Stock Code：2465

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麗臺科技股份有限公司
Leadtek Research Inc.

2022
ANNUAL REPORT

Printed on April 30, 2023

I. Spokesperson of the Company

Name : Michael Yang
Title: Special Assistant of Chairman
TEL: (02)8226-5800 ext. 201
Email: michaelyang@leadtek.com.tw

Deputy Spokesperson of the Company

Name: Thomas Chen
Title: Senior Finance Manager
TEL: (02)8226-5800 ext. 870
Email: thomas@leadtek.com.tw

II. Addresses and Telephone Number of the Company

Head Office: 18F, No.166, Jian-Yi Road, Zhonghe Dist. New Taipei City, Taiwan
TEL: (02)8226-5800
Plant: 2F, No.4, Alley11, Lane327, Sec.2, Chung-Shan Road, Zhonghe Dist., New Taipei City, Taiwan
TEL: (02)8226-5800

III. Stock Transfer Agent

Name: Taishin Securities Co., Ltd
Address: B1 No.96 Jianguo North Road, Sec. 1, Taipei City, Taiwan
Website: http：//www.tssco.com.tw
TEL: (02)2504-8125

IV. Attesting Certified Public Accountants (CPAs) for the Most Recent Financial Statements

Name: CPA Chien, Szu-Chuan and CPA Kuo, Kuan-Ying
CPA Firm: KPMG
Address: 68F, No.7, Sec.5, Xinyi Road, Taipei City Taiwan
Website: http：//www.kpmg.com.tw
TEL: (02)8101-6666

V. The Name of Any Exchanges Where the Company's Securities are Traded Offshore and the Method by Which to Access Information on the Offshore Securities: None

VI. Company Website: http：//www.leadtek.com.tw

Table of Contents

Page

One. Letter to Shareholders

I. Operational highlights

The consolidated revenue for 2022 was NT$5.311 billion in total, NT$8.823 billion or 40% less than in 2021. In 2022, due to the influence of the Russo-Ukrainian (Russia-Ukraine) War and COVID-19, the sales of NVIDIA's professional graphics cards and supercomputers were lower than expected, and the sharp revenue decline of China as a result of the epidemic lockdown in Shanghai in Q1, the overall gross profit was NT$607 million, the gross margin fell to 11%, and the annual net operating loss was NT$152 million. Due to the interest expenses and loss on foreign currencies, the non-operating expenses were NT$49,161 thousand. After deducting the income tax expenses, the net loss after tax attributed to the parent in 2022 was NT$196 billion or NT$3.32 per share.

Looking back at the previous year, COVID-19 was still prevalent around the globe. European countries and the USA generally adopted the "co-existence with COVID" policy, and the condition was gradually stabilized. However, as the situation was increasingly severe in Taiwan and China, business and construction activities gradually slowed. The virtual currency was also affected as witnessed by the sharp price decline in bitcoin. The closure of bitcoin exchanges led to a decrease in the demand for graphics cards and caused a significant impact on the relevant industries, dramatically decreasing the revenues and increasing the inventories of the Company. The US-China trade war has been extended to the export ban of high-tech products to China, bringing a huge impact on the sales of NVIDIA's supercomputers and a sharp decline to the Company's 2022 revenues and profits compared to that of 2021. The stable trend of working from anywhere increased the demand for information security, the demand for the virtual desktop terminal Zero Client continued, and the promotion of virtual GPU application was underway, with the gradual maturity expected in 10 years. In 2022 the sales of GPU software exceeded NT$100 million for the first time. Additionally, the application of artificial intelligence (AI) continued to grow. Our AI products have been accepted by the market, boosting the growth of the new AI business with success in educational and industrial applications. In the China market, the continuous progress in self-driving car development also boosted the sales of development kits.

Due to the demand for the blood oxygen saturation test as a result of COVID-19, our pulse oximeter products have extensively entered the international market, ranking among the top three bestsellers in Japan, and the retailing channels in Taiwan were gradually well established. We also launched new own-brand products, including the forehead thermometer, ear thermometer, and massager. Apart from earning recognition from the Taiwan Excellence Award, our Amor Healthcare management platform was also accepted by medical centers for use in post-discharge health management to prevent the re-hospitalization of patients in critical condition of arrhythmia, acute myocardial infarction, myocardial ischemia caused by coronary artery occlusion, and others, and provide them with better treatment quality. Currently, we are expanding to the international market to take care of more patients.

II. 2023 business plan, development strategy, and the influence of external competitions, legal environment, and macroeconomic environment

Over 100 billion users have registered for ChatGPT within just three months. A new era of AI applications has begun. The professional GPU application is expected to grow rapidly in 2023. In additional to hardware sales, we will strengthen the sales of vGPU and Omniverse and the promotion of system integration and system. In response to the advancement of NVIDIA’s metaverse business, we will become the agent of the NVIDIA Omniverse software platform in the Asia Pacific and the China market. Additionally, as our new-generation workstations have passed NVIDIA’s certification, in the future, we will integrate application software to promote solutions for metaverse development and application platforms. In AI solutions, apart from being the agent of NVIDIA’s deep learning institution (DLI) training, we also launched the AI test turkey solution that has been adopted by leading manufacturers. Hence, we plan to expand to the global market to boost revenues and increase services in AI solutions progressively.

In healthcare products, on top of selling the pulse oximeter, autonomic nervous system analyzer, patch electrocardiograph / phono recorder, and health kiosk, we also launched the COVID bed care and post-discharge monitoring system. This system collects physiological signals, such as electrocardiographs, heart sounds, and respiratory sounds, with the H3 Patch for big data analysis using AI. The new-generation 8D52 pulse oximeter provides sleep quality analysis and a total solution for sleep apnea. We further promoted them to the global market. In healthcare solutions, we innovated one tester for testing carotenoids and physiological data. The service was charged by subscription and offered through direct sales channels and physical stores. This will be a new operational model for Leadtek's healthcare solutions.

Overall, we will actively expand software sales and subscriptions. The AI technology service will be charged by subscription, and healthcare solutions will be offered through long-term rental and subscription to progressively increase their operational proportion. By doing so, we aim to become a provider of system solutions in three years.

Leadtek Research Inc.

Lu Kun-Shan, Chairman

Two. Organizational Profile

I. Date of establishment: 24 October 1986

II. Corporate history

Oct. 1986	Established in Taipei City with an authorized capital of NT$6 million to engage mainly with the design of products such as personal computers (PCs), graphics (VGA) cards, and I/O cards and awarded the EGA BIOS copyright.
Sep. 1990	Merged with Leadyang Technologies Co., Ltd. and increased authorized capital to NT$30 million to specialize in the R&D and sales of VGA cards. Launched the LR2140 VGA card ahead of competitors at the end of the year. Relocated to Jiamei Industrial Zone in Zhonghe City, Taipei County (now Zhonghe District, New Taipei City).
Jan. 1994	Established Leadtek Research Inc. USA to strengthen business operations and sales in North America.
May 1997	Applied for public offering and received IPO guidance.
Aug. 1997	Awarded the 6th National Award of Outstanding SMEs and officially launched GPS-related products.
Jun. 1999	Listed on Taipei Exchange for trading.
Jul. 1999	Relocated business headquarters to Far East Century Park in Zhonghe City, Taipei County (now Zhonghe District, New Taipei City).
Sep. 2000	Established Leadtek Research Europe B.V. to strengthen business operations and sales in Europe.

Mar. 2001	Acquired the VoIP product department and assets of Daxi Technology Co., Ltd. to accumulate R&D power in VoIP technology for development into a VoIP communication kingdom.
May 2001	Added two supervisor seats to expand the board of directors to five directors and three supervisors.
Aug. 2001	Acquired the R&D team of Truedox Technology Co., Ltd. to increase the R&D capacity in GPS products.
Sep. 2001	Established subsidiary Leadtek Holding Inc. in the British Virgin Islands. Listed on the Taiwan Stock Exchange for trading.
Mar. 2002	Established subsidiary Leadhope International Inc. to increase domestic marketing channels.
May 2002	Established subsidiary Leadtek (Shanghai) Research Inc. in Shanghai, China, through re-investment by Leadtek Holding Inc. to strengthen business operations marketing in mainland China.
Jan. 2004	Divided the company into three business units: computer, wireless communications, and multimedia communications as deployment for business diversification.
Dec. 2006	Suspended the operations of Leadtek Research Inc. USA and Leadtek Research Europe B.V. to reduce operating costs and centralize resources. Operations were taken over by the parent.
Oct. 2007	Reduced capital by 30% to a paid-in capital of NT$$1,484,004,350 to cover previous losses and strengthen capital structure.

Sep. 2008	Rated as the Rising Star at the Top Taiwan Global Brand survey.
Dec. 2009	Launched the iGuardian GPS and sponsored the real-time route display for Fubon Taipei Marathon.
Dec. 2010	Grand opening of Leadtek Online Shop to celebrate the company's 25th anniversary.
Sep. 2011	Reduced capital by 30% to a paid-in capital of NT$$1,071,746,020 to cover previous losses and strengthen capital structure.
Feb. 2012	Subsidiary Leadhope International Inc. switched services to PC game distribution and engaged in cross-sector integration with Leadtek to manufacture graphics cards for gaming and drawing.
Feb. 2013	Subsidiary Leadhope International Inc established subsidiary Leadhope (H.K.) Limited in Hong Kong to engage in overseas PC game distribution.
Aug. 2013	Increased investments in Wegene Technology, Inc. to gain control over it with 76.05% of its stake to actively engage with the R&D of e-health products.
Mar. 2015	Disposed of the office building of in Zhonghe District,New Taipei City, to revitalize asset use.
Apr. 2015	Introduced DxPatch wearable medical devices and cloud health management service in collaboration with ApoDx Technology, Inc. to provide complete systolic parameters and abnormal heart sound detection results with isometric PCG/ECG detection technology.
Oct. 2016	Revenues increased progressively during the Company's 30th anniversary.

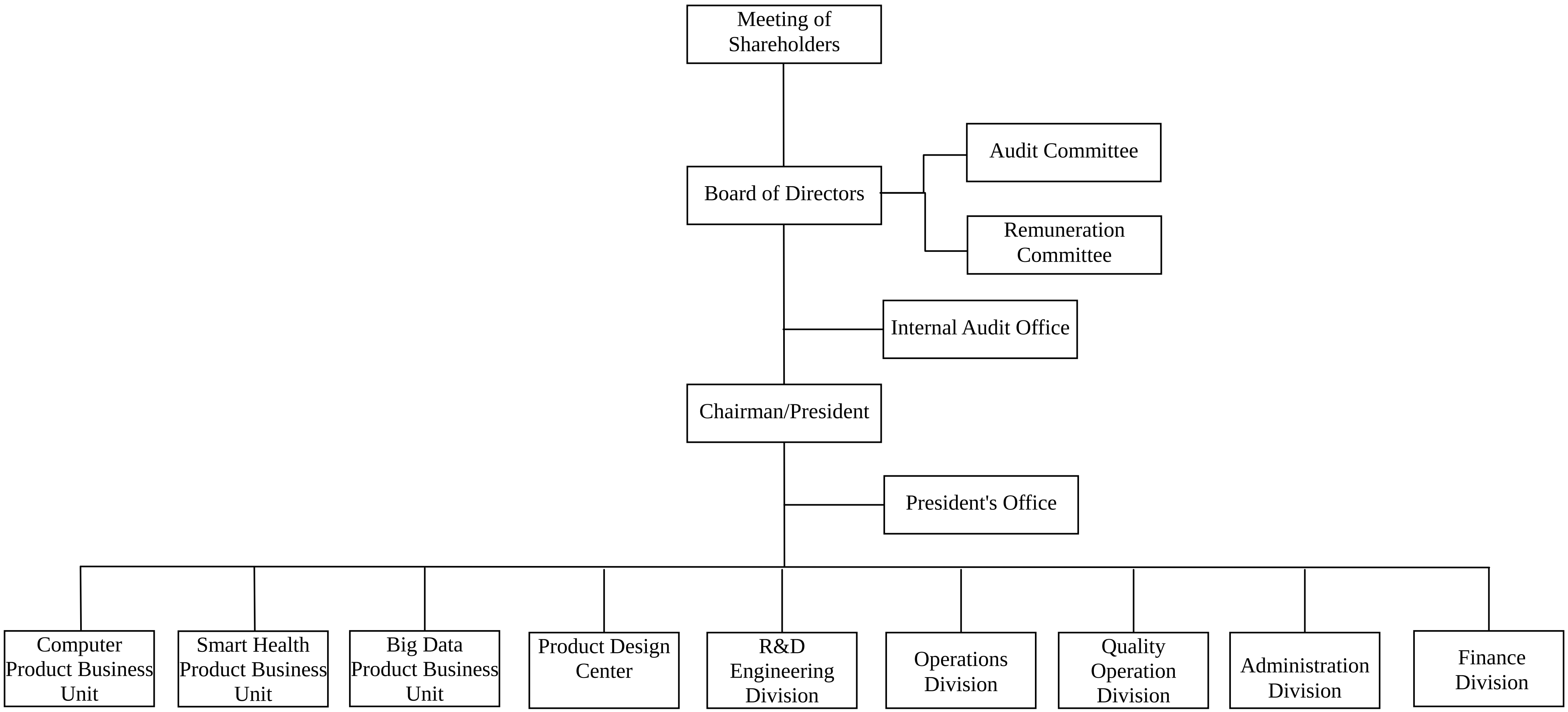
Mar. 2017	Disposed of the office building in Zhonghe District, , New Taipei City, to revitalize asset use.
May. 2017	Subsidiary Leadhope International Inc. became the agent of online game *Kingdom Under Fire 2 Online* and launched it in Hong Kong and Macau.
Aug. 2017	Reduced capital by 50% to a paid-in capital of NT$$535,873,010 to cover previous losses and strengthen capital structure.
May. 2018	Signed the memorandum of understanding (MOU) on the “Taoyuan AIoT Industry-Academia Collaboration Alliance” with Inventec Besta Co., Ltd., a subsidiary of Inventec Corporation, and Chang Gung University to enhance collaboration in biotechnology, biomedicine, information and communication technology, and smart manufacturing through knowledge and practice exchange.
Jan. 2019	Became a deep learning institute (DLI) of NVIDIA and officially launched GPU deep learning courses in Taiwan.
Jan. 2019	World-leading pulse oximeter brand Aivital joined Leadtek.
Jul. 2019	Awarded the “Taiwan i-Sport” certificationof the Sports Administration, Ministry of Education.
Aug. 2019	The Amor Physical and Mental Health Management Platform won the 28th Taiwan Excellence Award.
Aug. 2020	Announced the GPU Docker Management System (GDMS) and GPU AI development software first implemented by the Department of Computer Science

	and Information Engineering, Chang Gung University.
Oct. 2020	The Amor H2 Plus Wearable ECG Recorder won the 29th Taiwan Excellence Award.
Dec. 2021	Workstations passed NVIDIA certification for best performance and reliability, suitable for use use in AI, data science, rendering, and visual design.
Apr. 2022	Workstations passed the certification of ISO 27001 (information security), ISO 27017 (cloud service information security), and ISO 27701 (privacy information) by SGS.
Jun. 2022	Exclusively supplied the metaverse experiential platform to NVIDIA Omniverse Enterprise.

Three. Corporate Governance Report

I. Organization

(I) Organization structure



(II) Scope of services of major departments

Department	Duties and functions
Internal Audit Office	Conduct internal audits, assist personnel of different departments to carry out their jobs and ensure job effectiveness, supervise the fairness of operations, processes, and systems.
President's Office	Determine and implement the direction of the Company's overall operations and shape the Company's market presence. Establish and manage intellectual property rights and take charge of corporate legal affairs. Implement various projects.
Administration Division	Administer matters relating to human resources, education and training, personnel administration, general affairs, and labor safety and health management. Plan and evaluate the Company's overall information equipment and application systems.
Finance Division	Administer the Company's financial and capital analysis, planning, and utilization, receivable management, stock affairs, general accounting, cost accounting, finance statements, and budget planning.
Computer Product Business Unit	Take charge of the sales, marketing, and R&D of the Company's computer products.
Smart Health Product Business Unit	Take charge of the sales, marketing, and R&D of the Company's smart health products.
Big Data Product Business Unit	Take charge of the sales, marketing, and R&D of the Company's big data products.
Product Design Center	Take charge of the appearance design, mechanism development, hardware and software technology of products.
R&D Engineering Division	Take charge of the R&D data and creative development and design of new products.
Operations Division	Administer the Company's ingredient and material procurement and adjust the procurement strategies.

Department	Duties and functions
	Manage the Company’s production and stock management and the production and manufacturing of products.
Quality Operation Division	Plan the Company’s quality management system. Take charge of the establishment of product quality assurance system and corrective and preventive actions. Plan and implement the analysis, inspection, repair, and service of process nonconforming products and RMA products.

II. Background information of Directors, President, Vice Presidents, Assistant Vice Presidents, and the heads of various departments and branches

(I) Data of directors:

1.Directors and independent directors:

April 11, 2023

Title	Name	Gender and age	Nationality or place of registration	Date elected/ appointed	Term of office	Date first elected	Shareholding when elected		Current shareholding		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent position in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Remarks
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Chairman	Lu Kun-Shan	Male 71	The Republic of China	2020.06.10	3 years	1993.12.12	390,689	0.73%	222,257	0.38%	120,022	0.20	-	-	Electronic Engineering, National Taiwan Ocean University	Note 1	-	-	-	
Director	Huang Chin-Ming	Male 72	The Republic of China	2020.06.10	3 years	1996.05.16	130,309	0.24%	143,339	0.24%	-	-	-	-	Electronic Engineering, National Chiao Tung University	Note 2	-	-	-	
Director	Hu Chiu-Chiang	Male 70	The Republic of China	2020.06.10	3 years	2020.06.10	261,118	0.49%	287,229	0.49%	-	-	-	-	PhD, Institute of Management of Technology, National Chiao Tung University	Note 3	-	-	-	
Director	Liu Ke-Chi	Male 68	The Republic of China	2020.06.10	3 years	2020.06.10	141,000	0.26%	155,100	0.26%	-	-	-	-	Master, Business Administration , National Chung Hsing University.	Note 4	-	-	-	
Independent Director	Ho Yao-Hung	Male 64	The Republic of China	2020.06.10	3 years	2017.06.28	0	0.00%	0	0.00%	-	-	-	-	Master, Industrial and Systems Engineering, Ohio Statement University, USA.	Note 5	-	-	-	
Independent Director	Shen An-Shih	Male 69	The Republic of China	2020.06.10	3 years	2020.06.10	0	0.00%	0	0.00%	-	-	-	-	Master, Statistics, Iowa State University, USA.	-	-	-	-	
Independent Director	Liu Cheng	Male 63	The Republic of China	2020.06.10	3 years	2020.06.10	29,789	0.05%	17,367	0.03%	-	-	-	-	Master, Automatic Control Engineering, Feng Jia University	Note 6	-	-	-	

Note 1: President, Leadtek Research Inc.; Chairperson, Leadhope International Inc.; Chairperson, Wegene Technology Inc.; Chairperson, Leadtek Sports, Entertainment, and Media, Inc.; Chairperson, Aiborn Inc.

