	<u>\$ 88,300</u>	<u>(\$ 2,279)</u>	<u>\$ -</u>	<u>\$ 86,021</u>
Deferred tax liabilities:				
Net defined benefit assets	(\$ 289)	(\$ 10)	(\$ 1,215)	(\$ 1,514)
	<u>\$ 88,011</u>	<u>(\$ 2,289)</u>	<u>(\$ 1,215)</u>	<u>\$ 84,507</u>

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(27) Earnings per share

2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 902,188	141,226	<u>\$ 6.39</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	194	
Profit plus effect of potential ordinary shares	<u>\$ 902,188</u>	<u>141,420</u>	<u>\$ 6.38</u>

	2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 141,545	141,226	\$ 1.00
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	109	
Employee stock option certificates	-	110	
Profit plus effect of potential ordinary shares	\$ 141,545	141,445	\$ 1.00

(28) Supplemental cash flow information

Investing activities with partial cash payments:

	2022	2021
Purchase of property, plant and equipment	\$ 48,415	\$ 45,030
Add: Opening balance of payable on equipment	1,207	4,875
Less: Ending balance of payable on equipment	(4,960)	(1,207)
Cash paid during the year	\$ 44,662	\$ 48,698

	2022	2021
Purchase of software	\$ 20,265	\$ 25,798
Add: Opening balance of payable on software	9,442	-
Less: Ending balance of payable on software	-	(9,442)
Cash paid during the year	\$ 29,707	\$ 16,356

(29) Changes in liabilities from financing activities

Changes in liabilities from financing activities of the Company for the years ended December 31, 2022 and 2021 all arose from changes in cash flow from financing activities, and there was no change in non-cash items. Refer to statements of cash flows for the details.

## 7. RELATED PARTY TRANSACTIONS

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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Nex Computers, Inc.	The Company's consolidated subsidiary
Nexcom Japan Co., Ltd.	The Company's consolidated subsidiary
Nexcom International Co., Ltd. (SAMOA)	The Company's consolidated subsidiary
Nexcom Europe Ltd.	The Company's consolidated subsidiary
Nexcom Italia S.R.L.	Subsidiary of associate (NOTE 1)
Nexcom GmbH	The Company's consolidated subsidiary
Greenbase Technology Corp.	The Company's consolidated subsidiary
Nexcom France	The Company's consolidated subsidiary (NOTE 3)
NexAIoT Co., Ltd.	The Company's consolidated subsidiary
All IoTCloud Corp.	The Company's consolidated subsidiary
NEXSEC Incorporated	The Company's consolidated subsidiary (NOTE 2)
Nexcom Shanghai Co., Ltd.	The Company's consolidated subsidiary
Nexcom Surveillance Technology Co., Ltd.	The Company's consolidated subsidiary
Nexcom United System Service Co., Ltd.	The Company's consolidated subsidiary
TMR Technologies Co., Ltd.	The Company's consolidated subsidiary
EMBUX Technology Co., Ltd.	The Company's consolidated subsidiary
NEXGOL Co., Ltd.	The Company's consolidated subsidiary
Zhuhai Xinxin Management Consulting Partnership	The Company's consolidated subsidiary (NOTE 2)
EXOR International S.P.A	Associate (NOTE 1)
NexCOBOT Taiwan Co., Ltd.	The Company's consolidated subsidiary
NEXCOBOT Inc.	The Company's consolidated subsidiary
Beijing NexGemo Technology Co., Ltd.	Associate
GuangZhou NexCOBOT China Co., Ltd.	The Company's consolidated subsidiary
Dongguan Xing Han Yun Zhi Electronics Co., Ltd.	The Company's consolidated subsidiary (NOTE 2)
Chongqing NEXRAY Technplpy Co., Ltd.	The Company's consolidated subsidiary
DIVIOTEC INC.	The Company's consolidated subsidiary

Note 1: On June 24, 2022, the Company sold the equity interest of EXOR, thus it became a non-related party since June 24, 2022.

Note 2: On July 27, 2022, the Board of Directors of the Company resolved to dispose all the shares of the subsidiary, NEXSEC Incorporated, of Nexcom International Co., Ltd. (SAMOA), the which subsidiary of NEXSEC Incorporated and the Company's subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022. Consequently, the Company lost control over the abovementioned subsidiaries in the third quarter of 2022, thus it became a non-related party since August 1, 2022.

Note 3: The Company's subsidiary, Nexcom France., has completed its liquidation in December 2022.

(2) Significant transactions with related parties

A. Operating revenue:

	2022	2021
Sales of goods:		
Subsidiary-		
NexAIoT Co., Ltd.	\$ 542,290	356,631
Others	1,290,415	845,448
Associate	6,653	26,897
	<u>\$ 1,839,358</u>	<u>\$ 1,228,976</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases

	2022	2021
Associates	\$ 81,361	\$ 65,455
Subsidiaries	-	3,670
	<u>\$ 81,361</u>	<u>\$ 69,125</u>

Raw materials and finished goods are purchased based on the purchase price and payment terms that would be available to third parties.