Note 2: Chairperson, Chroma ATE Inc.; Chairperson, DynaScan Technology Corporation; Chairperson, Testar Electronics Corporation; Director, I-Sheng Electric Wire & Cable Co., Ltd. ; Director, Darwin Corporation; Director, Tian Zheng International Inc; Independent Director, ICHIA Technologies Inc.

Note 3: Chairperson, Weikeng Industrial Co., Ltd.; Director, Promate Electronic Co. Ltd.; Director, Promate Solutions Corporation; Independent Director, CipherLab Co., Ltd.; Independent Director, V-Tac Technology Co., Ltd.; Director, Amazing Microelectronic Corporation

Note 4: Chairperson, Doubleright Technology Ltd.

Note 5: Independent Director, Advanced International Multitech Co., Ltd.

Note 6: Director, Real Great Food International Company

Major shareholders of corporate shareholders

April 11, 2023

Name of Corporate Shareholders	Major shareholders of corporate shareholders
-	-

2. Professional qualifications of directors and independence of independent directors:

<table>
<tr><th colspan="2">Criteria
Name
Identity</th><th>Professional Qualifications and Experience</th><th>Status of Independence</th><th>Number of public companies in which concurrently serves as an independent director</th></tr>
<tr><td>Chairman</td><td>Lu Kun-Shan</td><td>With over five years of experience required by the Company's operations and is currently the chairman and CEO of Leadtek. No violation of any part of Article 30 of the Company Act.</td><td rowspan="4">(1) Not an employee of the Company or any of its affiliates.
(2) Not a director or supervisor the Company of its affiliates (except for independent directors of the Company or its parent/subsidiaries or any subsidiaries of the same parent appointed in accordance with the Company Act or laws of the registered country).
(3) Not a natural-person shareholder holding shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total issued shares of the Company or ranking in the top 10 in holdings.
(4) Not a spouse, relative within the 2nd degree of kinship, or lineal relative by consanguinity within the 3rd degree of kinship or closer to the officers as stipulated in (1) or persons stipulated in (2) and (3).
(5) Not a director, supervisor, or employee of a corporate shareholder directly holding five percent or more of the Company's total issued shares or ranked among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under paragraphs 1 and 2, Article 27, the Company Act (except for independent director positions in the Company and its parent/subsidiaries or any subsidiaries of the same parent appointed in accordance with the Company Act or laws of the registered country).
(6) Not a director, supervisor or employee of any company controlled by the same person holding a majority of the director seats or voting shares of the Company (except for independent director positions in the Company or the parent, subsidiaries or any subsidiaries of the same parent appointed in accordance with the Company Act, or laws of the registered country).
(7) Not a director, supervisor or employee of any company who is the same person as, or the spouse of, chairman and president or equivalent of the Company (except for independent director positions in the Company or the</td><td>None</td></tr>
<tr><td>Director</td><td>Huang Chin-Ming</td><td>With over five years of experience required by the Company's operations and is currently the of chairman Chroma ATE Inc. No violation of any part of Article 30 of the Company Act.</td><td>1</td></tr>
<tr><td>Director</td><td>Hu Chiu-Chiang</td><td>With over five years of experience required by the Company's operations and is currently the chairman of WEIKENG Industrial Co., Ltd. No violation of any part of Article 30 of the Company Act.</td><td>2</td></tr>
<tr><td>Director</td><td>Liu Ke-Chi</td><td>With over five years of experience required by the Company's operations and has been the chief of staff of the President's Office of Foxconn Technology Group. No violation of any part of Article 30 of the Company Act.</td><td>None</td></tr>
</table>

<table>
<tr><th colspan="2">Criteria
Name
Identity</th><th>Professional Qualifications and Experience</th><th>Status of Independence</th><th>Number of public companies in which concurrently serves as an independent director</th></tr>
<tr><td>Independent Director</td><td>Ho Yao-Hung</td><td>With over five years of experience required by the Company’s operations and has been a partner and executive VP of KPMG Advisory Services Co., Ltd. No violation of any part of Article 30 of the Company Act.</td><td rowspan="3">parent/subsidiaries or any subsidiaries of the same parent appointed in accordance with the Company Act, or laws of the registered country).
(8) Not a director, supervisor, officer, or shareholder holding more than 5% ownership interest in any companies or institutions that have financial or business relationship with the Company (except for specific companies or organizations holding more than 20% but less than 50% of the Company’s total issued shares. an independent director of the Company or the parent/subsidiaries or any subsidiaries of the same parent appointed in accordance with the Company Act, or laws of the registered country).
(9) Not a professional individual, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliated company of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliated company of the Company for which the provider in the past 2 years has received cumulative compensation not exceeding NT$500,000, or a spouse thereof, except for a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
(10) Not a spouse or relative within the 2nd degree of kinship or closer to any other directors.
(11) No violation of any part of Article 30 of the Company Act.

Description:
Except for Chairman Lu Kun-Shan whose independence does not comply with (1), (2), (4), and (7), all other directors (including independent directors) comply with all the above requirements.</td><td>1</td></tr>
<tr><td>Independent Director</td><td>Shen An-Shih</td><td>With over five years of experience required by the Company’s operations and has been the president of IBMTaiwan. No violation of any part of Article 30 of the Company Act.</td><td>None</td></tr>
<tr><td>Independent Director</td><td>Liu Cheng</td><td>With over five years of experience required by the Company’s operations and has been the president of VIVOTEK Inc. No violation of any part of Article 30 of the Company Act.</td><td>None</td></tr>
</table>

3. Board diversity:

To diversify policies, strengthen corporate governance, and facilitate the robust development of Board organization and structure, we adopt the candidate nomination system as stipulated in the Articles of Incorporation to nominate directorial candidates. After evaluating the educational attainment and work experience, professional background, integrity, and relevant professional qualifications of candidates and with the approval of the Board by resolution, these candidates will be nominated for election at the Meeting of Shareholders. Except for the chairman, no other Board members are officers of the Company. The composition of the Board is determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs. The policy includes, but not limited to the following:

(1) Basic requirements and values: Gender, age, nationality, and culture.

(2) Professional knowledge and skills: The ability to make judgments about operations, accounting and financial analysis ability, business management ability, crisis management ability, knowledge of the industry, an international market perspective, leadership ability, and decision-making ability.

Core Diversity / Name		Basic Composition							Professional Background				Professional Knowledge and Skills					
		Nationality	Gender	Employee Status	Age: 51-60 years old	Age: 61-70 years old	Age: 71-80 years old	Service Length of Independent Director (less than 3 years)	Accounting	Industrial	Finance and	Technology	Operational judgment ability	Business management ability	Leadership ability	Crisis management ability	Industry knowledge	International market perspectives
Director	Lu Kun-Shan	The Republic of China	Male	✓			✓			✓		✓	✓	✓	✓	✓	✓	✓
Director	Huang Chin-Ming	The Republic of China	Male				✓			✓		✓	✓	✓	✓	✓	✓	✓
Director	Hu Chiu-Chiang	The Republic of China	Male			✓				✓		✓	✓	✓	✓	✓	✓	✓
Director	Liu Ke-Chi	The Republic of China	Male			✓				✓		✓	✓	✓	✓	✓	✓	✓
Independent Director	Ho Yao-Hung	The Republic of China	Male			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Shen An-Shih	The Republic of China	Male			✓				✓		✓	✓	✓	✓	✓	✓	✓
Independent Director	Liu Cheng	The Republic of China	Male			✓				✓		✓	✓	✓	✓	✓	✓	✓

4. Independence of independent directors:

Currently, the Board is seated by 7 directors, including 4 directors and 3 independent directors, and the proportion of the latter is 43%. By the end of 2022, all independent directors have met the requirements for independent directors as requested by the Securities and Futures Bureau (SFB) of the Financial Supervisory Commission (FSC). Additionally, no directors or independent directors have violated Article 26-3, paragraphs 3 and 4, *Securities and Exchange Act*.

(II) Data of the president, vice presidents, assistant vice presidents, and heads of departments and branch offices

April 11, 2023 Unit: shares

Title	Nationality	Name	Gender	Date of inauguration	Shareholding		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent positions in other companies	Spouse or relatives of 2nd degree or closer acting as managers			Remarks
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
President	The Republic of China	Lu Kun-Shan	Male	1986.10.01	222,257	0.38	120,022	0.20	—	—	Electronic Engineering, National Taiwan Ocean University	Note 1	—	—	—	Note 2
Vice President	The Republic of China	Chou Shih-Wei	Male	2005.01.01	3,324	0.01	—	—	—	—	Electrical Engineering, Chinese Culture University	—	—	—	—	—
Vice President	The Republic of China	Chuang Chen-Ming	Male	2018.01.16	—	—	—	—	—	—	PhD, Electrical Engineering, National Taiwan University	—	—	—	—	—
Vice President	The Republic of China	Yu Chin-Chang	Male	2016.08.01	—	—	—	—	—	—	Master, Information Science, National Tsing Hua University	—	—	—	—	—
Vice President	The Republic of China	Hsiung Mu-Wen	Male	2016.08.01	—	—	—	—	—	—	Transportation and Logistics Management, National Chiao Tung University	—	—	—	—	—
Vice President	The Republic of China	Yang Chin-Tien	Male	2014.01.01	—	—	—	—	—	—	Master, Computer Science and Information Engineering, Tamkang University	—	—	—	—	—
Vice President	The Republic of China	Chang Shen	Male	2016.11.07	—	—	—	—	—	—	Master, Accounting, National Cheng Chi University	—	—	—	—	—
Vice President	The Republic of China	Yu Chao-Jung	Female	2016.08.01	—	—	—	—	—	—	Master, Applied Chemistry, National Chiao Tung University Master, Law, Soochow University	—	—	—	—	—

Note 1: Chairman, Leadtek Research Inc; Chairperson, Leadhope International Inc.; Chairperson, Wegene Technology Inc.; Chairperson, Leadtek Sports, Entertainment, and Media, Inc.; Chairperson, Aiborn Inc.

Note 2: Chairman and president of Leadtek. The reasons, fairness, necessity, and counteractions are as follows:

We offer a wide range of products involving different industries. The organization is formed by three business units: Computer Product Business Unit, Smart Health Product Business Unit, and Big Data Product Business Unit. Each business unit (BU) is headed by a vice president (VP) to take charge of all matters of the BU.

Mr. Lu acts as the Company's chairman and president at the same time because of his familiarities with the products of all BUs and great skills in communicating various product-related planning with VPs. In the future, we will actively develop professional managers to take up the president post.

III. Remuneration for directors, supervisors, the president, and vice presidents in the most recent accounting year:

(1) Remuneration for directors

Unit: NTD thousands

Title	Name	Director's remuneration								The sum of A, B, C and D as a percentage of net income		Compensation as company employee								The sum of A, B, C, D, E, F, and G as a percentage of net income		Remuneration from investees other than subsidiaries or the parent company
		Remuneration (A)		Separation Pension (B)		Remuneration for Directors (C)		Pay for Professional Practice (D)				Salaries, bonuses, special allowances etc (E)		Seperation Pension (F)		Employee Compensation (G)						
																The Company		All companies included in the financial statements				
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares	The Company	All companies included in the financial statements	
Chairman	Lu Kun-Shan	1,200	1,200	-	-	-	-	-	-	-0.61%	-0.61%	3,750	3,750	-	-	-	-	-	-	-2.53%	-2.53%	-
Director	Huang Chin-Ming	600	600	-	-	-	-	9	9	-0.31%	-0.31%	-	-	-	-	-	-	-	-	0.31%	0.31%	-
Director	Hu Chiu-Chiang	600	600	-	-	-	-	9	9	-0.31%	-0.31%	-	-	-	-	-	-	-	-	0.31%	0.31%	-
Director	Liu Ke-Chi	600	600	-	-	-	-	12	12	-0.31%	-0.31%	-	-	-	-	-	-	-	-	0.31%	0.31%	-
Independent Director	Ho Yao-Hung	720	720	-	-	-	-	12	12	-0.37%	-0.37%	-	-	-	-	-	-	-	-	0.37%	0.37%	-
Independent Director	Shen An-Shih	720	720	-	-	-	-	9	9	0.37%	0.37%	-	-	-	-	-	-	-	-	0.37%	0.37%	-
Independent Director	Liu Cheng	720	720	-	-	-	-	12	12	-0.37%	-0.37%	-	-	-	-	-	-	-	-	0.37%	0.37%	-

(II) Remuneration for the president and vice presidents:

Unit: NTD thousands

Title	Name	Salary (A)		Separation pension (B)		Bonuses and special allowances etc (E) (C)		Amount of remuneration for employees (D)				Sum of A, B, C and D as a percentage of net income (%)		Remuneration from investees other than subsidiaries or the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
President	Lu Kun-Shan	19,062	19,062	756	756	3,760	3,760	-	-	-	-	-12.04%	-12.04%	-
Vice President	Chou Shih-Wei													
Vice President	Chuang Chen-Ming													
Vice President	Yu Chin-Chang													
Vice President	Hsiung Mu-Wen													
Vice President	Yang Chin-Tien													
Vice President	Chang Shen													
Vice President	Yu Chao-Jung													

Range of remuneration to the President and Vice Presidents	Name of President and Vice Presidents	
	The Company (Note 6)	All companies included in the financial statements (Note 7) E
Below NT$ 1,000,000		
NT$ 1,000,000 (inclusive) - 2,000,000 (exclusive)		
NT$ 2,000,000 (inclusive) - 3,500,000 (exclusive)	Chou Shih-Wei, Chuang Chen-Ming, Yu Chin-ChangYang Chin-Tien, Hsiung Mu-Wen, Yang Chin-Tien, Chang Shen, Yu Chao-Jung	Chou Shih-Wei, Chuang Chen-Ming, Yu Chin-ChangYang Chin-Tien, Hsiung Mu-Wen, Yang Chin-Tien, Chang Shen, Yu Chao-Jung
NT$ 3,500,000 (inclusive) - 5,000,000 (exclusive)	Lu Kun-Shan	Lu Kun-Shan
NT$ 5,000,000 (inclusive) ~ 10,000,000 (exclusive)		
NT$ 10,000,000 (inclusive) - 15,000,000 (exclusive)		
NT$ 15,000,000 (inclusive) - 30,000,000 (exclusive)		
NT$ 30,000,000 (inclusive) - 50,000,000 (exclusive)		
NT$ 50,000,000 (inclusive) - 100,000,000 (exclusive)		
NT$ 100,000,000 and above		
Total		

(III) The five officers with the highest remuneration:

Unit: NTD thousands

Title	Name	Salary (A)		Separation pension (B)		Bonuses and special allowances etc (C)		Amount of remuneration for employees (D)				Sum of A, B, C and D as a percentage of net income (%)		Remuneration from investees other than subsidiaries or the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
President	Lu Kun-Shan	3,141	3,141	-	-	609	609	-	-	-	-	-1.92%	-1.92%	-
Vice President	Hsiung Mu-Wen	2,571	2,571	108	108	517	517	-	-	-	-	-1.63%	-1.63%	-
Vice President	Chang Shen	2,440	2,440	108	108	559	559	-	-	-	-	-1.59%	-1.59%	-
Vice President	Chou Shih-Wei	2,319	2,319	108	108	406	406	-	-	-	-	-1.45%	-1.45%	-
Vice President	Yang Chin-Tien	2,238	2,238	108	108	441	441	-	-	-	-	-1.42%	-1.42%	-

(V) Amount of remuneration paid in the past 2 years by the Company and all companies included in the consolidated financial statements to the Company’s directors, supervisors, president, and vice presidents

<table>
<tr><th rowspan="2">Year
Item</th><th colspan="2">2022</th><th colspan="2">2021</th></tr>
<tr><th>Net profit margin of the Company after payment of remunerations</th><th>Net profit margin of the Company and companies included in the consolidated statements after payment of remunerations</th><th>Net profit margin of the Company after payment of remunerations</th><th>Net profit margin of the Company and companies included in the consolidated statements after payment of remunerations</th></tr>
<tr><td>Director</td><td rowspan="2">-14.71%</td><td rowspan="2">-14.71%</td><td rowspan="2">7.32%</td><td rowspan="2">11.20%</td></tr>
<tr><td>President and Vice Presidents</td></tr>
</table>

In respect of the Company’s Articles of Incorporation, directors are salaried each month and enjoy profit sharing. The remuneration for the president and vice presidents includes salary, bonuses, and profit sharing. They are paid based on their positions and contribution to the Company and in consideration of the standard in the industry.

IV. Corporate governance

(I) Board operations:

A total of four Board meetings were held in 2022, and the attendance of directors is as follows:

Title	Name	Actual attendance count	Attendance by proxy	Actual attendance rate	Remarks
Chairman	Lu Kun-Shan	4	-	100%	
Director	Huang Chin-Ming	3	-	75%	
Director	Hu Chiu-Chiang	4	-	100%	
Director	Liu Ke-Chi	4	-	100%	
Independent Director	Ho Yao- Hung	4	-	100%	
Independent Director	Shen An-Shih	4	-	100%	
Independent Director	Liu Cheng	4	-	100%	

Other matters required for reporting

1. When any one of the following situations occurs in a Board meeting, state the date and session of the meeting, the content of the concerned proposal(s), the opinion of all independent directors, and the Company's response to such opinions:
   (1) Matters stipulated in Article 14-3 of the *Securities and Exchange Act*:

Date of Board meeting	Session	Details of agenda	Opinions of all independent directors	Company's response to the opinions of independent directors
2022/03/16	1st Board Meeting of 2022	1. Capitalization of profits and SEO. 2. Improvement plan for extension for one year of repayment for loans to Leadhope International Inc. with insolvency. 3. Amendment to the "Procedures for Acquisition and Disposal of Assets". 4. Private placement (private placement) and SEO.	None	Approved as proposed
2022/05/13	2nd Board Meeting of 2022	1. Improvement plan for extension for one year of repayment for loans to Leadhope International Inc. with insolvency.	None	Approved as proposed
2022/08/01	3rd Board Meeting of 2022	1. Improvement plan for extension for one year of repayment for loans to Leadhope International Inc. with insolvency.	None	Approved as proposed

Date of Board meeting	Session	Details of agenda	Opinions of all independent directors	Company's response to the opinions of independent directors
		2. Issuance of the employee stock option certificate for 2022.		
2022/11/11	4th Board Meeting of 2022	1. Improvement plan for extension for one year of repayment for loans to Leadhope International Inc. with insolvency. 2. Replacement of CPA in response to the duty adjustment of the CPA Firm.	None	Approved as proposed

(2) Any documented objections or qualified opinions raised by independent directors against the Board resolution in relation to matters other than those described above: None.

2. Disclosure regarding avoidance of interest-conflicting proposals, including the names of directors concerned, the proposal content, the nature of conflicting interests, and the voting process: None.

3. Implementation of Board performance evaluation

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation methods	Evaluation contents
Once a year	2022/1/1-2022/12/31	1. Board 2. Individual Board members 3. Audit Committee 4. Members of the Remuneration Committee	Self-assessment	1. Items of Board performance evaluation: (1) Degree of engagement with corporate operations (2) Quality of Board decision-making (3) Board composition and structure (4) Election and continuing education of directors (5) Internal control 2. Items for performance evaluation of individual Board members: (1) Alignment with the Company's goals and missions (2) Awareness towards the directorial roles and responsibilities (3) Degree of engagement with corporate operations (4) Management of internal relations and communication (5) Expertise and continuing education of directors (6) Internal control 3. Performance evaluation of functional committees: (1) Degree of engagement with corporate operations (2) Awareness towards the roles and responsibilities of functional committees (3) Improvement of decision-making quality of functional committees (4) Composition and selection of members for functional committees (5) Internal control

4. Goals for Board competency enhancement in the current and the most recent years:

(1) The Board instructs corporate strategies, supervises the management, and implement and arrange matters in relation to

corporate governance. It answers to the Company and Meeting of Shareholders (this is not a meeting but a body) and exercise its powers in accordance with the Company's Articles of Incorporation or resolutions of the Meeting of Shareholders.

(2) In additional to holding the directorial election, the Audit Committee was established at the AGM on June 10, 2020 to exercise the powers as stipulated in the *Company Act*, *Securities and Exchange Act*, and other relevant laws and regulations.

(3) On November 22, 2011, the Remuneration Committee was established to periodically evaluate and determine the remuneration for directors and officers and periodically review the performance of directors and officers and evaluate the policy, system, standard, and structure of their salary and remuneration.

(2) Operations of Audit Committee:

A total of four Audit Committee meetings were held in 2022, and the attendance of independent directors is as follows:

Title	Name	Actual attendance count	Attendance by proxy	Actual attendance rate	Remarks
Independent Director	Ho Yao- Hung	4	-	100%	-
Independent Director	Shen An-Shih	4	-	100%	-
Independent Director	Liu Cheng	4	-	100%	-

Other matters required for reporting

1. When any one of the following situations occurs in an Audit Committee meeting, state the date and session of the meeting, the content of the concerned proposal(s), the resolutions made at the meeting, and the Company's response to opinions of the Audit Committee:

(1) Matters stipulated in Article 14-5 of the *Securities and Exchange Act*:

Date of Board meeting	Session	Details of agenda	Resolutions made by the Audit Committee	Company's response to the opinions of independent directors
2022/03/16	1st Board Meeting of 2022	1. The Company's financial statements and business report of 2022 2. Capitalization of profits and SEO. 3. Declaration of Compliance of Internal Control System of 2021.	Unanimous approval of the proposal at the 7th meeting (2022.03.16)	Approved as proposed

Date of Board meeting	Session	Details of agenda	Resolutions made by the Audit Committee	Company's response to the opinions of independent directors
		4. Improvement plan for extension for one year of repayment for loans to Leadhope International Inc. with insolvency. 5. Amendment to the “Procedures for Acquisition and Disposal of Assets”. 6. Private placement approved at the 2021 AGM. 7. Private placement (private placement) and SEO.	of the 1st Audit Committee.	
2022/05/13	2nd Board Meeting of 2022	1. Improvement plan for extension for one year of repayment for loans to Leadhope International Inc. with insolvency.	Unanimous approval of the proposal at the 7th meeting (2022.05.13) of the 1st Audit Committee.	Approved as proposed
2022/08/01	3rd Board Meeting of 2022	1. Improvement plan for extension for one year of repayment for loans to Leadhope International Inc. with insolvency. 2. Issuance of the employee stock option certificate for 2022.	Unanimous approval of the proposal at the 9th meeting (2022.08.01) of the 1st Audit Committee.	Approved as proposed
2022/11/11	4th Board Meeting of 2021	1. Improvement plan for extension for one year of repayment for loans to Leadhope International Inc. with insolvency. 2. Replacement of CPA in response to the duty adjustment of the CPA Firm.	Unanimous approval of the proposal at the 10th meeting (2022.11.11) of the 1st Audit Committee.	Approved as proposed

(2) Resolutions adopted with the approval of two thirds or more of all directors, without having been passed by the Audit Committee of the Company in addition to the above matters: None.

2. Disclosure regarding avoidance of interest-conflicting proposals, including the names of independent directors concerned, the proposal content, the nature of conflicting interests, and the voting process: None.

3. Communication of independent directors with internal auditors and CPAs (on material items and methods and outcomes of communication regarding the Company's financial and business positions):

(1) Based on the annual audit program, the chief internal auditor periodically reports a summary report to the Audit Committee. The Audit Committee also evaluates the Company's internal audit system, internal auditors, and their work performance.

(2) The Audit Committee is formed with independent directors. CPAs report to independent directors the audit outcomes of the Company's annual financial statements.

Summary of communication between independent directors and CPAs:

Date	Communication items	Communication results
2022/11/11.	1. The audit review of the Company's consolidated financial reports for the third quarter of 2022. 2. Key audit items of 2022 3. Important legal updates	The 2022 Q3 financial reports have been approved by the Audit Committee and reported to the Board for approval by resolution.

(III) Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies:

Evaluation Item	Performance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Has the company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	V		We have established the "Corporate Governance Best-Practice Principles". Please visit the Market Observation Post System (MOPS) or our corporate website for details.	No difference
II. Shareholding structure and shareholders' interests				
(I) Has the company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes, and litigations?	V		We have appointed corporate spokespersons and deputy spokespersons to take charge of the related matters, and the legal unit and legal consultant will take charge of law-related matters.	No difference
(II) Does the Company retain at all times a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders?	V		We have also assigned a professional shareholder services agent to take charge of shareholder-related matters. Additionally, a shareholder liaison has been appointed to keep close contacts with the professional shareholder services agent to keep informed of shareholder-related issues at all times.	No difference
(III) Has the company established and implemented risk	V		We have established the "Procedures for Trading with Related Parties, Specific	No difference

Evaluation Item	Performance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
management and firewall mechanisms between its affiliates?			Companies, and Group Affiliates" and management procedures of internal control and internal audit to effectively control risks.	
(IV) Has the company established internal policies that prevent insiders from trading securities against non-public information?	V		We have established the "Procedures for Ethical Management and Guidelines for Conduct" stipulation the prohibition of insider trading, the "Procedures for Handling Material Inside Information" and other internal controls of management for "management of insider trading prevention" to protect and maintain the rights and interests of investors and the Company.	No difference
III. Composition and duties of the Board				
(I) Has the board established and implemented diversified policies and specific and reasonable goals?	V		Board members have different professional backgrounds and different areas of specialization to ensure the robust Board structure.	No difference
(II) Apart from establishing the Remuneration Committee and Audit Committee by law, has the company voluntarily establish other functional committees?	V		We have established the Compensation Committee and Audit Committee by law and will establish other functional committees as necessary.	No difference
(III) Has the company established a set of	V		The regulations and methods for Board performance evaluation	No difference

Evaluation Item	Performance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
policies and assessment tools to evaluate the Board's performance, conducted the performance evaluation each year and periodically, reported the evaluation results to the Board, and use them for the reference for determining the remuneration and future nomination of individual directors?			established by the Board on November 13, 2019 stipulate that performance evaluation shall be implemented on the Board, board members, Audit Committee, and Remuneration Committee at least once a year. The Remuneration Committee establishes and periodically reviews the policy and system for performance evaluation of directors and officers and their salary and remuneration.	
(IV) Does the company periodically evaluate the independence of CPAs?	V		Each year the Company evaluates the independence(Note 1) of CPAs and requests from the Statement of Independence Compliance. The final evaluation results are reported to the Board.	No difference
IV. Has the company assigned an appropriate number of competent governance personnel and a chief governance officer to handle matters in relation to corporate governance?	V		The Finance Division assigns a special staff member to handle governance-related affairs. With over three years of experience in financial, service, and agenda management, this staff member provides directors with data required for business practice, prepares matters relating to board meeting and AGM/EGM, handles company registration and change registration, produces the minutes of board meetings and	No difference

Evaluation Item	Performance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			AGM/EGM, and handles governance-related affairs.	
V. Has the company established communication channels with stakeholders, created a dedicated stakeholder section on its corporate website, and properly addressed material corporate social responsibility issues that concern stakeholders?	V		We have established an ESG section on the corporate website to provide stakeholders with the relevant information. We also maintain sound relationships with suppliers, customers, financial institutions, and other stakeholders and uphold business ethics and integrity to create win-win for all parties.	No difference
VI. Does the company engage a professional shareholder services agent to handle AGM affairs?	V		We have engaged the Department of Stock affairs Agency of Taishin Securities Co., Limited as the Company's professional shareholder services agent and to take charge of the Company's AGM.	No difference
VII. Information disclosure				
(I) Has the company established a website to disclose financial, business, and corporate governance information?	V		We have established an investor section on the corporate website to disclose the Company's financial, business, and material information, and governance-related information will be published soon.	No difference
(II) Has the company adopted other means to disclose information (e.g., erection of an English website, assignment of specific personnel	V		We have set up an English website and assigned special staff to collect and publish various types of information over this website. We have assigned spokespersons by law and reported them to the competent authorities.	No difference

Evaluation Item	Performance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
to collect and disclose corporate information, implementation of a spokesperson system, posting investor conferences on the corporate website)?			We have also posted the information of investor conferences on the corporate website.	
(III) Does the company publish and report the annual financial report within two months at the end of each accounting year and publish the financial statements for Q1, Q2, and Q3 and monthly operation overview by the prescribed time-limit?		V	Does the company periodically publish the annual financial report and the financial statements for Q1, Q2, and Q3 and monthly operation overview as requested by the competent authorities?	Published and reported by the regulatory time-limit.
VIII. Other important information useful to understand the performance of corporate governance?	V		1. Employee rights and interests: Apart from treating employees with sincerity and integrity, we have well-established benefit and training systems and develop mutual trust with employees. 2. Employee care: A staff welfare committee has been established to take good care of employees and offer benefits including funding for employee club activities; allowances for weddings, funerals, festivities, and birth of employees; and funding for employee travels. 3. Investor relations: Special staff	No difference

Evaluation Item	Performance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			have been assigned to handle investor relations and investor recommendations. 4. Supplier relations: Apart from upholding the commitment for suppliers and stakeholders and avoiding unnecessary extension of payment, we also maintain a sound relationship with suppliers. 5. Stakeholder relations: We respect and maintain the legal rights and interests of stakeholders. 6. Continuing education of directors: In addition to their professional backgrounds and field management and operation experience in the industry, directors also take continuing education courses. (Note 2) 7. Risk management policies and risk assessment standards: Besides establishing various internal regulations, we also engage with risk management and assessment. 8. Customer policy: We enhance quality improvement and technology upgrading to provide customers with the best products and services. 9. Directors and officers liability insurance (D&O): Each year we purchase D&O for directors according to the Articles of	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Performance</th><th rowspan="2">Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>Incorporation.</td><td></td></tr>
<tr><td colspan="5">IX. Please describe the improvements made according to the results of Corporate Governance Evaluation results of the most recent year published by the TWSE Corporate Governance Center and propose measures for issues pending for improvement.
1. Improvements made in the most recent year: We have appointed the chief governance officer (CGO) to take charge of matters relating to corporate governance.
2. Measures for issues pending for improvement:
(1) Provide information on the continuing education courses of directors to increase the hours of continuing education of directors.
(2) Invite directors to attend AGM to encourage directors to participate in AGM.</td></tr>
</table>

Note 1: CPA Independency and Competency Evaluation Sheet

Evaluation Item	Yes	No	Description of evaluation:
1. Not an employee of the company or any of its affiliates.	V		N/A
2. Not a director or supervisor of the company or any of its affiliates.	V		N/A
3. Not an shareholder of the company or any of its Shareholders.	V		N/A
4. Not a spouse, relative of within the second degree of kinship or the third degree of kinship by consanguinity.	V		N/A
5. Not a director, supervisor, officer, or shareholder holding over 5% of the shares a specific company or institution having a financial or business relationship with the company.	V		N/A
6. No violation of any part of Article 30 of the *Company Act*.	V		N/A
7. No CPAs provide audit service for the company for seven years consecutively.	V		N/A
8. Are partner practicing CPAs of the joint CPA firm hiring the CPAs not a director or officer of the company or or no engaging in a job having significant influence over the audit project within one year after resignation?	V		N/A
9. Do the CPAs comply with the independence-related regulations stipulated in The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10: Professional Ethics Conduct “Integrity, Objectivity and Independence?	V		Complied.
10.Not involving with the management competence of the company’s decision-making.	V		N/A

Note 2 Continuing education of directors in 2022 and by the date of report publication:

Title	Name	Course date From	Course date to	Organizer	Course name	Training hours	Total hours of continuing education in the year
Director	Huang Chin-Ming	2022/6/22	2022/6/22	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Operations Training Program	3.0	6.0
		2022/10/2	2022/10/2	Taiwan Academy of Banking and Finance	Corporate Governance Lecture	3.0	
Director	Hu Chiu-Chiang	2022/3/22	2022/3/22	Taiwan Corporate Governance Association	Development trend of green industries: Prospects of low-emission investments and countermeasures for businesses	3.0	8.0
		2022/5/12	2022/5/12	Taiwan Stock Exchange	International Twin Summit	2.0	
		2022/5/13	2022/5/13	Taiwan Corporate Governance Association	Control of insider trading	3.0	
Independent Director	Ho Yao-Hung	2022/3/9	2022/3/9	Taiwan Institute of Directors	2022 Insider Trading Prevention Outreaching Conference	3.0	9.0
		2022/5/27	2022/5/27	Taiwan Institute of Directors	Big future for Sino-American confluence: Response of board of directors	3.0	
		2022/6/10	2022/6/10	Securities & Futures Institute	Leadership Academy Forum: Reactivation in new reality: Digital new Taiwan in vision	3.0	

(IV)Composition, responsibility, and operations of the remuneration committee:

1. Data of members of the Remuneration Committee

Identity	Name	Professional Qualifications and Experience	Status of Independence	Number of other public companies in which concurrently serves as Remuneration Committee member
Independent Director	Ho Yao-Hung	Please refer to the Data of Directors in p. 9.		1
Independent Director	Shen An-Shih	Please refer to the Data of Directors in p. 9.		-
Independent Director	Liu Cheng	Please refer to the Data of Directors in p. 9.		-

2. Operations of the Remuneration Committee

(1) The Company's Remuneration Committee is seated by 3 members.

(2) The term of the 4th Remuneration Committee: From August 11, 2020 to the end of the term of the 12th Board.

A total of 2 Remuneration Committee meetings were held in 2022, and the attendance of committee members is as follows:

Title	Name	Actual attendance count	Attendance by proxy	Percentage of actual attendance (%)	Remarks
Convener	Ho Yao- Hung	2	0	100%	-
Committee member	Shen An-Shih	2	0	100%	-
Committee member	Liu Cheng	2	0	100%	-

Other remarks:

I. If a proposal of the remuneration committee is rejected or amended at a board meeting, state the date and session of the meeting, the content of the concerned proposal, the resolutions made at the board meeting, and the company’s response to opinions of the remuneration committee’s opinions (if salary and remuneration approved at the board meeting are better than the recommendation of the remuneration committee, state the differences and their causes): None.

II. When there are documented objections or qualified opinions to the resolution made by a committee member at the remuneration committee meeting, state the date and session of the committee meeting, the content of the concerned proposal, the opinions of all committee members, and the response to opinions of members: None.