C. Accounts receivable:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
Subsidiary-		
NEXSEC Incorporated	\$ -	\$ 329,380
NexAIoT Co., Ltd.	195,509	160,129
Greenbase Technology Corp.	113,395	55,135
NexCOBOT Taiwan Co., Ltd.	138,473	131,015
Nex Computers, Inc.	161,377	40,870
Others	213,816	159,972
Associate	1,739	17,694
Subsidiary of associate	-	-
Less: Loss allowance	( 1,603)	-
	<u>\$ 822,706</u>	<u>\$ 894,195</u>
Other receivables:		
NexAIoT Co., Ltd.	11,257	11,037
Greenbase Technology Corp.	6,769	9,272
Others	2,727	10,106
	<u>\$ 20,753</u>	<u>\$ 30,415</u>

- (a) The receivables due from related parties had no collateral, were not pledged and do not bear interest.
- (b) Other receivables are the payment of operating activities made by the Company on behalf of related parties and the income from providing management and technical services to related parties. The receivables do not bear interest.

D. Rental income

	<u>2022</u>	<u>2021</u>
Subsidiary	\$ 5,670	\$ 5,682

The Company leased office and parking lots to related parties.

E. Other income

	<u>2022</u>	<u>2021</u>
Subsidiaries-		
NexAIoT Co., Ltd.	\$ 30,876	\$ 22,322
Greenbase Technology Corp.	22,068	24,954
Others	6,381	5,720
	<u>\$ 28,449</u>	<u>\$ 30,674</u>

The Company provided management and technical services to related parties, and the term is 120 days after monthly billings in accordance with mutual agreement.

F. Accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
Subsidiaries	\$ 8,837	\$ 28,467
Associates	-	3,608
	<u>8,837</u>	<u>32,075</u>
Other payables:		
Subsidiaries	18,876	22,644
	<u>\$ 27,713</u>	<u>\$ 54,719</u>

Accounts payable to related parties are mainly arising from purchases of goods, and the payables do not bear interest.

G. For endorsements and guarantees provided to related parties, refer to Note 9(2)B for details.

(3) Key management compensation

	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 35,299	\$ 24,671
Post-employment benefits	793	576
	<u>\$ 36,092</u>	<u>\$ 25,247</u>

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Other non-current assets-time deposits	\$ 12,305	\$ 12,284	Performance guarantee and guarantee for import duty
Property, plant and equipment	1,222,620	1,231,876	Guarantee for long-term secured borrowings
-land and buildings and structures			
Investment property			Guarantee for short-term secured borrowings
-land and buildings and structures	138,108	139,273	
	<u>\$ 1,373,033</u>	<u>\$ 1,383,433</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

- A. The Company had issued and deposited certified checks amounting to \$2,540,000 and USD 33,000 thousand for the Company's short and long-term credit facilities and forward exchange contracts.
- B. The amount of endorsements and guarantees provided by the Company in order to assist its subsidiaries for the lease of warehouses, offices and enter into cooperative contracts are as follows:

	December 31, 2022	December 31, 2021
Nexcom Japan Co., Ltd.	\$ 5,814 (JPY 25,018 thousand)	\$ 6,107 (JPY 25,018 thousand)
NexAIoT Co., Ltd.	206,775 (USD 25,000 thousand) (NTD 130,000 thousand)	199,200 (USD 25,000 thousand) (NTD 130,000 thousand)
EMBUX Technology Co., Ltd.	25,000 (NTD 25,000 thousand)	25,000 (NTD 25,000 thousand)
NexCOBOT Taiwan Co., Ltd.	90,000 (NTD 90,000 thousand)	- -
NEXSEC Incorporated	- -	290,440 (RMB 35,000 thousand) (USD 5,000 thousand)
NEXGOL Co., Ltd.	- -	21,720 (RMB 5,000 thousand)

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$ 44,344	\$ 117,207
Financial assets at amortised cost	\$ 2,518,803	\$ 1,866,691
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	\$ 3,984,626	\$ 3,707,474
Lease liability	\$ 392,952	\$ 443,738

Note: For financial assets at amortised cost, including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties) and guarantee deposits paid, and financial liabilities at amortised cost, including short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, and guarantee deposits received, please refer to the balance sheet for details.

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

- ii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022						
	Foreign Currency Amount (In thousands)	Exchange Rate	Book Value (NTD)	Sensitivity Analysis		
				Degree of variation	Effect on profit (loss)	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 39,810	30.71	\$ 1,222,565	1%	\$ 12,226	\$ -
RMB : NTD	144,434	4.41	636,954	1%	6,370	-
EUR : NTD	1,234	30.72	37,908	1%	379	-
<u>Non-monetary items</u>						
USD : NTD	\$ 34,070	30.71	\$ 1,046,297	1%	\$ -	\$ 10,463
JYP : NTD	172,133	0.23	40,004	1%	-	400
GBP : NTD	644	37.09	23,901	1%	-	239
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 22,408	30.71	\$ 688,150	1%	\$ 6,882	\$ -
RMB : NTD	4,003	4.41	17,653	1%	177	-
EUR : NTD	49	30.72	1,505	1%	15	-
December 31, 2021						
	Foreign Currency Amount (In thousands)	Exchange Rate	Book Value (NTD)	Sensitivity Analysis		
				Degree of variation	Effect on profit (loss)	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 31,708	27.68	\$ 877,677	1%	\$ 8,777	\$ -
RMB : NTD	101,780	4.34	442,132	1%	4,421	-
EUR : NTD	1,593	31.32	49,893	1%	499	-
<u>Non-monetary items</u>						
USD : NTD	\$ 15,353	27.68	424,983	1%	\$ -	\$ 4,250
JYP : NTD	258,707	0.24	62,219	1%	-	622
GBP : NTD	746	37.30	27,836	1%	-	278
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 22,531	27.68	\$ 623,658	1%	\$ 6,237	\$ -
RMB : NTD	3,914	4.34	17,002	1%	170	-
EUR : NTD	153	31.32	4,792	1%	48	-

Total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021 amounted to \$48,369 and \$(6,322), respectively.