(V) Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies:

Evaluation Item	Performance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Has the company developed a governance framework for sustainable development and established a full- (part-) time unit to promote sustainable development under the supervision of top management with board authorization and the board?	V		The Administration Division takes charge of the promotion of affairs relating to sustainable development.	No difference
II. Has the company assessed the social, environmental, and governance (ESG) risks relating to corporate operations and established policies or strategies relating to risk management according to the principle of materiality?	V		Environmentally, we have formed an environmental assessment team to address environmental issues and review and assess environmental risks, establish the environmental policy, create environmental documents, and review and implement environmental protection activities in accordance with the "Operating Procedures for Environmental Assessment". Socially, we strictly comply with the non-disclosure (confidentiality) of trade secrets and the relevant legal and regulatory requirements. Additionally, all products comply with the relevant international safety	No difference

Evaluation Item	Performance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			requirements, international environmental requirements, and import and export regulations to ensure the safety of business operations.	
III. Environmental issues (I) Has the company developed an appropriate environmental management system based on the industry-specific characteristics?	V		Apart from periodically tracing and reporting waste production, we also set waste reduction targets, publicize resource recycling, and establish various resource and energy reduction plans in accordance with the relevant legal and regulatory requirements to achieve environmental sustainability. We have also passed the certification of the ISO 14001 environmental management system and implemented periodic audit and evaluation.	No difference
(II) Is the company committed to enhancing efficiency various resources and energy and using recycled materials with lower environmental impact?	V		We are committed to environmental improvement and enhancing the efficiency of various resources, and the targets for reducing resource consumption and waste have been achieved.	No difference
(III) Has the company assessed the current and future potential climate-related risks and opportunities and taken corresponding counteractions for climate-related issues?	V		Climate change may cause resource shortages, increase material costs, and unstable transportation. Hence, we actively develop products relating to green energy technology, reduce water	No difference

Evaluation Item	Performance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(IV) Has the company produced statistics on GHG emissions, water consumption, and total weight of waste in the past two years and established policies to reduce GHG, water consumption, and waste?	V		consumption to lower operating costs in response. To reduce the energy consumption of hardware equipment, we have progressively replaced the lighting fixtures with LED lamps in the common areas across the plant to achieve energy consumption and carbon reduction and reduce energy consumption to lower the intensity of GHG emissions and thereby fulfill our corporate social responsibility for environmental protection. Additionally, we reclaim wastewater for reuse to reduce water consumption and manage waster in accordance with the *Waste Disposal Act* to ensure exact protection of the surrounding environment.	No difference
IV. Social issues (I) Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	V		Apart from complying with the relevant labor laws and regulations, we have also established the Employee Handbook and relevant personnel regulations to protect the legal rights and interests of employees.	No difference
(II) Has the company established and implemented a reasonable	V		Each year we conduct two times of employee performance evaluation to	No difference

Evaluation Item	Performance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
employee benefit policy (including remuneration, leave, and other benefit) and reflected the operating performance or results to the remuneration for employees adequately?			provide a reference for the promotion, transfer, and raise of employees. Both our leave and benefit policies are better than the relevant legal and regulatory requirements.	
(III) Has the company provided employees with a safe and healthy workplace environment and implemented health and safety education for employees periodically?	V		In addition to arranging health checkups for employees each year, we also provide them with a sound workplace environment and organize education and training activities for occupational health and safety.	No difference
(IV) Has the company established effective competency development training plans for employees?	V		Through internal and external education and training, we develop the professional and management skills of employees step by step.	No difference
(V) Has the company complied with the relevant laws and international practices with respect to customer health and safety, customer privacy, and marketing and labeling for its products and services and established policies and grievance procedures relating to consumer and customer protection?	V		Both our products and services comply with the EU RoHS directive and the green and eco-friendly requirements of customers. We also provide product warranty for a reasonable period and online application for service.	No difference
(VI) Has the company	V		We periodically audit and	No difference

Evaluation Item	Performance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
established a supplier management policy requesting suppliers to comply with the relevant legal and regulatory requirements for environmental protection, occupational safety and health, or labor human rights and reviewing the performance of such a policy?			assess the social and environmental performance of suppliers and re-consider the business relations with customers violating the relevant social and environmental regulations.	
V. Has the Company prepared the the sustainability report to disclose the company's non-financial information in accordance with the internationally accepted reporting standards or guidelines? Has the company applied for third-party verification or assurance for the said report?		V	Currently, we have not published the sustainability report.	In accordance with the relevant legal and regulatory requirements, we do not need to publish a sustainability report so far.
VI. If the company has established its own "Sustainable Development Best Practice Principles"corporate social responsibility code of conducts in accordance with the *Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies*, state current practices and deviations from the *Principles*: We have established the "Sustainable Development Best Practice Principles" to define our practices for environmental management, social welfare, human rights, stakeholder rights and interests, and local communities. It is also posted on our corporate website.				
VII. Other important information useful to understand the operation of corporate social responsibility: (I) Workplace health and safety: We offer rich healthcare resources to employees and care about employee health over the cloud health management system and by organizing diversified health talks.				

Evaluation Item	Performance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(II) Taiwan iSport certification Our efforts in developing the habit of regular exercise in employees and support for the development of the sport industry have been rewarded by the Taiwan iSport certification by the Sports Administration, Ministry of Education.				

(VI) Implementation of ethical management and deviation and causes of deviation from the *Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies*?

Evaluation Item	Performance			Deviation and causes of deviation from the *Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies*
	Yes	No	Summary	
I. Establishment of integrity policies and solutions				
(I) Has the company established an ethical corporate management policy approved by the board and expressly stated the ethical corporate management policy and practices? Has the board and senior management actively implement the policy commitment?	V		Apart from the "Ethical Corporate Management Best Practice Principles", we have also developed a corporate culture and maintained the robust development of ethical corporate management, hoping that all employees actively realize the commitment for ethical corporate management.	No difference
(II) Has the company established a mechanism for assessing unethical behavior, periodically analyzed and evaluate the business activities within the scope of services with higher risk of unethical behavior, and established plans covering at least the preventive actions stipulated in paragraph 2, Article 7, *Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies*, to prevent unethical behavior?	V		We have established the "Procedures for Ethical Management and Guidelines for Conduct" to implement the ethical corporate management policy and actively prevent unethical behavior. We have also established channels for reporting unethical behavior to enable the unfailing implementation of the Company's "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Corporate Management and Guidelines for Conduct".	No difference
(III) Has the company defined and implemented operating	V		In addition to communicating the importance of business ethics and	No difference

Evaluation Item	Performance			Deviation and causes of deviation from the *Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies*
	Yes	No	Summary	
procedures, guidelines for conduct, disciplinary actions for offense, and a grievance system in the plan to prevent unethical behavior, and periodically reviewed the plan?			integrity within the Company, we have also established various procedures for handling the prevention of unethical behavior in the “Procedures for Ethical Corporate Management and Guidelines for Conduct”.	
II. Enforcing ethical corporate management				
(I) Has the company evaluated the ethics and integrity record of its business counterparts and stipulated terms for ethical behavior in the contracts signed with them?	V		Before trading with important customers, we will first assess the legal status of counterparts and conduct a credit investigation on them to prevent trading with customers with unethical behavior. We have also stipulated the non-corruption terms in the contracts to ban unethical trading behavior.	No difference
(II) Has the company established a dedicated unit under the board to promote ethical corporate management, periodically (at least once a year) reported its ethical corporate management policies and plans to prevent unethical behavior to the board, and supervised the implementation?	V		We have established the “Ethical Corporate Management Best Practice Principles”. To optimize ethical corporate management, we assign the Administration Division to take charge of ethical corporate management, establish the ethical corporate management policy and prevention plan, and report the performance of implementation to the Board each year.	No difference
(III) Has the company established policies to prevent conflicts of interest, provided channels	V		We have established the “Procedures for Ethical Corporate Management and Guidelines for Conduct” to provide a guide for	No difference

Evaluation Item	Performance			Deviation and causes of deviation from the *Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies*
	Yes	No	Summary	
for appropriate explanation, and unfailingly implemented such policies?			employees to handle conflicts of interest in business operations.	
(IV) Has the company established an effective accounting system and internal control system to achieve ethical corporate management and allowed the internal audit unit to draw up the relevant audit programs according to the risk assessment results and check the compliance with the plans to prevent unethical behavior or hire CPAs to conduct the audit?	V		We have established the "Ethical Corporate Management Best Practice Principles" and developed an effective accounting system and an effective internal control system. We also review these systems at all times to ensure the continuing effectiveness of system design and implementation. The internal audit unit periodically audit the system compliance and present an audit report to the Board.	No difference
(V) Does the company periodically arrange internal and external education and training on ethical corporate management?	V		We have established the "Ethical Corporate Management Best Practice Principles". The chairman, president, or senior management shall periodically communicate the importance of ethical corporate management to directors, employees, and mandatories. We have also set integrity, enthusiasm, and innovation as our core values. We periodically arrange education, training, and awareness education for directors, managers, employees, mandatories, and substantial controllers for them to understand the Company's determination, policy, and	

Evaluation Item	Performance			Deviation and causes of deviation from the *Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies*
	Yes	No	Summary	
			prevention plans for ethical corporate management and the consequences of unethical behavior.	
III. Whistle-blowing system (I) Has the company established specific systems for reporting unethical behavior and encouraging the report of unethical behavior and assign special personnel to investigate the persons accused of unethical behavior?	V		After receiving reports of unethical behavior to the Company from the special email or the HR unit, we will activate the investigation procedure, and the audit unit will send special staff to take charge of the investigation.	No difference
(II) Has the Company established standard operating procedures for investigating unethical behavior reports, the measures for following up the investigation, and other relevant non-disclosure mechanisms?	V		Apart from defining the report receiving personnel and unit in the "Procedures for Ethical Corporate Management and Guidelines for Conduct", we have also made commitment to ensure the confidentiality of both the whistle-blower and evidence.	No difference
(III) Has the company provided proper whistle-blower protection?	V		In additional to keep absolute confidentiality of the identity of whistle-blowers and the content of reports, we even prohibit retaliation on whistle-blowers.	No difference
IV. Enhancing information disclosure (I) Has the company disclosed the content and performance of its "Ethical Corporate Management Best Practice Principles" on its corporate website and MOPS?	V		We have disclosed both the Company's "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Corporate Management and Guidelines for Conduct" on	No difference

Evaluation Item	Performance			Deviation and causes of deviation from the *Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies*
	Yes	No	Summary	
			the corporate website and MOPS.	
V. After establishing the "Ethical Corporate Management Best Practice Principles" in accordance with the *Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies*, state its performance and differences from the *Ethical Corporate Management Best Practice Principles for TWSE/TPEe-Listed Companies*. We have established the "Ethical Corporate Management Best Practice Principles" based on the philosophy of integrity, accountability, and probity; established a sound mechanism for corporate governance and risk control; and complied with the *Company Act*, *Securities and Exchange Act*, *Business Entity Accounting Act*, and the relevant regulations governing TWSE/TPEx-listed companies or other relevant laws and regulations governing business activities as the basis for implemented ethical corporate management. Additionally, we have unfailingly practice these principles and controls in internal management and external business activities.				
VI. Other important information useful to understand of the Company's performance in ethical corpo management: Integrity is the basis of our operations. We request all employees to uphold integrity to take responsibility for investors and society. Additionally, we maintain long-term cooperation with most suppliers and partners and have established full-time staff to engage in cooperation to maintain long-term and steady partnerships.				

(VII) After establishing the Corporate Governance Best Practice Principles or other relevant guidelines and regulations, disclose the methods for disclosing them: Please visit our corporate website (http://www.leadtek.com.tw) and link to the Investor Relations or Corporate Governance section for the details.

(VIII) Other important information useful to understand the Company's performance in corporate governance:

We have established the "Corporate Governance Best Practice Principles" with relevant sections describing the protection of the rights and interests of shareholders, enhancement of Board competency, respect for the rights and interests of stakeholders, and enhancement of information transparency. Please visit MOPS or our corporate website for details.

(IX) Disclose the following items to support the performance of the company's internal control system:

1. Statement of Assurance of Internal Control System

Leadtek Research Inc.

Statement of Assurance of Internal Control System

Date: March 15, 2023

The following statement of compliance was made in accordance with the self-assessment of the Company's internal control system in 2022:

I. The Company acknowledges and understands that it is the responsibility of the Board and officers to establish, implement, and maintain an internal control system, and we have established such a system. It aims to fairly ensure the achievement of targets set for operational effectiveness and efficiency (including profit, performance, and asset security), financial statement transparency, and legal and regulatory compliance.

II. Given the inherent limitations of even the best-established internal control system, an effective internal control system can only fairly assure the achievement of the three above-mentioned targets. Additionally, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the Company's internal control system is equipped with a self-monitoring mechanism that enables us to take immediate corrections for detected defects.

III. In accordance with the criteria stipulated in the *Regulations Governing Establishment of Internal Control Systems by Public Companies* (hereinafter referred to as the "Governing Regulations"), the Company justifies the effectiveness of the design and implementation of the internal control system. In respect of the internal control process, the criteria stipulated in the Governing Regulations are set in accordance with the five constituent elements of an internal control system in terms of (1) control environment, (2), risk assessment and responses, (3) control operations, (4) information and communication, and (5) supervision. Each constituent element further includes a number of items. Please refer to the "Governing Regulations" for details.

IV. The Company has adopted the above-mentioned justification criteria to validate the effectiveness of the system design and implementation.

V. Based on the results of the above examination, the design and implementation of Company's internal control system (including the supervision and management of subsidiaries) are effective to ensure the achievement of the targets set for operational effectiveness and efficiency, financial statement transparency, and legal and regulatory compliance by December 31, 2022.

VI. This Statement shall form a major part of the Company's annual report and prospectus and shall be disclosed to the public. Misrepresentation or concealment of the contents disclosed in this Statement shall be subject to the liabilities as stipulated in Articles 20, 32, 171, and 174 of the *Securities and Exchange Act*.

VII. This Statement was passed unanimously at the Board meeting held on March 15, 2023 in the presence of seven directors.

Leadtek Research Inc.

Lu Kun-Shan, Chairman

Lu Kun-Shan, President

2.Disclose the CPA audit report for internal control system audited by CPAs: N/A.

(X) Sanctions on the company and employees, the company's disciplinary actions on employees violating the internal control system, major defects, and status of improvement in the most recent year and by the date of report publication: None.

(XI) Important resolutions passed at the AGM or board meetings held in the most recent year and by the date of report publication:

Date	Important AGM Resolutions
2022/6/8	Important resolutions made at the 2022 AGM: 1. Ratification (1) Approval of the financial statements and business report of 2021. (2) Approval of the proposal for distribution of earnings of 2021. 2. Discussion (1) Approval of the amendment to the “Articles of Incorporation”. (2) Approval of capitalization of profits and SEO. (3) Approval of the amendment to "Procedures for Acquisition or Disposal of Assets”. (4) Approval of private placement and SEO.

Date	Important Board AGM Resolutions
2022/3/16	1. Approval of the proposal for distribution of rewards for employees and directors for 2021. 2. Approval of the financial statements and business report of 2021. 3. Approval of the proposal for distribution of earnings of 2021. 4. Approval of capitalization of profits and SEO. 5. Approval of the proposal of remuneration for directors for 2021. 6. Approval of the amendment to the “Articles of Incorporation”. 7. Approval of the Statement of Assurance of Internal Control System 2021. 8. Approval of the improvement plan for extension for one year of repayment for loans to “Leadhope International Inc.” with insolvency. 9. Approval of the amendment to “Procedures for Acquisition or Disposal of Assets”. 10. Approval of private placement passed at the 2021 AGM. 11. Approval of private placement and SEO.

Date	Important Board AGM Resolutions
	12. Approval of the purposes of the 2022 AGM. 13. Approval of the amendment to the “Ethical Corporate Governance Best Practice Principles”. 14. Approval of name change and amendment to the “Ethical Corporate Social Responsibility Best Practice Principles”. 15. Approval of the CPA independency and competency evaluation. 16. Approval of the appointment of and remuneration for CPAs for the 2021 auditing financial statements. 17. Approval of the 2022 business plan.
2022/5/13	1. Approval of the improvement plan for extension for one year of repayment for loans to “Leadhope International Inc.” with insolvency.
2022/8/1	1. Approval of the improvement plan for extension for one year of repayment for loans to Leadhope International Inc. with insolvency. 2. Approval of the proposal for remuneration distribution to officers for 2021. 3. Approval of the base date and ex-dividend base date of capitalization of profits for 2022. 4. Approval of the ratification of loans raised from Zhonghe Branch, Chang Hua Commercial Bank. 5. Approval of the ratification of loans raised from Nanshijao Branch, Taiwan Cooperative Bank. 6. Approval of the ratification of loans raised from Da’an Branch, Hua Nan Bank. 7. Approval of the GHG inventory and verification schedule plan. 8. Approval of issuance of the employee stock option certificate for 2022. 9. Approval of investment of US$1 million in the convertible note issued by H3 Platform Inc.
2022/11/11	1. Approval of the improvement plan for extension for one year of repayment for loans to Leadhope International Inc. with insolvency. 2. Approval of the 2023 internal audit program. 3. Approval of the amendment to the “Ethical Corporate

Date	Important Board AGM Resolutions
	Governance Best Practice Principles". 4. Approval of the amendment to "Procedures for Handling Material Inside Information". 5. Approval of the amendment to the "Procedure for Meetings of Board of Directors". 6. Approval of loaning from Shuanhe Branch, Sunny Commercial Bank. 7. Approval of the replacement of CPAs in response to the duty adjustment of the CPA firm. 8. Repurchase of sold stock.
2023/3/15	1. Approval of the financial statements and business report of 2022. 2. Approval of the proposal for making up the loss of 2022. 3. Approval of the Statement of Assurance of Internal Control System for 2022. 4. Approval of the improvement plan for extension for one year of repayment for loans to "Leadhope International Inc." with insolvency. 5. Approval of loans by leasing. 6. Approval of the amendment to the "Ethical Corporate Governance Best Practice Principles". 7. Approval of the amendment to the "Sustainable Corporate Development Best Practice Principles". 8. Status report of the approval of private placement passed at the 2022 shareholder's meeting. 9. Approval of private placement and SEO. 10. Election of new directors. 11. Approval of the purposes of the 2023 AGM. 12. Approval of the CPA independency and competency evaluation. 13. Approval of the appointment of and remuneration for CPAs for the 2022 auditing financial statements. 14.Approval of general principle of nonassurance service approved in advance. 15. Approval of the amendment to GHG inventory and verification schedule plan. 16. Approval of the 2023 business plan.

(XII) Major content of documented different opinions of directors or supervisors for important Board resolutions in the most recent year and by the date of report publication: None.

(XIII) Resignation or dismissal of the chairman, president, chief accounting officer, chief financial officer, chief internal auditor, or chief R&D officer in the most recent year and by the date of report publication: None.

V. Disclosure of CPA service fee:

(1) Information on CPA service fee:

NTD thousands

Name of accounting firm	Name of CPA	Auditing period	Audit remuneration	Non-audit service fee (Note 1)	Total	Remarks
KPMG	Luo Juei-Lan Kuo Kuan-Ying Chien Szu-Chuan	2022.01.01-2022.12.31	3,845	395	4,240	

Note 1: Audit of transfer pricing and others.

(II) Disclose the amount of audit fees before and after a CPA firm change and the reasons when the audit fee in the year of change is lesser than before: None.

(III) Disclose the amount and proportion less and the reasons when the audit fee is lesser than that of the previous year by over 10%: None.