Price risk

The Company invests in equity securities primarily shares issued by foreign and domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased \$640 and \$1,307, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company's interest rate risk arises from long-term and short-term borrowings and short-term notes and bills payable. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.
- ii. At December 31, 2022 and 2021, if interest rates on borrowings had been 0.25% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have been \$6,263 and \$6,069 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through other comprehensive income.
- ii. The Company manages its credit risk taking into consideration the entire company's concern. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of the new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with the limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. The Company adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
- (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
  - (ii) The actual or expected significant changes of customer operating results.
  - (iii) The existing or estimated adverse changes in operations, finance or economic circumstances that were expected to cause significant changes in the customer's ability to fulfil its debt obligation.
- iv. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 180 days.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customer's accounts receivable, contract assets and rents receivable in accordance with customer's characteristics. The Group applies the simplified approach using the provision matrix to estimate expected credit loss.
- vi. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2022 and 2021, the provision matrix is as follows:

	Individual	Group				
		Not past due	Up to 90 days past due	91 ~ 180 days past due	Over 180 days past due	Total
<u>At December 31, 2022</u>						
Expected loss rate		0.03%	0.03%	50%	100%	
Total book value	\$ 1,059,751	\$ 891,204	\$ 30,856	\$ 2,262	\$ 20,988	\$ 2,005,061
Loss allowance	<u>\$ 5,614</u>	<u>\$ 267</u>	<u>\$ 9</u>	<u>\$ 1,131</u>	<u>\$ 20,988</u>	<u>\$ 28,009</u>
		Not past due	Up to 90 days past due	91 ~ 180 days past due	Over 180 days past due	Total
<u>At December 31, 2021</u>						
Expected loss rate		0.03%	0.03%	50%	100%	
Total book value	\$ 876,501	\$ 751,859	\$ 36,375	\$ 394	\$ 22,725	\$ 1,687,854
Loss allowance	\$ -	\$ 224	\$ 9	\$ 211	\$ 22,725	\$ 23,169

Individual: Subsidiaries and accounts receivable in individually material that have defaulted were individually estimated expected credit losses.

Group: Other customers.

viii. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2022	2021
At January 1	\$ 23,169	\$ 27,881
Provision for impairment	4,840	-
Reversal of impairment loss	-	(4,712)
At December 31	<u>\$ 28,009</u>	<u>\$ 23,169</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are used and invested properly. Instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom are determined by the abovementioned forecasts.
- iii. The Company's non-derivative financial liabilities classified into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities.

Except for the following, the maturity dates of non-derivative financial liabilities comprising short-term borrowings, short-term notes and bills payable, notes payable, accounts payable and other payables are all less than 360 days as of December 31, 2022 and 2021.

<u>Non-derivative financial liabilities:</u>		Between 1	Between 2	Over
December 31, 2022	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>5 years</u>
Lease liability	\$ 56,432	\$ 57,357	\$ 172,408	\$ 121,197
<u>Non-derivative financial liabilities:</u>		Between 1	Between 2	Over
December 31, 2021	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>5 years</u>
Lease liability	\$ 56,032	\$ 56,032	\$ 171,038	\$ 179,190

- iv. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.



Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

- B. Fair value information of investment property at cost is provided in Note 6(9).
- C. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 is as follows:
- On December 31, 2022 and 2021, financial assets at fair value through other comprehensive income categorised within Level 3 amounted to \$44,344 and \$117,207, respectively.
- D. The methods and assumptions the Company used to measure fair value are as follows:
- The valuation of financial assets at fair value through other comprehensive income uses market comparable companies and the net assets value as their fair values (that is, Level 3).
- E. For the years ended December 31, 2022 and 2021, there was no transfer among each valuation level.
- F. The following chart is the movements of Level 3 for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	<u>Equity instrument</u>	<u>Equity instrument</u>
At January 1	\$ 117,207	\$ 122,285
Gains and losses recognised in other comprehensive income	5,112 (	5,078)
Reclassifications during the year	( 77,975)	-
At December 31	<u>\$ 44,344</u>	<u>\$ 117,207</u>

- G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at</u>	<u>Valuation</u>	<u>Significant</u>	<u>Relationship of</u>
	<u>December 31, 2022</u>	<u>technique</u>	<u>unobservable</u>	<u>inputs to</u>
			<u>input</u>	<u>fair value</u>
Non-derivative equity instrument:				
Venture capital shares				
Private equity fund investment	\$ 44,344	Net asset value	N/A	N/A

	<u>Fair value at</u> <u>December 31, 2021</u>	<u>Valuation</u> <u>technique</u>	<u>Significant</u> <u>unobservable</u> <u>input</u>	<u>Relationship of</u> <u>inputs to</u> <u>fair value</u>
Non-derivative equity instrument:				
Unlisted shares	\$ 66,692	Market comparable companies	Enterprise value to EBITA multiple and discount for lack of marketability	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares				
Private equity fund investment	50,515	Net asset value	N/A	N/A

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

In accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the Company’s significant transactions for the year ended December 31, 2022 are as follows. The inter-company transactions were eliminated when preparing the consolidated statements.

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company’s paid-in capital: Refer to table 3.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 5.
- I. Derivative financial instruments: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 7.

#### (3) Information on investments in Mainland China

- A. Basic information: Refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 6.

(4) Major shareholders information:

Major shareholders information: Refer to table 9.

14. SEGMENT INFORMATION

Not applicable.

NEXCOM INTERNATIONAL CO., LTD.  
Provision of endorsements and guarantees to others  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2022 (Notes 5, 6)	Actual amount drawn down (Note 7)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/guarantees by parent company to subsidiary (Note 8)	Provision of endorsements/guarantees by subsidiary to parent company (Note 8)	Provision of endorsements/guarantees to the party in Mainland China (Note 8)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	The Company	Nexcom Japan Co., Ltd.	2	\$ 1,032,350	\$ 6,085	\$ 5,814	\$ 5,814	\$ -	0.08	\$ 1,720,583	Y	N	N	-
0	The Company	NexAIoT Co., Ltd.	2	1,032,350	210,538	206,775	76,775	-	6.00	1,720,583	Y	N	N	-
0	The Company	EMBUX Technology Co., Ltd.	2	1,032,350	25,000	25,000	15,000	15,000	0.73	1,720,583	Y	N	N	-
0	The Company	NexCOBOT Taiwan Co., Ltd.	2	1,032,350	90,000	90,000	50,000	-	0.08	1,720,583	Y	N	N	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: The guarantee ceiling is calculated as follows:

- (1) The Company's total guarantees and endorsements to others should not exceed 50% of the Company's net worth. Net worth is determined based on the latest audited financial statements.
- (2) The guarantees and endorsements for a single party should not exceed 20% of the Company's net worth, except that the guarantees and endorsements for any single foreign subsidiary should not exceed 30% of the Company's net worth. If the guarantees and endorsements were made upon business relationships, the guarantees and endorsements should not exceed the total transaction amount (higher of the purchase or the sales between the two parties) for the most recent year ended.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: The amount guaranteed by the Company to Nexcom Japan Co.,Ltd., EMBUX Technology Co., Ltd., NexAIoT Co., Ltd., and NexCOBOT Taiwan Co., Ltd. was JPY 25,018 thousand, NTD 25,000, NTD2,500 & 130,000 thousand and NTD 90,000 thousand, respectively.

Note 6: Fill in the amount approved by the Board of Directors of the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 7: Fill in the actual ammount of endorsements/guarantees used by the ensorsed/guaranteed company.

Note 8: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland Chain.

NEXCOM INTERNATIONAL CO., LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
Year ended December 31, 2022

Table 2

					Expressed in thousands of NTD (Except as otherwise indicated)		
					As of December 31, 2022		
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousands)	Book value	Ownership (%)	Fair value (Note)
The Company	Lionic Co., Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	190	-	0.86	-
The Company	WK Technology Fund Co., Ltd.	"	Financial assets at fair value through other comprehensive income-non-current	2,500	44,344	2.50	44,344
The Company	Datacom Technology Corp.	"	Financial assets at fair value through other comprehensive income-non-current	700	-	6.54	-
Greenbase Technology Corp.	Iryx Corporation	"	Financial assets at fair value through other comprehensive income-non-current	550	-	4.35	-
DIVIOTEC INC.	DIVIOTEC COMPANY LIMITED	"	Financial assets at fair value through other comprehensive income-non-current	5	457	19.00	457

NEXCOM INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital  
Year ended December 31, 2022

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Relationship with the investor (Note 2)	Balance as at January 1, 2022		Addition (Note 3)		Disposal (Note 3 and 5)		Balance as at December 31, 2022			
				Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Nexcom International Co., Ltd. (SAMOA)	NEXSEC Incorporated and Zhuhai Xinxin Management Consulting Partnership	Investments accounted for under equity method	Beijing Dahao Technology Co. Ltd	20,367,661	\$ 278,012	-	\$ -	20,367,661	\$ 1,180,901	\$ 334,534	\$ 846,367	-	\$ -

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 5: Refer to 6(32) C for details of related transactions.

NEXCOM INTERNATIONAL CO., LTD.  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2022

Table 4

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable		Expressed in thousands of NTT (Except as otherwise indicated)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	NeAIoT Co., Ltd.	The Company's consolidated subsidiary	Sales	\$ 542,290	10	90 days after monthly billing	The Company's sales price to related parties was approximately the same as third parties.	The credit term to related parties was approximately the same as third parties.	\$ 195,509	10	
The Company	Greenbase Technology Corp.	The Company's consolidated subsidiary	Sales	454,476	8	90 days after monthly billing	The Company's sales price to related parties was approximately the same as third parties.	The credit term to related parties was approximately the same as third parties.	113,395	6	
The Company	Nex Computer, Inc.	The Company's consolidated subsidiary	Sales	389,147	7	90 days after monthly billing	The Company's sales price to related parties was approximately the same as third parties.	The credit term to related parties was approximately the same as third parties.	161,377	8	
The Company	NexCOBOT Taiwan Co., Ltd.	The Company's consolidated subsidiary	Sales	252,787	5	90 days after monthly billing	The Company's sales price to related parties was approximately the same as third parties.	The credit term to related parties was approximately the same as third parties.	138,473	7	

NEXCOM INTERNATIONAL CO., LTD.