VI. Change of Accountants:

(I) Information relating to the former auditor

<table>
<tr><td>Date of reappointment</td><td colspan="5">Approved by the Board on 2020.03.20.</td></tr>
<tr><td>Reason for change</td><td colspan="5">Replacement of CPAs in response to the duty adjustment of the CPA firm.</td></tr>
<tr><td rowspan="3">Reasons for the termination or rejection of appointment by the client or CPA</td><td colspan="3">Concerned Party
Situation</td><td>CPA</td><td>Client</td></tr>
<tr><td colspan="3">Service terminated by</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="3">Service no longer accepted (continued) by</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>An opinion other than unqualified opinion issued in the last two years, and the cause for such an opinion</td><td colspan="5">None</td></tr>
<tr><td rowspan="6">Any disagreement with the issuer</td><td rowspan="4">Yes</td><td></td><td colspan="3">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="3">Audit coverage or procedures</td></tr>
<tr><td></td><td colspan="3">Others</td></tr>
<tr><td>None</td><td colspan="4">V</td></tr>
<tr><td colspan="5">Description</td></tr>
<tr><td>Other matters required for disclosure
(Items stipulated in Article 10, subparagraph 6, items 1-4 to 1-7 of the Guidelines shall bee disclosed.)</td><td colspan="5">None</td></tr>
</table>

(II) Information relating to the succeeding auditor

Name of accounting firm	KPMG
Name of CPA	Chien Szu-Chuan and Kuo Kuan-Ying
Date of reappointment	Approved by the Board on 2022.11.11.
Consultations and findings about opinions possibly signed off on the accounting approach of specific transactions and financial statements prior to authorization.	None
Written disagreements from the succeeding auditor against opinions of the former auditor against opinions of the former auditor	None

(III) Replies of former CPAs to Article 10, subparagraph 6, items 1 and 2-3 of the Guidelines: None.

VII. Disclose the name, job title, and term of service of the chairman, president, or chief financial or accounting officer of the company who has worked for the CPA's firm or its affiliates in the most recent year: None.

VIII. Transfer of shares and change in stock pledge of directors, supervisors, officers, and shareholders holding over 10% of shares in the most recent year and by the date of report publication:

1. Changes in shareholding of directors, officers, and major shareholders:

Title	Name	2022		From 2022 to April 30, 2023	
		Increase (decrease) in shareholding	Increase (decrease) in pledged shares	Increase (decrease) in shareholding	Increase (decrease) in pledged shares
Chairman	Lu Kun-Shan	(43,432)	0	0	0
Director	Huang Chin-Ming	13,030	0	0	0
Director	Hu Chiu-Chiang	26,111	0	0	0
Director	Liu Ke-Chi	14,100	0	0	0
Independent Director	Ho Yao-Hung	0	0	0	0
Independent Director	Shen An-Shih	0	0	0	0
Independent Director	Liu Cheng	1,578	0	0	0
Vice President	Chou Shih-Wei	302	0	0	0
Vice President	Chuang Chen-Ming	0	0	0	0
Vice President	Yu Chin-Chang	0	0	0	0
Vice President	Hsiung Mu-Wen	0	0	0	0
Vice President	Yang Chin-Tien	0	0	0	0
VP and CFO	Chang Shen	0	0	0	0
Vice President	Yu Chao-Jung	0	0	0	0
Assistant Vice President	Yang Chih-Kuen	0	0	0	0
Assistant Vice President	Chen Shu-Wei	7	0	0	0
Accounting Manager	Huang Hui-Ching	22	0	0	0

2. Shares transferred to a related party: None.
3. Shares pledged to a related party: None.

IX. Information of the top ten shareholders who are related parties or spouses, relatives within the 2nd degree of kinship to each other:

Name	Shareholding		Shares held by spouse and underage children		Shares held in the names of others		Relationship characterized as spouse or relative of 2nd degree or closer among the top 10 shareholders.		Remarks
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
Citibank (Taiwan) Ltd. in custody for Barclays Capital Securities Limited SBL/PB (MTA)	688,800	1.17%	0	0.00%	0	0.00%	None	None	
Taishin International Bank entrusted with the Leadtek Research Inc. Employee Stock Ownership Account	333,042	0.56%	0	0.00%	0	0.00%	None	None	
Lin, Cheng-Ho	311,100	0.53%	0	0.00%	0	0.00%	None	None	
Hu, Chiu-Chiang	287,229	0.49%	0	0.00%	0	0.00%	None	None	
Huang, Chih-Ling	272,000	0.46%	0	0.00%	0	0.00%	None	None	
Wu, Ping-Tsung	267,000	0.45%	0	0.00%	0	0.00%	None	None	
Lu, Kun-Shan	222,257	0.38%	120,022	0.20%	0	0.00%	None	None	
HSBC (Taiwan) Ltd, in custody for Goldman Sachs International	205,892	0.35%	0	0.00%	0	0.00%	None	None	
Wu Pei-Hsing	191,100	0.32%	0	0.00%	0	0.00%	None	None	
HSBC (Taiwan) Ltd, in custody for Merrill Lynch Intl-Main Trading-FIA	190,100	0.32%	0	0.00%	0	0.00%	None	None	

X. Shareholding of the same investee of the company and its directors, supervisors, officers, and companies under direct or indirect control, and the consolidated shareholding of them:

2022.12.31 Unit: shares/%

Investee (Note 1)	Invested by the Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Leadtek Holding Inc.	7,500,000	100.00	—	—	7,500,000	100.00
Leadtek Japan	3,000	100.00	—	—	3,000	100.00
Leadhope International Inc.	1,657,496	71.36	564,860	24.31	2,222,356	95.67
Wegene Technology, Inc.	100,000	100.00	—	—	100,000	100.00
Wegene Technology (Samoa) Inc.	260,400	100.00	—	—	260,400	100.00
Aiborn Inc.	1,000,000	100.00	—	—	1000,000	100.00
ApoDx Technology, Inc.	2,255,000	13.58	1,350,000	7.08	3,605,000	20.66
Leadtek Cloud Solution	—	50.00	—	—	—	50.00
Leadtek (SHANGHAI) Research Inc.	—	—	—	100.00	—	100.00
Leadhope (H.K..) Limited	—	—	—	100.00	—	94.10
Wegene Technology (Shenyang) Inc.	—	—	—	100.00	—	100.00
Zero TC (Shanghai) Inc.	—	—	—	45.00	—	45.00

Note 1: Long-term investees listed in the Company's individual financial statements expressed with the equity method.

Four. Funding Status

I. Capital and outstanding shares

(I) Source of capital

2023.04.30 Unit: NTD thousands, thousand shares

Year / month	Issue price	Authorized capital		Paid-up capital		Remarks			
		Number of shares	Amount	Number of shares	Amount	Source of capital		Capital contribution offset in kind.	Others
Jan 2005	16.3	400,000	4,000,000	167,621	1,676,215	Subscription of warrant bonds (WBs)	3,803	None	–
Mar 2005	16.3	400,000	4,000,000	176,308	1,763,086	Subscription of warrant bonds (WBs)	86,871	None	–
May 2005	16.3	400,000	4,000,000	176,358	1,763,577	Subscription of warrant bonds (WBs)	491	None	–
Jun 2005	16.3/13.6	400,000	4,000,000	176,691	1,766,906	Subscription of warrant bonds (WBs) Subscription of employee stock options	3,129 200	None	–
Jul 2005	14.4/12	400,000	4,000,000	179,812	1,798,117	Subscription of warrant bonds (WBs) Subscription of employee stock options	31,041 170	None	–
Jul 2005	10	400,000	4,000,000	202,161	2,021,612	Capitalization of profits Capitalization of additional paid-in capital	161,439 62,056	None	–
Aug 2005	14.4/12	400,000	4,000,000	203,210	2,032,099	Subscription of warrant bonds (WBs) Subscription of employee stock options	10,347 140	None	–
Apr 2007	13.8	400,000	4,000,000	209,790	2,097,896	Subscription of warrant bonds (WBs)	65,797	None	–
Apr 2007	11.6-16.6	400,000	4,000,000	210,309	2,103,086	Subscription of employee stock options	5,190	None	–
Jul 2007	11.6-19.2	400,000	4,000,000	212,001	2,120,006	Subscription of employee stock options	16,920	None	–
Oct 2007	–	400,000	4,000,000	148,400	1,484,004	Reduction of capital	-636,002	None	–
Oct 2008	10	400,000	4,000,000	152,992	1,529,916	Capitalization of profits	45,912	None	–
Apr 2010	13.9~16.1	400,000	4,000,000	153,107	1,531,066	Subscription of employee stock options	1,150	None	–
Sep 2011	–	400,000	4,000,000	107,174	1,071,746	Reduction of capital	-459,320	None	–
Aug 2017	–	400,000	4,000,000	53,587	535,873	Reduction of capital	-535,873	None	–
Sep 2022	–	400,000	4,000,000	58,946	589,460	Capitalization of profits	53,587	None	–

2023.04.30 Unit: shares

Share category	Authorized capital			Remarks
	Outstanding shares*	Unissued shares	Total	
Registered ordinary shares	58,946,031	341,053,969	400,000,000	

*Outstanding shares are offered publicly.

Information on shelf registration: N/A

(II) Shareholder structure

April 15, 2023

Shareholders Quantity	Government institutions	Financial institutions	Other corporate entities	Natural persons	Foreign institutions and foreigners	Total
Head count	0	4	128	38,314	57	38,503
Number of shares held	0	367,820	104,307	56,862,860	1,611,044	58,946,031
Shareholding percentage	0.00%	0.62%	0.18%	96.47%	2.73%	100.00%

(III) Distribution of Shares

April 15, 2023 NT$10 per share

Shareholding range	Number of shareholders	Number of shares held	Shareholding percentage
1-999	24,879	1,605,902	2.72%
1,000-5,000	11,209	20,947,520	35.54%
5,001-10,000	1,408	9,873,123	16.75%
10,001-15,000	460	5,565,162	9.44%
15,001-20,000	185	3,244,308	5.50%
20,001-30,000	170	4,128,201	7.00%
30,001-40,000	70	2,407,631	4.08%
40,001-50,000	42	1,917,610	3.25%
50,001-100,000	47	3,191,416	5.41%
100,001-200,000	25	3,477,838	5.90%
200,001-400,000	7	1,898,520	3.22%
400,001-600,000	0	0	0.00%
600,001-800,000	1	688,800	1.17%
800,001-1,000,000	0	0	0.00%
Over 1,000,001	0	0	0.00%
Total	38,503	58,946,031	100.00%

(IV) List of major shareholders

April 15, 2023 Unit: shares

Shares / Name of major shareholder	Number of shares held	Shareholding percentage
Citibank (Taiwan) Ltd. in custody for Barclays Capital Securities Limited SBL/PB (MTA)	688,800	1.17%
Taishin International Bank entrusted with the Leadtek Research Inc Employee Stock Ownership Trust Account	333,042	0.56%
Lin, Cheng-Ho	311,100	0.53%
Hu, Chiu-Chiang	287,229	0.49%
Huang, Chih-Ling	272,000	0.46%
Wu, Ping-Tsung	267,000	0.45%
Lu, Kun-Shan	222,257	0.38%
HSBC (Taiwan) Ltd, in custody for Goldman Sachs International	205,892	0.35%
Wu, Pei-Hsing	191,100	0.32%
HSBC (Taiwan) Ltd, in custody for Merrill Lynch Intl-Main Trading-FIA	190,100	0.32%

(V) Price per share, net worth, earnings, dividend in the last two years and related data

Unit: NTD; Share

<table>
<tr><th colspan="3">Year / Item</th><th>2021</th><th>2022</th><th>2022 and by March 31, 2023</th></tr>
<tr><td rowspan="3">Market price per share</td><td colspan="2">High</td><td>98.00</td><td>84.00</td><td>44.50</td></tr>
<tr><td colspan="2">Low</td><td>16.05</td><td>23.70</td><td>38.10</td></tr>
<tr><td colspan="2">Average</td><td>63.54</td><td>46.05</td><td>41.61</td></tr>
<tr><td rowspan="2">Net worth per share (Note 1)</td><td colspan="2">Before dividend</td><td>14.06</td><td>8.65</td><td>7.51</td></tr>
<tr><td colspan="2">After dividend</td><td>11.86</td><td>—</td><td>—</td></tr>
<tr><td rowspan="3">EPS</td><td colspan="2">Weighted average number of shares</td><td>53,587,301</td><td>58,946,031</td><td>58,946,031</td></tr>
<tr><td rowspan="2">EPS (Note 2)</td><td>Before adjustment</td><td>8.12</td><td>(3.32)</td><td>(1.17)</td></tr>
<tr><td>After adjustment</td><td>7.38</td><td>—</td><td>—</td></tr>
<tr><td rowspan="4">Dividends per share</td><td colspan="2">Cash dividends</td><td>1.00</td><td>—</td><td>—</td></tr>
<tr><td rowspan="2">Stock dividends</td><td>From earnings</td><td>1.00</td><td>—</td><td>—</td></tr>
<tr><td>From capital reserves</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td colspan="2">Accumulated unpaid dividend (Note 3)</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td rowspan="3">Analysis of investment returns</td><td colspan="2">Price to earnings (P/E) ratio (Note 4)</td><td>7.83</td><td>—</td><td>—</td></tr>
<tr><td colspan="2">Price to dividends ratio (Note 5)</td><td>55.89</td><td>—</td><td>—</td></tr>
<tr><td colspan="2">Cash dividend yield (Note 6)</td><td>1.57</td><td>—</td><td>—</td></tr>
</table>

Note 1: Based on the outstanding shares by the end of the year and the distribution

proposal approved by AGM in the next year.

Note 2: When reverse adjustment is required for stock grants, disclose the EPS before and after the adjustment.

Note 3: When the accumulation of undistributed dividends of the year until the year when there is profit for distribution is a condition for the issue of equity securities, disclose the undistributed dividends by the year of report publication.

Note 4: P/E Ratio = Average closing price per share over the year / earnings per share.

Note 5: Price/Dividend Ratio = Average closing price per share over the year / cash dividend per share.

Note 6: Cash Dividend Yield = Cash Dividend per Share / Average closing price per share over the year.

Note 7: The net value per share and equity per share are based on the data audited (certified) by CPAs on the most recent quarter; and data in other columns should be the data by the year of report publication.

(VI) Dividend policy and implementation:

1. Dividend policy as stipulated in the Articles of Incorporation

The Company’s operations are growing steadily, and earnings are distributed primarily in cash dividends. They can also be distributed in stock dividends. However, the proportion of dividend distribution shall not exceed 50% of the total amount of dividends in the year.

2. Proposed distribution of dividends at the current AGM

To make up the loss in 2022, no dividend was distributed as approved by the Board.

(VII) Impacts of the stock grants proposed by the current AGM of shareholder on the company’s operations and EPS: N/A.

(VIII) Rewards for employees and directors:

1. The percentage or range of rewards for employees and directors as stipulated in the Articles of Incorporation.

After the amendment to the Articles of Incorporation on Jun 10, 2020, after deducting the remuneration for employees and directors from the net income after tax of the period, no less than 3% of the income before tax shall be appropriated as the reward for employees and not more than 5% shall be appropriated as the reward for directors. However, the amount for making up the acccumulative losses (including the adjustment of undistributed earnings), if any, shall be preserved in advance.

The proposal for distribution of rewards for employees and directors shall be approved by resolution of over one half of directors attending a board meeting attended by over two thirds of all directors and reported to AGM. The board shall determine by resolution the distribution of rewards for employees in stock or in cash. The recipients shall include the employees meeting the requirements of affiliates. The board shall be authorized to set the requirements. The reward for directors shall only be distributed in cash.

2. Basis for estimating the reward for employees and directors of the period, for calculating reward for employees in stock, and for accounting solution for differences between actually distributed amount and

estimated amount: N/A.

3. Information on the proposal for reward distribution passed by the Board:

(1) The amount of rewards for employees and directors distributed in cash or in stock. Disclose the differences and their causes and solutions for differences from the estimated amount of the expense recognized for the year: N/A.

(2) The proportion of amount equivalent to the stock distributed as rewards for employees in the earnings after tax in the individual or consolidated financial statement of the period and the total amount of remuneration for employees: N/A.

4. State the amount, causes, and solutions of differences in the actual status of reward (including number of shares, amount, and stock price) distributed to employees and directors in the previous year: N/A

(IX) Information of stock buyback: None.

II. Information of corporate bonds: None.

III. Information of preferred shares: None.

IV. Information of of global depositary receipts (GDR): None.

V. Information of certificates of employee stock options: No immature certificate of employee stock options.

VI. Information of restricted stock awards (RSA): None.

VII. Issuance of new shares in connection with M&A or with acquisitions of shares of other companies: None.

VIII. Performance of capital utilization plan: None.

Incomplete previous public offering or private placement or the completed public offering or private placement without insignificant effectiveness so far in the pass three years: None.

Five. Business Overview

I. Operations

(I) Scope of business

1.Major contents of the scope of services

(1) CC01110 Computer and Peripheral Equipment Manufacturing
(2) CH01040 Toys Manufacturing
(3) I301010 Information Software Services
(4) F401010 International Trade
(5) F104110 Wholesale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
(6) F204110 Retail Sale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
(7) CC01060 Wired Communication Mechanical Equipment Manufacturing
(8) CC01070 Wireless Communication Mechanical Equipment Manufacturing
(9) CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
(10) F113070 Wholesale of Telecommunication Apparatus
(11) F213060 Retail Sale of Telecommunication Apparatus
(12) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
(13) CF01011 Medical Devices Manufacturing
(14) F108031 Wholesale of Medical Devices
(15) F208031 Retail Sale of Medical Apparatus
(16) CE01021 Weights and Measuring Instruments Manufacturing

The Company may engage in all business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2.Proportion in operations:

Product	Ratio of operating income in 2021	Ratio of operating income in 2022
Computer products	97.41%	96.13%
Smart health products	1.37%	2.07%
Others	1.22%	1.80%
Total	100.00%	100.00%

3.Current product ranges and new products planned for the future

The current product ranges as as follows:

(1) Computer products:

Name	Category
A. Graphics (VGA) cards	- NVIDIA gaming graphics cards - NVIDIA workstation graphics cards - NVIDIA server HPC cards
B. Virtual desktop (VD) systems	- Zero Client thin PCs - Thin Client thin PCs
C. System products	- Workstation PCs - HPC servers - NVIDIA DGX super computer systems
D. Project products	- AI deep learning solutions - GPU Docker Management System (GDMS) - GPU AI development software
E. Others	- NVIDIA Omniverse platform - NVIDIA DRIVE auto-driving kits - NVIDIA vGPU virtual graphics cards

(2) Smart health products:

Name	Category
A. E-health products	- Heart rate variability (HRV) analyzers - DxPatch wearable medical devices - Health measurement kiosks - Health band (Amor H2) - Pulse oximeters
B. Others	- Nano opthalmologic blindfolds

(3) Big data analysis products:

Name	Category
Big data solutions	- Project system development - Smart NHI declaration system: ProfitPoint - Blockchain advanced encrypted storage: Safe Exchange

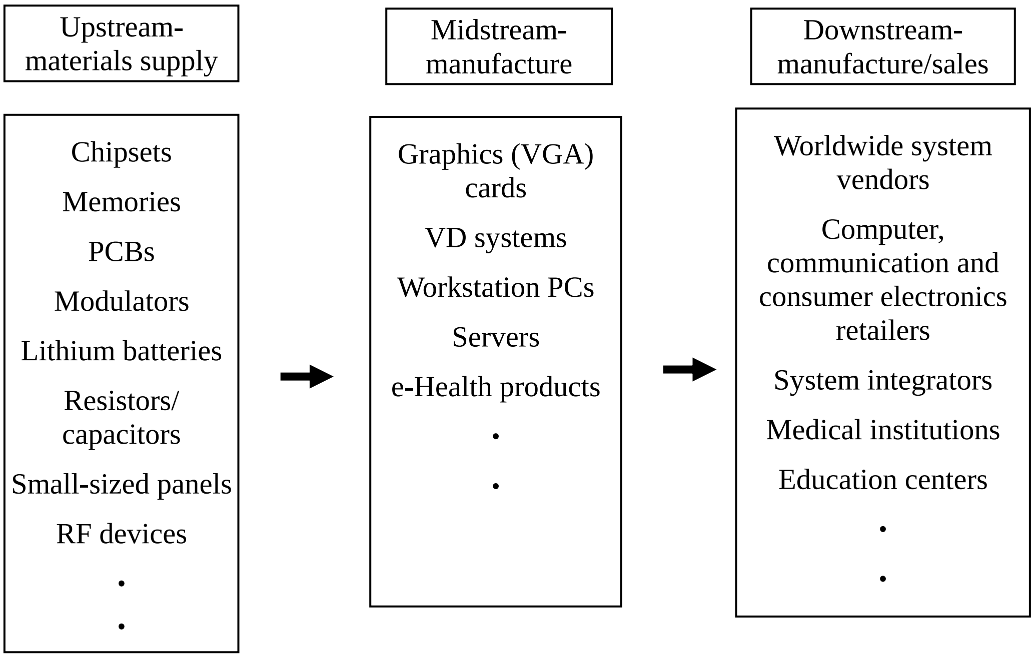
(II) Industry overview:

1. Status and development of industry

Both our computer products and smart health products fall in the electronics industry. Currently, specialization in product R&D and manufacture is the current trend of the industry. Branded manufacturers focus on R&D and marketing, while OEM/EMS emphasize manufacturing products for the former, expanding the gap between both. There are also small and medium enterprises (SMEs) with strong R&D capacity but lower brand awareness designing products for branded manufacturers and handing over the manufacture to OEM/EMS. This group of enterprises is known as original design manufacturers (ODM).

The popularization of the internet has enabled the rapid development of the cloud computing industry. By transferring major computing operations from personal terminal devices to servers, users compute and save files on servers through network connection, creating business opportunities for software as a service (SaaS). As the record of personal network behavior and activities are recorded in servers after the popularization of cloud computing, big data systems for analyzing big data came into being as a result, turning big data analysis into a big help in web marketing for enterprises.

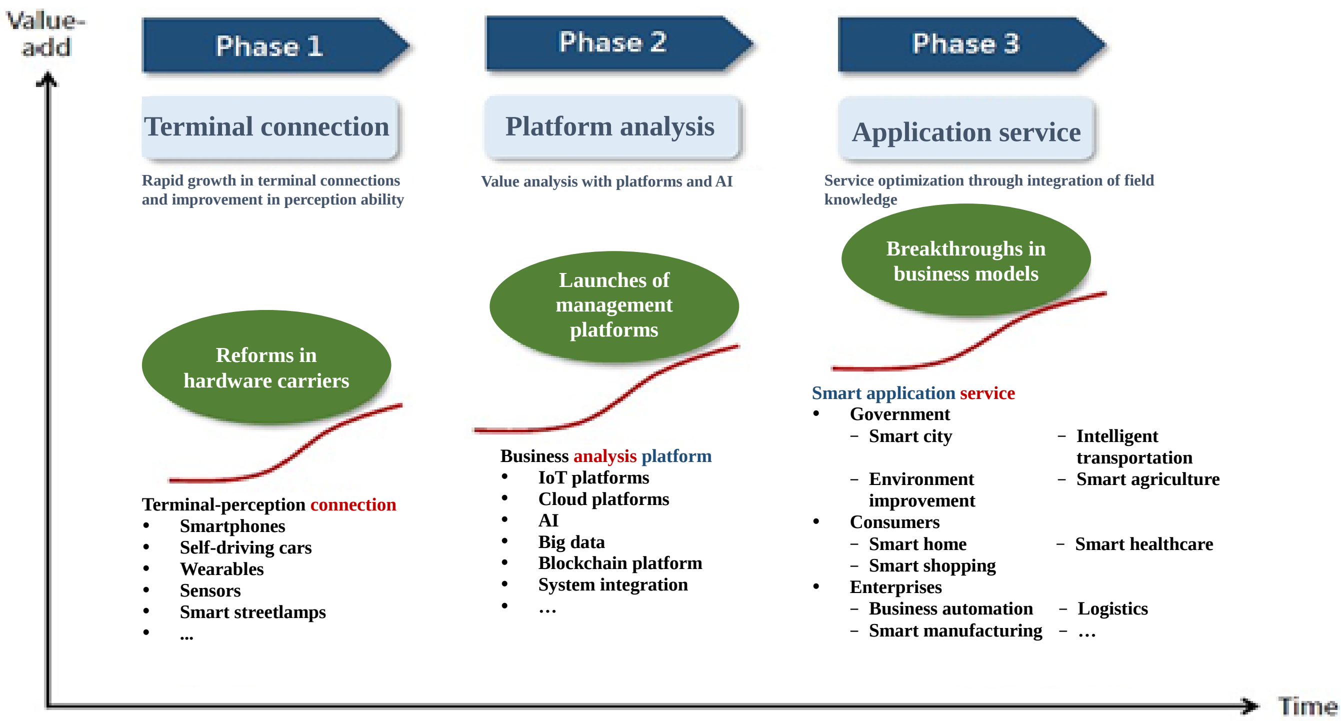
2. Interrelations among upstream, midstream, and downstream industries



3.Product development trend and competition

The maturity of connecting devices has changed the way of information transmission, data storage, and personal computing towards cloud computing. Personal mobile devices, cloud servers and peripherals, and the relevant applications will lead the product development in future generations. Through big data analysis, the information economy takes form with the Internet of Things (IoT). Machine learning (ML) using artificial intelligence (AI) provides services for consumers to enjoy better experience. By bringing IT to the daily life (B2C) and changing production competitiveness in industries (B2B), qualified life and efficient manufacturing are made possible.

Three stages of the IoT industry



Source: IEK, ITRI; ed. by SIPO.

With a wide range of products, including personalized objects, workstations, servers, and big data analysis systems, we will offer overall sales and services in the IoT industry chain full of future business opportunities in the future.

(III) Technology and R&D:

Research and development expenses and technologies or products successfully developed in the most recent year and by the date of the report publication:

1. Research and development expenses in the most recent year and by the date of the report publication:

Unit: NTD thousands

Item / Year	2022 (consolidated financial statement)	By the date of report publication date (2023.03.31) (consolidated financial statement)
R&D expenses	188,631	45,890
Operating revenue	5,311,418	774,098
Proportion of R&D expenses in revenues	3.55%	5.93%

2. In coordination with the Company's highly specialized R&D strategy, we invest in rich R&D resources. Through the continual R&D of core technologies over the years, we have won lots of patents.

Year	R&D outcomes	Patent No.
2017	Amortizer and atomization chip structure	M541859
2017	Portable health detection device	M543672
2018	Health detection device	M571214
2019	Electrocardiography signal detection device	M580404
2019	Physiological signals detection device	M582823
2019	Smart health kiosk	D195851
2019	Charging plug and charging Structure	M564272
2019	Charging plug and charging Structure	ZL 2018 2 0418970.7
2020	Device and method for determining electrocardiography signal	I696192
2020	Charging plug and charging Structure	US10,666001B2

Year	R&D outcomes	Patent No.
2021	Method and device for generating electrical impedance tomography (EIT) image using periodic biomedical signal	I740586
2021	Tiny piezoelectric sensing device	M609186
2021	AI process management system and method for automatic visual inspection utilizing AI technology to restart the training stage in real time, and generating and updating the training model in real time through the annotation information	M611949

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

With an eye to the R&D of high-tech products so as to create a sales-marketing organization and marketing team for creative, high-quality, and high-efficiency multifaceted integrated application products, we hope to develop highly specialized and high value-added product ranges to provide customers with better quality of life.

1. Short-term plans

   Expand the marketing and service network to develop a strong brand in mainland China, Japan, and Southeast Asia markets in addition to Taiwan. Introduce enhanced distribution channels for new products and actively enter and seize emerging markets to increase market share. Enhance supplier cooperation and production process management in production to improve materials management, procurement capability, and product yield rate.

2. Long-term plans

   Increase own-brand market share, set up sales locations worldwide, and conclude strategic alliance with local dealers to build global sales and service system. Promote strategic cooperation to develop ODM service through cooperation with leading manufacturers with technology and production as the niche to provide customers with multifunctional products and technology integrated services. Establish own automated production plants to build high-quality and automated production bases as demonstration production examples in the production strategy.

Expand cooperation with leading suppliers of electronics manufacturing service (EMS) and develop high-efficiency production processes and management to reduce production costs.

In a time when AI is the mainstream, apart from hardware manufacture, strengthening software service, providing business system solutions, and increasing SaaS subscription will become an important opportunity for us to create business opportunities.

II. Market and sales overview

(I) Market analysis

1. Regions of sales and provision of major products and services

Currently, our computer and healthcare products are distributed in Asia, Europe, Americas, and Oceania through own brands WinFast and Leadtek. The current sales proportion of products is domestic sales at 10.45% and export sales at 89.55%, with Europe, the USA, and mainland China being the major export regions. In addition to own-brand product sales, we also actively expand our scope of services to ODM for leading computer companies in Europe, the USA, and Japan and unified communications service providers.

Regions of product sales in 2022:

Unit: NTD thousands

Region	2022 revenues	Percentage (%)
Mainland China	3,285,173	61.85
Taiwan	730,062	13.75
USA	199,378	3.75
Hong Kong	419,718	7.90
Korea	178,385	3.36
Others	498,702	9.39
Total	5,311,418	100.00

2. Market share and future market supply, demand and growth

(1) Computer products:

Graphics cards used to be a standard feature of desktop computers.

Due to the rapid growth of laptop computers in recent years and the rising trend of integrating graphics processing unit (GPU) into motherboards, the market for dedicated gaming graphics cards began to decline. However, these integrated GPUs cannot replace the performance advanced-level graphics cards that support 3D games. We have been specializing in advanced-level graphics cards over the years and marketing them in own-brand WinFast, and our products have earned critical market acclaim. The popularization of cryptocurrency in recent years has turned advanced-level graphics cards into an online mining tool, starting a new market other than gaming.

After we became the Asia-Pacific agent of workstation graphics cards (NVIDIA Quadro) that support professional graphics technology, professional graphics cards have become the major source of our revenues and profit in the absence of many competitors. The sales of our HPC cards (Tesla) that support servers has also increased from the past at the rise of cloud computing. In recent years, mainland China has been fostering seven emerging industries through five-year plans, and building emerging platforms based on cloud computing, such as IoT, sensor network, and 3-in-1 network is one of them. The sales of our workstation graphics cards (NVIDIA Quadro) and server HPC cards (Tesla) has been growing significantly in mainland China in recent years. According to the 14th five-year plan, the 5G industry will boost the application of AI, cloud computing, and industrial IoT (IIoT), bringing the opportunity for significant growth of our computer products.

Our system products are extension of workstation graphics cards and server HPC cards. Cloud computing has facilitated the increased demand for servers to significantly boost the market growth of workstations and servers. The application of the NVIDIA DGX super computer in deep learning and AI development, robots, self-driving cars, and unmanned factories will be the fruit of technology application that creates unlimited business opportunities. In recent years, we have also extended our operations to the enterprise solution provision. Our AI deep learning solution offers GPU deep learning to enterprises, assessment and recommendation of AI construction environment, and software and hardware integration planning. With the collection and cleansing of big data and AI modeling, we locate the regularity of data to offer model training and produce valuable reports and inferences to help enterprises improve the effectiveness of operations.

NVIDIA Omniverse Enterprise is an end-to-end collaboration and simulation platform integrating teams, assets, and software tools in a common virtual space for members of different working groups in different locations to process a project file at the same time to accelerate 3D design and digital twin workflows and projects for enterprises through real-time collaboration and real simulation. As a long-term parter of NVIDIA, we facilitate the rapid implementation of NVIDIA Omniverse Enterprise in Pacific-Asia for enterprises to solve problems in incompatible design software and realize synchronous collaboration of a single design work with their existing work structure so as to shorten the time to launch of products.

The popularization of cloud computing enables enterprises to run multiple operating systems and applications at the same time on cloud servers. With visualization technology, the results of operation are displayed on personal devices after computing in the server. As all tasks are in the cloud server, personal devices become a thin PC to significantly reduce the cost of personal devices and ensure the security of data storage in cloud servers.

Our VD system Zero Client is a thin PC. With VMWare’s network system or PCoIP module system, the Zero Client enables users to connect a personal device to the server and register on a remote computer for operation, creating another niche market of business PCs for enterprises. As VD systems are suitable for enterprises to build their private clouds, they have been used by increasing enterprises in recent years. However, as there are many software visualization technologies, including the leading VMWare, Citrix, and Window RDP, and our Zero Client currently only supports VMWare, we will continue to develop other personal devices, such as the Thin Client (thin PC), to support other visualization technologies to increase market shares.

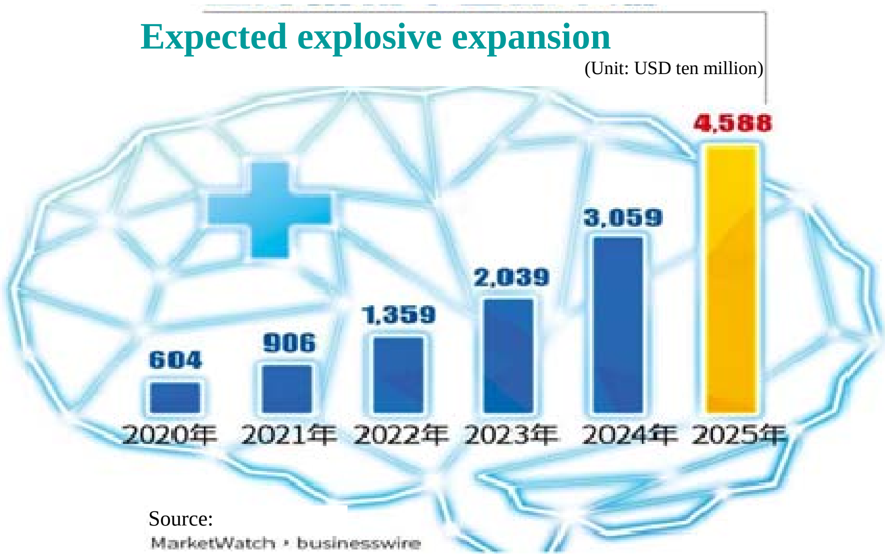
(2) Smart health products:

Through new ICT applications, healthcarte products have facilitated the rapid growth of the AI smart health care market. According to Global Market Insight, the compound annual growth rate (CAGR) during 2020-2025 of the AI smart health care market will reach 150% to a scale of USD458.8 billion in 2025. Taiwan has lots of high-end professionals, and regional proximity facilitates cross-industry integration. With the alignment with the US health regulations and Taiwan's NHI system, which is one of a few big data databases in the world, Taiwan is facilitated for the development of smart health industry.

Based on the Company's robust hardware and software knowhow, we introduce our healthcare products to the "preventive medicine" field. Our healthcare products are non-invasive and aim at monitoring human health condition to facilitate timely and effective illness prevention. Our current products can detect the blood oxygen saturation level,

dysautonomia, and cardiovascular disease through electrocardiography and heart sounds. During product development, we have hired leading domestic medical specialists to participate in and instruct algorithm development. These products also upload detection data to the healthcare cloud via wireless network and receive analysis results to detect and prevent risks at all times. With the continuous increase in medical data and the big data analysis system, our products can provide users with more accurate and real-time health information.

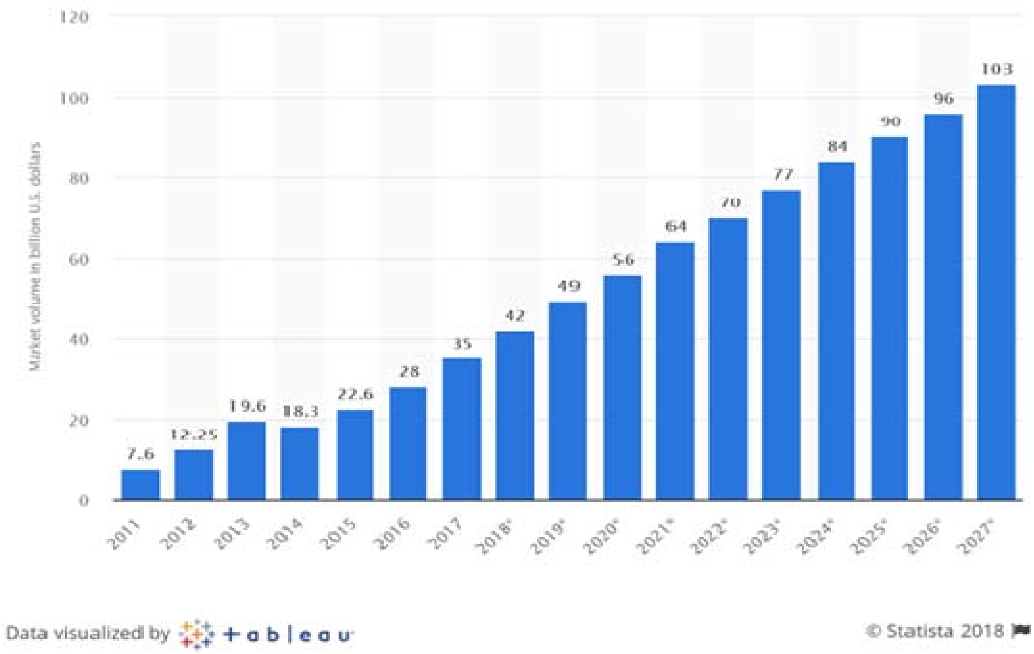
Global AI Precision Medicine Market



(3) Big data analysis products:

Based on statistics, the scale of global big data market is expected to reach USD103 billion (as shown below), with a CAGR of over 15%. Due to economic activities and the increasing popularization of the internet in recent years, data collected by various application systems has been increasing rapidly, and the growth in software and service is the fastest. During 2018-2027, the growth in software and service will increase by 4.5 times and 2 times respectively. The rise of AI further increases the data demand, and the quantity of effective data can determine the quality of machine learning and deep learning systems. Hence, the efficient collection and use of data collected by various information systems will be the key to success in the future AI world.