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
December 31, 2022

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Overdue receivables			Amount collected subsequent to the balance sheet date (Note)	Allowance for doubtful accounts
				Turnover rate	Amount	Action taken		
The Company	NexAIoT Co., Ltd.	The Company's consolidated subsidiary	\$ 195,509	3.05	\$ -	Taking prompt action in collecting the overdue receivables.	\$ 68,026	\$ -
The Company	Greenbase Technology Corp.	The Company's consolidated subsidiary	113,395	5.39	-	Taking prompt action in collecting the overdue receivables.	55,162	-
The Company	Nex Computer, Inc.	The Company's consolidated subsidiary	161,377	3.85	-	Taking prompt action in collecting the overdue receivables.	49,140	-
The Company	NexCOBOT Taiwan Co., Ltd.	The Company's consolidated subsidiary	138,473	1.88	5,576	Taking prompt action in collecting the overdue receivables.	19,964	-

Note: Represents amounts collected up to November 2, 2022.



NEXCOM INTERNATIONAL CO., LTD.  
Significant inter-company transactions during the reporting period  
December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 6

Number	Company name	Counterparty	Relationship (Note 1)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 2)
				General ledger account	Amount	Transaction terms	
0	The Company	NexAIoT Co., Ltd.	1	Sales	\$ 542,290	Note 3	7
0	The Company	NexAIoT Co., Ltd.	1	Accounts receivable	195,509	Note 3	2
0	The Company	NexCOBOT Taiwan Co., Ltd.	1	Sales	252,797	Note 3	3
0	The Company	NexCOBOT Taiwan Co., Ltd.	1	Accounts receivable	138,473	Note 3	1
0	The Company	Greenbase Technology Corp.	1	Sales	454,476	Note 3	6
0	The Company	Greenbase Technology Corp.	1	Accounts receivable	113,395	Note 3	1
0	The Company	Nexcom Computer, Inc.	1	Sales	389,147	Note 3	3
0	The Company	Nexcom Computer, Inc.	1	Accounts receivable	161,377	Note 3	1

Note 1: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 2: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 3: Sales and collection terms of sales to related parties are approximately the same as with third parties.

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022		Book value	Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares (shares in thousands)	Ownership (%)				
The Company	Nex Computers, Inc.	United States of America	Sales of PCs and peripherals	\$ 56,977	\$ 56,977	5,000	100	\$ 111,029	\$ 6,224	\$ 6,224	
The Company	Nexcom Japan Co., Ltd.	Japan	Sales of PCs and peripherals	16,780	16,780	1	100	40,004	126	126	
The Company	Nexcom International Co., Ltd. (SAMOA)	Samoa	General investment	195,893	232,392	6,386	100	935,260	738,882	738,882	
The Company	Nexcom Europe Ltd.	United Kingdom	Sales of PCs and peripherals	73,215	73,215	580	100	23,901	( 3,790)	( 3,790)	
The Company	Greenbase Technology Corp.	Taiwan	Sales of PCs and peripherals	82,834	82,834	13,777	79.62	221,056	80,396	64,011	
The Company	Nexcom France	France	Sales of PCs and peripherals	-	32,761	-	-	-	665	665	Note1
The Company	NexAIoT Co., Ltd.	Taiwan	Sales of PCs and peripherals	97,063	97,063	17,268	82.73	179,028	24,906	20,605	
The Company	All IoTCloud Corp.	Taiwan	Sales of PCs and peripherals	34,415	34,415	1,000	100	3,932	( 643)	643	
The Company	EMBUX Technology Co., Ltd.	Taiwan	Sales of PCs and peripherals	12,100	12,100	7,290	100	(3,342)	( 2,482)	2,482	
The Company	TMR Technologies Co., Ltd.	Taiwan	Sales of PCs and peripherals	23,218	22,080	2,322	89.05	14,264	( 10,001)	8,231	
The Company	NEXCOBOT INC.	United States of America	Sales of PCs and peripherals	5,921	5,921	200	100	8	( 24)	24	
Greenbase Technology Corp.	DIVIOTED INC.	Taiwan	Sales of PCs and peripherals	12,579	12,579	884	100	17,404	5,714	5,714	
NexAIoT Co., Ltd.	NexCOBOT Taiwan Co., Ltd.	Taiwan	Sales of PCs and peripherals	67,549	67,549	6,000	100	90,105	21,835	21,835	

Note 1: The liquidation of the Company's subsidiary, Nexcom France, was completed in December 2022.

NEXCOM INTERNATIONAL CO., LTD.  
Information on investments in Mainland China  
December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 8