Our big data analysis products cover a wide range of services including multiple data warehouse systems, big data mining software, business intelligence (BI) and data analysis, AI smart engines, and blockchain advanced encrypted storage to help users improve management performance and develop precise strategy to create value. We are the agent of SAP Predictive Analytics, a big data analysis system by leading software developer SAP. In addition to selling software, we also provide customers with custom, value-added data analysis service. In recent years, we have provided rapid service for the institutional research (IR) systems of leading colleges and universities and help them create and warehouse IR data for analysis to facilitate the optimal allocation of school resources. We also help private and public sectors build workflow quality prediction systems, failure alert systems, yield analysis and defect detection systems, and energy management systems for manufacturers to progressively transform into smart factories.



3.Competitive niche

(1) Own-brand operation for brand market development and technology

accumulation

Own-brand product marketing is our management goal for sustainable operations. Marketing graphics cards in the Winfast brand enables our products to remain unbeatable in the graphics card market. Marketing smart health products in the Leadtek brand allows us not only to build professional marketing channels for entry to the global market and shape the image of a total solution provider through technology integration of all product ranges but also become a partner of worldwide telecommunication companies through enhancing own-brand awareness for us to win more OEM contracts.

(2) Intellectual property emphasis for more patents

Maintain intellectual property rights, invest in R&D human resources, enhance innovation capability, output more patents, and thereby strengthen corporate competitiveness. Currently, we are applying for over 100 patents worldwide evenly distributed in graphics and multimedia products, video monitoring products, and smart health products. Apart from significantly enhancing corporate competitiveness, patent application can also raise the entry threshold and barriers of competitors in the relevant fields. Based on various communication, video, and multimedia patents, we develop more and new information products with integrated functions.

4. Strength and weakness in future development and counteractions

(1) Strength

A. Complete product ranges

We have complete computer, smart healthcare, and big data product ranges to reduce the risk of a single product range.

B. R&D-oriented high-tech company

With over 30 years of technology R&D experience, we have R&D teams with design knowhow and experience in graphics card, video, audio, and communication products. Based on the such knowhow and experience, we can quickly launch products that meet the market needs and ahead of competitors of the same class with reference to the market demand or response. Hence, we have powerful competitive strength.

(2) Weakness

A. Dependence of important chip technology on suppliers

The key components of our current products include chips, memories, controllers, and codecs, whose technology and future development are in the hands of suppliers of the USA and other countries. Although there are some domestic suppliers, they are unable to rival these suppliers. Hence, it is necessary to keep close contact with major chip suppliers to capture the opportunities for profit.

B. Launch of integrated chips

System integration is a natural trend and will crowd exiting products out. Hence, we maintain the synchronous product R&D based on this trend and develop relevant, alternative display products to capture new market opportunities and meet the diversified market demands.

C. Entry of leading system manufacturers with upward integration

After market entry in recent years, leading system manufacturers have seized nearly all markets with their strengths. Other manufacturers also introduce various innovative technologies into this niche market with a promising future to take a share.

(3) Counteraction

Facing the rapidly changing market, both the scale of operations and capital utilization are limited by resource limitations. This will thus result in losing business opportunities. The counteractions are as follows:

A. Seek diversified fund-raising channels to cope with future growth needs.

B. Demonstrate the function of the internal control system, lower stock, and enhance receivable collection to enhance the capital turnover rate.

C. Closely coordinate production and sales and enhance the accuracy of sales forecast to shorten product turnover, lower stock pressure, and increase the sales proportion of high-profit products.

D. Engage with technological cooperation or technological transfer to reduce new product development costs.

E. Maintain close cooperation with major suppliers.

F. Flexible procurement strategy and stock management: To prevent losses caused by risky factors, we adopt the distributed multiple procurement strategy, to lower stock pressure and avoid the risk of loss due to price drop. Additionally, we purchase materials according to customer orders to maintain a good turnover rate.

G. High-efficiency production-sales model: We determine the production schedule and production quantity for the next week at the weekly product-sales coordination meeting. The sales unit ships products quickly according to the confirmed customer orders to maintain a high turnover rate between production and sales.

H. Differentiation and cost-saving strategy: To address the unfavorable factors in the cost structure, we have determined two product development directors: create innovative, differentiated products different from the standard version and products with high gross profit.

I. Maintaining long-term strategic cooperation with suppliers: By maintaining a long-term strategic alliance with suppliers, we can capture the status of upstream product R&D and new product launch to timely launch memory modules meeting the market trend together with the original manufacturers.

J. Deepening cooperation with retailers and customers: To get a head start in the market and ensure the compliance with market demand and expectation of R&D outcomes, through the in-depth cooperation with downstream customers, we capture market trends in advance for the reference of product positioning and specification setting to accelerate product design and enhance competitiveness.

K. Active development of software service: In the time of high-speed network, hardware needs value-added software service for users to access real-time information and maximize value. We have been engaging with smart healthcare product and big data analysis service for years, hoping that they can become another profit engine in the future.

(II) Important uses and production process of major products

1.Important uses of major products

Item		Important uses and functions
Computer products	NVIDIA gaming graphics cards	Business/home computer display cards, 3D game presentation, DVD media players, video editing, multimedia production, presentation, and image processing.
	NVIDIA workstation graphics cards	Professional 3D animation production. CAD/CAM production.
	NVIDIA server HPC cards	Server HPC.
	VD systems	Enable high-speed and high-security remote operation and sharing of computer systems through centralized management.
	Workstation PCs	Professional 3D animation production.
	HPC servers	Services with high-performance computing for deep learning and AI.
	NVIDIA DGX super computer system	For data analysis and AI accelerated computing
	GPU Docker Management System	Centralize management of the resources of school/enterprise AI and big data development projects with intuitive graphic user interface (GUI).
	GPU AI development software	Package and tool for integrating AI product analysis and preloaded with completed environments for developing deep learning library and various deep learning and machine learning frameworks.
	NVIDIA DRIVE Orin Devkit Auto-driving kit	Support precise multi-sensing simulation in compliance with physics principles for developing self-driving solutions.
	NVIDIA Ominverse Enterprise Meterverse platform	A scalable platform for designing high-fidelity 3D simulation workflows for developers, creators, and enterprises to build a virtual world or 3D network.

Item		Important uses and functions
	NVIDIA vGPU Virtual graphics	Build virtual GPUs with software for all virtual machines to share the same physical GPU installed in the server for opening tasks and running applications.
Smart health products	Heart rate variability (HRV) analyzer	Dysautonomia detector
	DxPatch wearable medical devices	Provide complete systolic parameters and abnormal heart sound detection results with the isometric PCG/ECG detection technology.
	Health measurement kiosk	Detect and analyze body temperature, blood pressure, and dysautonomia.
	Health band (Amor H2)	A wearable that detects fatigue index and circulation index.
	Pulse oximeter	Detect blood oxygen saturation level
	Nano opthalmologic blindfolds	Promote blood circulation with nano molecules.
Big data analysis products	SAP PA	Distribute SAP big data analysis software as solutions for IR systems and smart factories.
	Profitpoint	Smart NHI declaration system
	SafeExchange	Blockchain advanced encrypted storage

2. Production process

Automatic surface mounting → Manual insertion → Solering → Burn-in → PCB testing → Assembly → System testing

(III) Supply of major materials

Major materials of our electronics products include chips, memories, PCBs, and small-sized panels. We often maintain a good partnership with foreign materials suppliers and purchase key materials and key components from at least two suppliers to ensure flexible procurement and disperse the risk of over-centralization of materials supply.

(IV) Names of customers with over 10% of the total purchase/sales amount and their purchase/sales amount and proportion in any of one of the past two years

1. Suppliers in the past two years

Unit: NTD thousands

2021				2022				2022 and by March 31 2023			
Name	Amount	Ratio in the annul net purchase	Relationship with the issuer	Name	Amount	Ratio in the annul net purchase	Relationship with the issuer	Name	Amount	Ratio in the annul net purchase	Relationship with the issuer
N	2,860,886	38.89%	None	N	2,413,827	49.75%	None	N	294,041	50.95%	None
S	1,716,814	23.34%	None	T	528,268	10.89%	None	S	115,518	20.02%	None
T	873,767	11.88%	None								None

*No supplier is a related party of the Company.

2. Buyers in the past two years

Unit: NTD thousands

2021				2022(Note 1)				2022 and by March 31, 2023(Note 1)			
Name	Amount	Ratio in the annul net sales	Relationship with the issuer	Name	Amount	Ratio in the annul net sales	Relationship with the issuer	Name	Amount	Ratio in the annul net sales	Relationship with the issuer
-	-	-	-	C	562,559	10.59%	-				-

Note 1: No customers with an annual net sale over 10% in 2022 and 2023 Q1.

(V) Production volume and value in the past two years

Volume: PCS; Value: NTD thousands

Year / Main products	2021			2022		
	Production capacity*	Production volume	Production value	Production capacity*	Production volume	Production value
Computer products	-	725,907	7,124,530	-	373,894	4,584,459
Smart health products	-	227,049	98,163	-	159,388	59,076
Others	-	-	13,580	-	14	12,733
Total	-	952,956	7,236,273	-	533,296	4,656,268

*Currently, over 60% of our output are outsourced, and capacity thus cannot be expressed.

(VI) Sales volume and value in the past two years

Volume: PCS; Value: NTD thousands

Year / Main products	2021				2022			
	Domestic sale		Export sale		Domestic sale		Export sale	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Computer products	221,838	771,201	701,493	7,825,511	81,412	574,684	323,239	4,531,433
Smart health products	496,049	69,669	139,205	51,517	780,608	88,158	233,673	21,677
Others	74	80,303	97	24,855	78	67,220	4,336	28,246
Total	717,961	921,173	840,795	7,901,883	862,098	730,062	561,248	4,581,356

III. Employees

Data of employees in the past two years and by the date of report publication:

Year		2021	2022	2022 and by April 30, 2023
Number of employees	Sales personnel	105	126	125
	Management personnel	48	48	50
	R&D personnel	124	121	127
	Manufacturing personnel	91	90	90
	Total	368	385	392
Average age		42	41	42
Average years of service		9.8	10.1	10.1
Distribution of education attainment	Doctoral Degree	1.63%	1.56%	1.53%
	Masters Degree	20.38%	19.74%	19.39%
	Bachelors Degree	68.21%	69.09%	69.38%
	Senior High School	8.42%	8.57%	8.93%
	Below high school	1.36%	1.04%	0.77%

IV. Contribution to environmental protection

(I) Losses (including damage compensations) and fines incurred due to pollution of environment in the more recent year and by the date of report publication and total amount of sanction: None.

(II) Future counteractions (including improvement measures) and potential expenses (including the estimated amount of loss, sanction, and compensation for failure to take counteractions):

In response the implementation of the EU RoHS, we began to progressively switch to lead-free manufacturing processes in 2006 and progressively lower the ratio of leaded stock.

V. Labor-management relations

(I) The company's various employee welfare measures, continuing education, training, retirement system, and their implementation, as well as labor-management agreements and the measures to maintain the rights and interests of employees:

1.Employee welfare measures

Education and training; employee stock option and profit-sharing system; year-end bonuses and cash gifts for three major folk festivals, complete Labor Insurance, National Health Insurance, and group insurance; birthday cash gift; employee reunion; staff welfare committee; employee club activities; annual travel; and allowances for wedding, funerals, and festivities.

2.Continuing education, training, and retirement system and their implementation

We have established the Regulations for Education, Training, and In-Service Continuing Education for Employees to enrich the professional knowledge and skills of employees and improve operational performance. Employees may apply for continuing education and training organized internally or by external organizations according to the Regulations.

We have also established the Employee Retirement Regulations in accordance with the *Labor Standards Act* and *Labor Pension Act* to legally handle employee retirement. Apart from contributing to the Labor Retirement Reserve Fund monthly according to the *Labor Standards Act* and deposit the sum in the Labor Retirement Reserve Fund special account of the Bank of Taiwan, we also contribute 6% of the employee’s salary monthly to the personal account of employees at the Bureau of Labor Insurance in accordance with the *Labor Pension Act*.

We also implement the employee stock ownership trust (ESOT) for employees to contribute a fixed amount from their salary to the trust account, and the Company also contribute the same amount to the employee’s trust account to help employees accelerate pension accumulation to realize their retirement plan earlier.

3.Labor-management agreements and the measures to maintain the rights and interests of employees

With harmonious labor-management relations, no loss on labor-management disputes has been reported. It is estimated that no such loss will occur in the future.

(2) Losses from labor-management disputes in the most recent year and by the date of report publication: None.

(3) The estimated amount of losses from labor-management disputes at present and in the future and counteractions:

Apart from valuing various employee benefits at ordinary times and provide them with an excellent workplace environment, we also emphasize the two-way communication with employees to harmonize labor-management relations. Hence, losses from labor-management disputes in the future will hardly happen.

VI. Cybersecurity Management:

(I) Cybersecurity management framework, cybersecurity policy, specific management plans, and resources for cybersecurity management.

1. Structure of information security organization

The Computer Center is the Company’s IT department. It is chaired by the chief IT officer and a number of IT professionals to plan and establish the information security policy and provide technical support for information security. It also periodically arranges awareness education for information security to reduce information security risks.

In risk management, we address risks in terms of three aspects and reduce the significance of their impact.

Item	Risk Management Plan	Risk Incident Handling	Risk Policy Improvement
Mechanism	Implementation of appropriate controls	Timely and accurate handling	Continuous risk mitigation
Specific Action	1. Antivirus and anti-hacking mechanisms 2. Breach prevention 3. Vulnerability scan, detection, and response and backup mechanisms	1. Minimization of the scope of impact and prevention of impact expansion. 2. Real-time recovery and business recovery.	1. Review based on defects 2. Proposition of improvement plans 3. Inclusion in risk management

2. Information security policy:

The following controls are implemented according to the information security policy and regulations:

(1) Account and password principles: Stringent password principles are established, periodic password change is required, and lending passwords to others is prohibited.

(2) Information hardware use: Carrying and use of non-corporate information assets and equipment are prohibited.

(3) Information software use: Employees are prohibited from installing any software not installed or unlicensed software authorized by the Computer Center.

(4) File management: The storage equipment of personal files for corporate use, physical confidential documents, and files and document information shall be properly managed, and unauthorized access shall be prevented.

(5) Mail management: Emails of unknown origins or suspicious emails shall not be open and shall be deleted immediately.

(6) Network use: No fraudulent use or diddling of the assigned IP; no unauthorized connection to the corporate network; no unauthorized erection of wireless transceiving equipment.

(7) Periodic policy announcement, case study, and awareness education of information security: Publish the related policies, case study, and awareness education of information security over the corporate

network or by email to keep employees updated with and follow the information security policies.

3. Specific cybersecurity management plans and resources:
   (1) Updating and improvement of IT infrastructure:
      ①Purchase new server hardware and software and update server and client OS to the latest version.
      ②Implement the vulnerability scan system to reduce information security problems from loopholes.
      ③Update network equipment and increase backup lines and equipment to prevent business disruption caused by the damage of single equipment or single line.
   (2) Strengthening backup mechanism:
      ①Purchase new-model backup solutions.
      ②Establish new SOPs for backup, recovery, and disaster response drills.
      ③Build the server redundancy mechanism to reduce post-disaster downtime.
   (3) Strengthening information security concept in employees:
      Apart from invasion from outside, increasing information security incidents are caused by the infection of employee equipment, resulting in information security incidents of larger scale.
      ①Periodically announce policies, case study, and aware education of information security.
      ②Education and training for information security for employees to raise awareness of information security inside and outside the Company.

(2) List the losses, potential impact, and counteractions of cybersecurity incidents in the most recent year and by the date of report publication or state the factors preventing the reasonable estimation of them: None.