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/ Amount remitted back		Accumulated amount of remittance from Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back		Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
				Remitted to Mainland China	Remitted back to Taiwan		Remitted to Mainland China	Remitted back to Taiwan						
NEXSEC Incorporated	Sales of PCs and peripherals	\$ 127,504	Through investing in an existing company (Nexcom International Co., Ltd. (SAMOA)) in the third area, which then invested in the investee in Mainland China.	\$ 56,126	-	-	\$ 56,126	-	\$ 52,652	-	\$ 37,193	-	\$ 31,495	Note 3
Nexcom Shanghai Co., Ltd.	Sales of PCs and peripherals	104,234	Through investing in an existing company (Nexcom International Co., Ltd. (SAMOA)) in the third area, which then invested in the investee in Mainland China.	-	-	104,234	-	-	21,311	82.73	17,631	( 34,662)	-	Note 1
Nexcom Surveillance Technology Co., Ltd.	Sales of PCs and peripherals	30,321	Through investing in an investee company (Greenbase Technology Corp.) in Mainland China, which then invested in the investee in Mainland China.	-	-	30,321	-	-	5,138	79.62	4,091	36,369	-	Note 1
Nexcom United System Service Co., Ltd.	Sales of PCs and peripherals	33,998	Through investing in an existing company (Nexcom International Co., Ltd. (SAMOA)) in the third area, which then invested in the investee in Mainland China.	-	-	28,691	-	-	493	100	493	1,023	-	
NEXGOL Co., Ltd.	Sales of PCs and peripherals	44,650	Through investing in an investee (Nexcom Shanghai Co., Ltd.) in Mainland China, which then invested in the investee in Mainland China.	-	-	-	-	-	10,707	68.18	7,086	( 17,257)	-	Note 3
Zhuhai Xinxin Management Consulting Partnership	General investment	9,421	Through investing in an existing company (Nexcom International Co., Ltd. (SAMOA)) in the third area, which then invested in the investee in Mainland China.	-	-	2,275	-	-	6,759	-	471	-	-	Note 3
Beijing NexGemo Technology Co., Ltd.	Sales of PCs and peripherals	45,770	Through investing in an investee (Nexcom Shanghai Co., Ltd.) in Mainland China, which then invested in the investee in Mainland China.	-	-	-	-	-	9,397	37.23	3,499	13,911	-	Note 2 、 3
Dongguan Xing Han Yun Zhi Electronics Co., Ltd	Sales of PCs and peripherals	47,938	Through investing in investees in Mainland China, which then invested in the investee in Mainland China (investment of NEXSEC Incorporated).	-	-	-	-	-	3,389	-	1,436	-	-	Note 3
GuangZhou NexCOBOT China CO., Ltd.	Sales of PCs and peripherals	15,777	Through investing in investees, which then invested in the investee in Mainland China (investment of NexCOBOT Taiwan Co., Ltd.).	-	-	15,777	-	-	88	82.73	73	( 1,561)	-	Note 1
Chongqing Keli Ruixing Technology Co., Ltd.	Sales of PCs and peripherals	17,888	Through investing in an investee (Nexcom Shanghai Co., Ltd.) in Mainland China, which then invested in the investee in Mainland China.	-	-	-	-	-	4,217	62.05	2,617	1,507	-	Note 1
Chengdu Xinghan Xinchuang Technology Co., LTD	Sales of PCs and peripherals	13,517	Through investing in an investee (Nexcom Shanghai Co., Ltd.) in Mainland China, which then invested in the investee in Mainland China.	-	-	-	-	-	1,400	-	346	-	-	Note 3

Note 1: In February 2022, the Group invested and established a new company, Chengdu Xinghan Xinchuang Technology Co., Ltd. as resolved by the Board of Directors.

Note 2: On July 27, 2022, the Board of Directors of the Group resolved to dispose all the shares of its subsidiary, NEXSEC Incorporated, the subsidiaries of NEXSEC Incorporated and the Group’s subsidiary, Zhuhai Xinxin Management Consulting Partnership, with the effective date set on August 1, 2022.

Company name	Accumulated amount of remittance from Taiwan to Mainland China		Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA	
	31. 2022	as of December	2022	as of December	2022	as of December
The Company	\$	237,424	\$	274,951	\$	2,064,698

NEXCOM INTERNATIONAL CO., LTD.

Major shareholders information

December 31, 2022

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Tai Ying Investment Co., Ltd.	9,687	6.85%
Meng-Ying, Lin	9,936	7.03%

Description: If company applies Taiwan Depository & Clearing Corporation for the information of the table, the followings can be explained in the notes of the table.

- (a) The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.
- (b) If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio was greater than 10% in accordance with the Securities and Exchange Act, the shareholding ratio included the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information on reported share equity of insiders, please refer to the Market Observation Post System.

NEXCOM INTERNATIONAL CO., LTD.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amount
Cash on hand and petty cash		\$ 413
Checking accounts		5,723
Demand deposits – NTD		109,666
– USD	USD 2,327 thousand dollars	Exchange rate 71,452 30.71
– EUR	EUR 542 thousand dollars	Exchange rate 17,729 32.72
– GBP	GBP 17 thousand dollars	Exchange rate 638 37.09
– RMB	RMB 61,017 thousand dollars	Exchange rate 268,962 4.41
		<u>\$ 474,583</u>

NEXCOM INTERNATIONAL CO., LTD.  
STATEMENT OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 2

Client Name	Amount	Note
Client S	\$ 413,697	
Client J	175,860	
Others	591,195	The Balance of each client has not exceeded 5% of the accounts receivable.
	1,180,752	
Less: Allowance for uncollectible accounts (	26,406)	
	\$ 1,154,346	

NEXCOM INTERNATIONAL CO., LTD.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 3

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Market Value</u>	
Raw materials	\$ 1,450,553	\$ 1,320,162	Measured at net realisable value
Work in progress	340,353	338,783	"
Semi-finished goods	235,996	217,446	"
Finished goods	161,136	175,398	"
	2,188,038	<u>\$ 2,051,789</u>	"
Less: Allowance for loss on inventory decline in market value	( <u>225,725</u> )		
	<u>\$ 1,962,313</u>		



**NEXCOM INTERNATIONAL CO., LTD.**  
**MOVEMENT SUMMARY OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**  
**YEAR ENDED DECEMBER 31, 2022**  
(Expressed in thousands of New Taiwan dollars)

**Statement 4**

Balance at January 1, 2022			Addition		Decrease		Balance at December 31, 2022				
Name	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Ownership	Amount	Net Assets Value	Collateral	Note
Investment using the equity method											
Nexcom International Co., Ltd. (SAMOA)	7,658	\$ 315,822	-	\$ 774,847	( 1,272)	(\$155,409)	100%	\$ 935,260	\$ 935,327	None	Note 1
Nex Computers, Inc.	5,000	109,131	-	1,898	-	-	100%	111,029	121,595	"	Note 1
Nexcom Japan Co., Ltd.	1	62,219	-	-	-	( 22,215)	100%	40,004	49,041	"	Note 1
NexAIoT Co., Ltd.	10,413	157,342	6,855	21,686	-	-	82.73%	179,028	193,490	"	Note 1
Greenbase Technology Corp.	11,387	158,160	2,390	62,896	-	-	79.62%	221,056	223,090	"	Note 1
All IoTCloud Corp. (Note 1)	1,000	4,575	-	-	-	( 643)	100%	3,932	3,932	"	Note 1
EMBUX Technology Co., Ltd.	7,290	( 912)	-	-	-	( 2,430)	100%	( 3,342)	( 3,165)	"	Note 1
Nexcom Europe Ltd.	580	27,836	-	-	-	( 3,935)	100%	23,901	23,902	"	Note 1
Nexcom France	-	981	-	-	-	( 981)	100%	-	-	"	Note 3
TMR Technologies Co., Ltd.	2,208	4,815	1,836	9,449	( 1,722)	-	89.05%	14,264	14,264	"	Note 1 - 2
NEXCOBOT Inc.	200	30	-	-	-	( 22)	100%	8	8	"	Note 1
		\$ 839,999		\$ 870,776		(\$185,635)		\$ 1,525,140			

Note 1: The addition (decrease) amounts pertained to receiving cash dividends, proceeds from capital reduction and changes in investments accounted for using equity method.

Note 2: The addition in the number of shares pertained to the subscription of new shares in a cash capital increase; the decrease in the number of shares pertained to the capital reduction to offset accumulated deficits.

Note 3: The liquidation of the Company's subsidiary, Nexcom France, was completed in December 2022.

NEXCOM INTERNATIONAL CO., LTD.  
STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 5

<u>Type of borrowings</u>	<u>Credit loan</u>	<u>Ending balance</u>	<u>Period of Contract</u>	<u>Interest rate</u>	<u>Credit facilities</u>	<u>Collateral</u>
Credit loan	The Export-Import Bank of the Republic of China	\$ 200,000	2022/8/30-2023/8/30	1. 73%	\$ 200, 000	None
Credit loan	DBS Bank Limited	150,000	2022/12/22-2023/12/22	1. 98%	307, 100	None
Credit loan	Fubon Bank	90,000	2022/12/14-2023/6/12	2. 10%	103, 550	None
Credit loan	HSBC Bank	130,000	2022/12/21-2023/4/20	2. 14%	153, 550	None
Credit loan	KGI Commercial Bank Co., Ltd.	200,000	2022/12/23-2023/3/23	2. 11%	200, 000	None
Credit loan	First Commercial Bank	150,000	2022/11/15-2023/1/13	1. 98%	200, 000	None
Credit loan	E.SUN COMMERCIAL BANK, LTD.	210,000	2022/11/23-2023/1/18	1. 43%	250, 000	None
Credit loan	CHANG HWA COMMERCIAL BANK, LTD.	105,000	2022/9/19-2023/9/19	1. 68%	255, 000	None
Credit loan	BANK SINOPAC COMPANY LIMITED	100,000	2022/12/27-2023/2/24	1. 78%	100, 000	None
Short-term guarantee	E.SUN COMMERCIAL BANK, LTD.	340,000	2022/11/23-2023/1/18	1. 43%	350, 000	Property, plant and equipment
Short-term guarantee	Mega International Commercial Bank Co., Ltd.	180,000	2022/10/7-2023/3/23	1. 86%	250, 000	Property, plant and equipment
Short-term guarantee	Yuanta Commercial Bank Co., Ltd.	250,000	2022/12/16-2023/3/20	1. 75%	350, 000	Property, plant and equipment
Short-term guarantee	First Commercial Bank	300,000	2022/11/18-2023/1/17	1. 98%	300, 000	Property, plant and equipment
		<u>\$ 2,405,000</u>				

NEXCOM INTERNATIONAL CO., LTD.  
STATEMENT OF ACCOUNTS PAYABLES  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 6

Suppliers Name	Amount	Note
Others	1,074,182	The Balance of each supplier has not exceeded 5% of the accounts payable.
	\$ 1,074,182	

NEXCOM INTERNATIONAL CO., LTD.  
STATEMENT OF OPERATING COSTS  
YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 7

Item	Summary	Amount
Industrial personal computer		\$ 5,264,337
Others		312,217
Net operating revenue		<u>\$ 5,576,554</u>

Note: The above revenue is net of \$14,689 thousand after deducting sales returns and discounts.

NEXCOM INTERNATIONAL CO., LTD.  
STATEMENT OF OPERATING COSTS  
YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 8

Item	Amount
Beginning raw materials	\$ 1,561,676
Add: Raw materials purchased	4,145,936
Less: Ending raw materials	( 1,450,553)
Cost of raw materials sold	( 142,591)
Loss on physical inventory for raw materials	( 1,310)
Disposal of raw materials	( 2,574)
Transferred to operating expenses	( 21,658)
Consumption materials	4,088,926
Direct labor	181,722
Manufacturing expense	358,230
Manufacturing cost	4,628,878
Add: Beginning work in progress	188,352
Beginning semi-finished goods	182,135
Less: Ending work in progress	( 340,353)
Ending Semi-finished goods	( 235,996)
Scrapped semi-finished goods	( 8,345)
Cost of semi-finished goods sold	( 17,747)
Transferred to operating expenses	( 52,974)
Cost of finished goods	4,343,950
Add: Beginning finished goods	129,465
Less: Ending finished goods	( 161,136)
Scrapped finished goods	( 2,253)
Transferred to operating expenses	( 18,069)
Manufacturing and selling costs	4,291,957
Cost of raw materials sold	142,591
Cost of semi-finished goods sold	17,747
Loss on decline in market value	( 29,640)
Loss on scrapping inventory	13,172
Revenue from sales of scraps	( 210)
Loss on physical inventory	1,310
Spare capacity	1,136
Other operating costs	43,224
Total operating cost	\$ 4,481,287

NEXCOM INTERNATIONAL CO., LTD.  
STATEMENT OF OPERATING COSTS  
YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 9

Item	Amount	Note
Depreciation expenses	\$ 91,700	
Wages and salaries	102,919	
Processing fees	70,540	
Utilities expenses	21,575	
Other expenses	71,496	The Balance of each item has not exceeded 5% of the manufacturing expenses.
	\$ 358,230	

NEXCOM INTERNATIONAL CO., LTD.  
STATEMENT OF OPERATING EXPENSES  
YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 10

Item	Selling expenses	Administrative expenses	Research and development expenses	Total
Wages and salaries	\$ 202,307	\$ 68,001	\$ 216,777	\$ 487,085
Advertisement expenses	46,502	20	-	46,522
Expendable materials for research and development	-	-	48,898	48,898
Depreciation expenses	11,413	8,524	15,960	35,897
Export expenses	18,012	-	-	18,012
Amortisation expenses	3,802	12,159	8,184	24,145
Professional service fees	7,433	8,556	2,825	18,814
Other expenses (Note)	63,287	32,418	62,464	158,169
Total	<u>\$ 352,756</u>	<u>\$ 129,678</u>	<u>\$ 355,108</u>	<u>\$ 837,542</u>

Note: The Balance of each item has not exceeded 5% of the operating expenses.

**NEXCOM INTERNATIONAL CO., LTD.**  
**SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND**  
**AMORTISATION EXPENSES BY FUNCTION**  
**YEAR ENDED DECEMBER 31, 2022**

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 11

	2022			2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense						
Wages and salaries	\$ 258,204	\$ 482,778	\$ 740,982	\$ 200,221	\$ 418,958	\$ 619,179
Labour and health insurance	23,085	36,852	59,937	19,098	32,425	51,523
Pension costs	8,649	19,302	27,951	6,516	15,083	21,599
Directors' remuneration	-	4,307	4,307	-	1,256	1,256
Other personnel expenses	14,079	18,037	32,116	9,631	12,808	22,439
Depreciation expenses	39,437	33,760	73,197	42,020	41,379	83,399
Depreciation expenses (right-of-use assets)	52,263	2,137	54,400	52,674	2,064	54,738
Amortisation expenses	9,953	24,145	34,098	6,762	31,687	38,449

Note:

A. As at December 31, 2022 and 2021, the Company had 862 and 872 employees, both including 6 non-employee directors, respectively.

B. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information:

- (1) Average employee benefit expense in current year was \$1,006 ('total employee benefit expense in current year – total directors' remuneration in current year' / 'the number of employees in current year – the number of non-employee directors in current year').  
Average employee benefit expense in previous year was \$825 ('total employee benefit expense in previous year – total directors' remuneration in previous year' / 'the number of employees in previous year – the number of non-employee directors in previous year')
- (2) Average employees salaries in current year were \$866 (total salaries and wages in current year / 'the number of employees in current year – the number of non-employee directors in current year').  
Average employees salaries in previous year were \$715 (total salaries and wages in previous year / 'the number of employees in previous year – the number of non-employee directors in previous year')
- (3) Adjustments of average employees salaries was 21% ('the average employee salaries and wages in current year – the average employee salaries and wages in previous year' / the average employee salaries and wages in previous year)
- (4) The supervisors remuneration in current year was \$0, and the supervisors' remuneration in previous year was \$0.
- (5) The Company's remuneration policy:

The Company's remuneration payment policies, standards, composition and procedures for the remuneration establishment are based on the Company's staff regulations and the organizational procedure of the remuneration committee. The distribution ratios for the directors' remuneration and employees' compensation are under the Company's Articles of Incorporation (please refer to Note 6(27)), which are resolved by the remuneration committee and submitted to the Board of Directors for approval before being reported to the shareholders. Remunerations of directors and managers are based on the general pay level in the same industry, taking into account the individual's performance. Also the Company evaluates the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure; the employees' compensation is allocated based on the review of the same industry level and understanding the competitive position of the Company's talented employees in the industry, as well as the Company's overall operating performance and profitability, budget planning and performance review of each unit, and the assessment of future operating risks, which are all considered important in the allocation process.

Description:

- A. The number of employees described in Note of this statement should be calculated the same as the employee benefits and employee's compensation, and should be calculated using the average number of employees.
- B. According to IAS19, employees may provide services in a full-time, part-time, permanent, irregular or temporary manner, including directors and other management personnel. Therefore, "employees" in this statement includes directors, managers, general employees and contract employees, etc., but not including supervisors, dispatched manpower, labor contracting or business outsourcing personnel.
- C. "Director's remuneration" refers to the remuneration received by all directors, retirement pension, director's remuneration and business execution expenses, etc., but does not include salary, labor and health insurance, pension, and other benefit expense received by employee directors.
- D. "Supervisor's remuneration" refers to the remuneration, compensations and business execution expenses received by all supervisors.



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