VII. Important contracts:

Nature of Contract	Concerned Party	Contract Starting/Ending Dates	Major Content	Limitations
Agency	NVIDIA	Jan-Dec 2022	Product sales	None
Consignment	Taishin International Bank	Dec 2020-Dec 2030	ESOT	None
Procurement	Changhua County Public Health Bureau	May-Dec 2022	Consultation services	None
Procurement	Criminal Investigation Bureau, NPA, MOI	Apr-Dec 2022	System development and construction	None
Trading	Ministry of Health and Welfare	Feb 2022-Feb 2023	Financial procurement	None
Cooperation	Taipei Medical University	Apr 2022-Mar 2024	Industry-academia collaboration	None
Loan	The Shanghai Commercial & Savings Bank	Aug 2021-Aug 2026	Long-term loan repayable monthly	None
Loan	JihSun International Commercial Bank	Dec 2021-Dec 2024	Long-term loan repayable monthly	None
Loan	Bank of Panhsin	Jul 2021-Jul 2023	Long-term loan repayable monthly	None
Loan	Bank of Kaohsiung	Nov 2021-Nov 2024	Long-term loan repayable monthly	None
Loan	Chang Hwa Commercial Bank	Jul 2020-Dec 2023	Long-term loan repayable monthly	None

Six. Financial Highlights

I. Summary statement of financial position and statement of comprehensive income fof the past five years

(I) Summary statement of financial position-IFRS

Unit: NTD thousands

Item \ Year		Financial information of the past five years (Note 1) 2022	2021	2020	2019	2018	2022 and by March 31, 2023 (Note 2)
Current assets		1,629,505	1,741,438	1,378,828	1,057,272	1,003,594	1,441,713
Property, plant, and equipment		192,806	193,692	192,910	196,901	200,321	191,244
Intangible assets		5,844	5,596	4,199	9,033	18,584	7,911
Other assets		200,091	71,518	92,866	99,654	37,409	214,887
Total assets		2,028,246	2,012,244	1,668,803	1,362,860	1,259,908	1,855,755
Current liabilities	Before dividend	1,375,160	1,144,836	1,252,643	983,243	943,090	1,242,820
	After dividend	-	1,198,423	-	-	-	-
Non-current liabilities		143,974	114,996	99,348	93,694	15,371	171,480
Total liabilities	Before dividend	1,519,134	1,259,832	1,351,991	1,076,937	958,461	1,414,300
	After dividend	-	1,313,419	-	-	-	-
Equity attributable to owners of parent		510,135	753,552	317,322	312,181	335,708	442,555
Share capital		589,460	535,873	535,873	535,873	535,873	589,460
Capital surplus		475	475	473	27,383	28,311	475
Retained earnings	Before dividend	(73,075)	227,868	(208,004)	(238,834)	(219,665)	(142,153)
	After dividend	-	120,694	-	-	-	-
Other equity interest		(6,725)	(10,664)	(11,020)	(12,241)	(8,811)	(5,227)
Treasury stocks		-	-	-	-	-	-
Non-controlling interests		(1,023)	(1,140)	(510)	(26,258)	(34,261)	(1,100)
Total equity	Before dividend	509,112	752,412	316,812	285,923	301,447	441,455
	After dividend	-	698,825	-	-	-	-

Note 1: The financial information between 2018 and 2022 has been audited by CPAs.
Note 2: The financial information of 2022 and by March 31, 2023 has been reviewed by CPAs.

(II) Summary statement of comprehensive income-IFRS

Unit: NTD thousands

Year / Item	Financial information of the past five years (Note 1)					2022 and by March 31, 2023 (Note 2)
	2022	2021	2020	2019	2018	
Operating revenue	5,311,418	8,823,056	4,548,266	3,639,860	3,329,161	774,098
Gross profit	606,811	1,569,638	562,597	487,038	476,017	71,487
Operating income	(152,262)	553,470	51,619	13,550	(13,565)	(62,273)
Non-operating income and expenses	(49,161)	(7,908)	3,076	(17,942)	(52,971)	(2,882)
Profit from continuing operations before tax	(201,423)	545,562	54,695	(4,392)	(66,536)	(65,155)
Net profit of the continuing operating department in the current term	(195,706)	434,629	24,782	(24,621)	(82,683)	(69,155)
Loss of discontinued operations	-	-	-	-	-	-
Profit (loss)	(195,706)	434,629	24,782	(24,621)	(82,683)	(69,155)
Other comprehensive income/loss for the current period (net, after-tax)	5,993	971	5,754	(2941)	(4,323)	1,498
Total comprehensive incomes in the current period	(189,713)	435,600	30,536	(27,562)	(87,006)	(67,657)
Net income attributable to owners of parent	(195,813)	435,256	26,775	(19,311)	(60,175)	(69,078)
Profit (loss) attributable to non-controlling shareholders	107	(627)	(1,993)	(5,310)	(22,508)	(77)
Comprehensive income attributable to owners of parent	(189,830)	436,228	32,200	(22,753)	(63,970)	(67,580)
Comprehensive income attributable to non-controlling interests	117	(628)	(1,664)	(4,809)	(23,036)	(77)
Earnings per share (Note 3)	(3.32)	7.38	0.50	(0.36)	(1.12)	(1.17)

Note 1: The financial information between 2018 and 2022 has been audited by CPAs.
Note 2: The financial information of 2022 and by March 31, 2023 has been reviewed by CPAs.
Note 3: The figure for EPS has been adjusted after tracing.

(III) Summary individual statement of financial position-IFRS

Unit: NTD thousands

Item		Financial information of the past five years (Note 1) 2022	2021	2020	2019	2018
Current assets		978,353	998,163	970,711	831,594	832,601
Property, plant, and equipment		191,044	191,731	190,999	195,497	199,238
Intangible assets		5,844	5,596	4,199	9,033	9,684
Other assets		507,735	535,765	259,614	191,062	95,402
Total assets		1,682,976	1,731,255	1,425,523	1,227,186	1,136,925
Current liabilities	Before dividend	1,107,209	854,813	1,005,230	743,800	829,604
	After dividend	-	908,400	-	-	-
Non-current liabilities		65,632	122,890	102,971	128,940	57,417
Total liabilities	Before dividend	1,172,841	977,703	1,108,201	801,217	844,735
	After dividend	-	1,031,290	-	-	-
Share capital		589,460	535,873	535,873	535,873	535,873
Capital surplus		475	475	473	27,383	28,311
Retained earnings	Before dividend	(73,075)	227,868	(208,004)	(219,665)	(168,390)
	After dividend	-	120,694	-	-	-
Other equity interest		(6,725)	(10,664)	(11,020)	(12,241)	(8,811)
Treasury stocks		-	-	-	-	-
Total equity	Before dividend	510,135	753,552	317,322	335,708	399,678
	After dividend	-	699,965	-	-	-

Note 1: The financial information between 2018 and 2022 has been audited by CPAs.

(IV) Summary individual statement of comprehensive income-IFRS

Unit: NTD thousands

Item \ Year	Financial information of the past five years (Note 1)				
	2022	2021	2020	2019	2018
Operating revenue	3,525,657	4,848,102	2,910,126	2,908,350	2,836,260
Gross profit	282,639	537,996	300,427	292,006	240,282
Operating profit	(125,849)	153,591	(32,522)	(45,374)	(78,877)
Non-operating income and expenses	(65,069)	281,665	64,297	26,063	18,702
Profit (loss) from continuing operaton befoe tax	(190,918)	435,256	31,775	(19,311)	(60,175)
Net income from continuing operations Net income of the term	(190,918)	435,256	31,775	(19,311)	(60,175)
Loss of discontinued operations	-	-	-	-	-
Profit (loss)	(195,813)	435,256	26,775	(19,311)	(60,175)
Other comprehensive income	5,983	972	5,425	(3,442)	(3,795)
Total comprehensive incomes	(189,830)	436,228	32,200	(22,753)	(63,970)
Earnings per share (Note 2)	(3.32)	7.38	0.50	(0.36)	(1.12)

Note 1: The financial information between 2018 and 2022 has been audited by CPAs.
Note 2: The figure for EPS has been adjusted after tracing.

(V) Names of financial statement auditors in the past five years and their opinions

Year	Name of accounting firm	Name of CPA	Audit opinion
2018	KPMG	Luo Juei-Lan and Ou Yao-Chun	Unqualified opinion
2019	KPMG	Luo Juei-Lan and Ou Yao-Chun	Unqualified opinion
2020	KPMG	Luo Juei-Lan and Kuo Kuan-Ying	Unqualified opinion
2021	KPMG	Luo Juei-Lan and Kuo Kuan Ying	Unqualified opinion
2022	KPMG	Chien Szu-Chuan and Kuo Kuan Ying	Unqualified opinion

II. Financial analysis of the past five years

(I) Consolidated analysis of financial position-IFRS

Analysis	Year	Financial analysis of the past five years (Note 1) 2022	2021	2020	2019	2018	2022 and by March 31, 2023 (Note 2)
Financial structure (%)	Debt to assets ratio	74.90	62.61	81.02	79.02	76.07	76.21
	Long-term capital to property, plants and equipment	338.73	447.83	215.73	192.80	158.16	320.50
Solvency (%)	Current ratio	118.50	152.11	110.07	107.53	106.42	116.00
	Quick ratio	50.80	83.39	48.85	62.39	62.52	50.92
	Interest coverage ratio	(691.69)	3772.58	365.12	80.61	(308.10)	(590.71)
Operating efficiency	Accounts receivable turnover (times)	13.59	26.72	18.61	15.23	12.28	9.84
	Average cash collection days	26.85	13.66	19.61	23.96	29.72	37.09
	Inventory turnover (times)	6.14	12.98	8.87	7.61	7.22	3.48
	Accounts payable turnover (times)	23.05	36.69	22.65	16.86	14.83	18.93
	Average inventory turnover days	59.44	28.12	41.14	47.96	50.55	104.88
	Property, plant and equipment turnover (times)	27.48	45.64	23.34	18.33	16.05	16.12
	Total assets turnover (times)	2.63	4.79	3.00	2.78	2.55	1.59
Profitability	Return on assets (%)	(8.68)	24.26	2.72	(0.50)	(5.33)	(3.17)
	Return on equity (%)	(30.97)	81.17	7.87	(7.60)	(22.49)	(14.52)
	Pre-tax profit to paid-up capital (%)	(34.17)	101.81	10.21	(0.82)	(12.42)	(11.05)
	Net profit margin (%)	(3.68)	4.93	0.54	(0.68)	(2.48)	(8.93)
	EPS (NTD) (Note 3)	(3.32)	8.12	0.50	(0.36)	(1.12)	(1.17)
Cash flow	Cash flow ratio (%)	(Note 4)	10.64	13.36	(Note 4)	11.71	(Note 4)
	Cash flow adequacy ratio (%)	2.43	102.49	24.37	(Note 4)	(Note 4)	(Note 4)
	Cash reinvestment ratio (%)	(Note 4)	10.55	23.99	(Note 4)	19.80	(Note 4)
Degree of leverage	Operating leverage	(Note 4)	2.84	10.90	35.94	(Note 4)	(Note 4)
	Financial leverage	0.857	1.028	1.666	(Note 4)	0.454	0.870

Major causes for the changes in financial ratios in the last two years (difference up to 20%)

(1)The changes of financial structure ratios over 20% were due to the increase in liabilities, which came from more inventories in 2022.

(2)The changes of solvency ratios over 20% were due to net loss and the increase in debt ratio in 2022.

(3)The changes of operating efficiency ratio over 20% were due to economy slump in 2022, and the demand of graphics and other products slowed down. The revenues sharply dropped, and the turnover rates of inventories and receiveables slowed down.

(4)The changes of profitability ratios over 20% were due to economy slump in 2022, and the revenues sharply dropped.

(5)The changes of cash flow ratios over 20% were due to economy slump in 2022, and the inventory turnover slowed down. The operation suffered loss, and the cash flow from operation was negative.

Note 1: The financial information between 2018 and 2022 has been audited by CPAs.

Note 2: The financial information of 2018 and by March 31, 2021 has been reviewed by CPAs. The financial information between 2018 and 2022 has been audited by CPAs.

Note 3: The figure for EPS has been adjusted after tracing.

Note 4: The ratio is a negative figure.

Note 5: Calculations of the finance analysis are as follows:

1. Financial position
   (1) Debt to asset ratio = total liabilities/ total assets.

(2) Ratio of long-term capital in 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 - prepayments) / current liabilities.
   (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Operating efficiency
   (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
   (2) Average cash collection days = 365 / receivables turnover.
   (3) Inventory turnover = cost of sales/average inventory balance.
   (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
   (5) Average inventory turnover days = 365 / inventory turnover.
   (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
   (7) Total asset turnover = net sales/average total assets.
4. Profitability
   (1) Return on assets = (net income + interest expenses x (1- tax rate)) / average asset balance.
   (2) Return on equity = net income / average shareholders' equity.
   (3) Net profit margin = net income / net sales.
   (4) Earnings per share = (net income attributable to shareholders of parent company - preferred share dividends) / weighted average outstanding shares. (Note 4)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities
   (2) Cash flow adequacy ratio = net cash flow from operating activities for the past five years / (capital expenditure + increase in inventory + cash dividends) for the past five years.
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Degree of leverage:
   (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit (Note 6)
   (2) Degree of financial leverage = operating profit / (operating profit - interest expense).

(II) Analysis of individual financial position-IFRS

Analysis		Year: Financial analysis of the past five years (Note 1) 2022	2021	2020	2019	2018
Financial position (%)	Debt to assets ratio	69.69	56.47	77.74	74.56	70.47
	Long-term capital to property, plants and equipment	301.38	457.12	220.05	225.64	197.31
Solvency (%)	Current ratio	88.36	116.77	96.57	105.79	111.94
	Quick ratio	33.40	85.42	36.05	67.39	70.52
	Interest coverage ratio	(816.86)	3727.44	274.42	(1.11)	(327.50)
Operating efficiency	Accounts receivable turnover (times)	10.90	15.34	12.93	11.16	9.19
	Average cash collection days	33.49	23.79	28.23	32.71	39.72
	Inventory turnover (times)	7.55	14.51	8.32	8.78	8.26
	Accounts payable turnover (times)	15.95	21.82	15.69	14.94	13.72
	Average inventory turnover days	48.344	25.155	43.87	41.57	44.19
	Property, plant and equipment turnover (times)	18.42	25.33	15.24	14.88	14.24
	Total assets turnover (times)	2.07	3.07	2.04	2.37	2.49
Profitability	Return on assets (%)	(10.49)	28.18	2.94	(0.34)	(4.11)
	Return on equity (%)	(30.99)	81.29	8.51	(5.96)	(16.37)
	Pre-tax profit to paid-up capital (%)	(32.39)	81.22	5.00	(3.60)	(11.23)
	Net profit margin (%)	(5.55)	8.98	0.92	(0.66)	(2.12)
	EPS (NTD) (Note 2)	(3.32)	8.12	0.50	(0.36)	(1.12)
Cash flow	Cash flow ratio (%)	(Note 3)	4.16	8.03	(3.24)	10.48
	Cash flow adequacy ratio (%)	(Note 3)	156.85	(Note 3)	(Note 3)	(Note 3)
	Cash reinvestment ratio (%)	(Note 3)	3.07	11.59	(Note 3)	12.33
Degree of leverage	Operating leverage	(Note 3)	3.50	(Note 3)	(Note 3)	(Note 3)
	Financial leverage	0.858	1.085	0.679	0.704	0.849

Major causes for the changes in financial ratios in the last two years (difference up to 20%)
(1)The changes of financial structure ratios over 20% were due to the increase in liabilities, which came from more inventories in 2022.
(2)The changes of solvency ratios over 20% were due to net loss and the increase in debt ratio in 2022.
(3)The changes of operating efficiency ratio over 20% were due to economy slump in 2022, and the demand of graphics and other products slowed down. The revenues sharply dropped, and the turnover rates of inventories and receiveables slowed down.
(4)The changes of profitability ratios over 20% were due to economy slump in 2022, and the revenues sharply dropped.
(5)The changes of cash flow ratios over 20% were due to economy slump in 2022, and the inventory turnover slowed down. The operation suffered loss, and the cash flow from operation was negative.

Note 1: The financial information between 2018 and 2022 has been audited by CPAs.
Note 2: The figure for EPS has been adjusted after tracing.
Note 3: The ratio is a negative figure.
Note 4: Calculations of the finance analysis are as follows:

1. Financial position
   (1) Debt to asset ratio = total liabilities/ total assets.
   (2) Ratio of long-term capital in 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 - prepayments) / current liabilities.
   (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Operating efficiency
   (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
   (2) Average cash collection days = 365 / receivables turnover.
   (3) Inventory turnover = cost of sales/average inventory balance.
   (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
   (5) Average inventory turnover days = 365 / inventory turnover.
   (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
   (7) Total asset turnover = net sales/average total assets.
4. Profitability
   (1) Return on assets = (net income + interest expenses x (1- tax rate)) / average asset balance.
   (2) Return on equity = net income / average shareholders' equity.
   (3) Net profit margin = net income / net sales.
   (4) Earnings per share = (net income attributable to shareholders of parent company - preferred share dividends) / weighted average outstanding shares. (Note 4)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities
   (2) Cash flow adequacy ratio = net cash flow from operating activities for the past five years / (capital expenditure + increase in inventory + cash dividends) for the past five years.
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Degree of leverage:
   (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit (Note 6)
   (2) Degree of financial leverage = operating profit / (operating profit - interest expense).

III. Audit report of the audit committee in the most recent year

Leadtek Research Inc.
Audit Report of Audit Committee

This is to certify that

After completing the audit of the individual financial statements and consolidated financial statements of the Company submitted by the Board of Directors audited by independent auditors Chien Ssu-Chuan and Daisy Kuo of KPMG and the business report and loss compensation proposal, this Committee found no noncompliance and thus issued this audit report in accordance with Article 14 of the *Securities and Exchange Act* and Article 219 of the *Company Act*.

To

The 2023 Annual General Meeting of Leadtek Rersearch Inc.

Ho Yao-Hung, Convener of Audit Committee

Date: March 15, 2023

Representation Letter

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

Company name: LEADTEK Research Inc.
Chairman: K.S. Lu
Date: March 15, 2023

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Independent Auditors' Report

To the Board of Directors of LEADTEK Research Inc.:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Valuation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

Other Matter

LEADTEK Research Inc. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance(including the Audit committee) are responsible for overseeing the Group' s financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

KPMG

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

Notes to Readers

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

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

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

LEADTEK RESEARCH INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note (6)(a))	$ 236,872	12	476,876	24
1110	Current financial assets at fair value through profit or loss (note (6)(b))	4,346	-	4,965	-
1150	Notes receivable, net (note (6)(c))	-	-	10,508	1
1170	Accounts receivable, net (note (6)(c))	368,625	18	402,575	20
1200	Other receivables (notes (6)(d) and (7))	1,011	-	9	-
130X	Inventories (notes (6)(e) and (8))	880,467	43	651,339	32
1421	Prepayments to suppliers	37,440	2	127,555	6
1476	Other current financial assets (note (8))	78,000	4	52,996	3
1479	Other current assets	22,744	1	14,615	1
		1,629,505	80	1,741,438	87
	Non-current assets:				
1550	Investments accounted for using equity method, net (note (6)(f))	3,997	-	3,828	-
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	30,100	1	-	-
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(b))	5,844	-	7,357	-
1600	Property, plant and equipment (notes (6)(h) and (8))	192,806	10	193,692	10
1755	Right-of-use assets (note (6)(i))	49,958	3	26,741	1
1780	Intangible assets (note (6)(j))	5,844	-	5,596	-
1975	Net defined benefit asset, non-current (note (6)(q))	14,379	1	11,939	1
1840	Deferred tax assets (note (6)(r))	76,156	4	5,196	-
1990	Other non-current assets (notes (6)(k) and (7))	19,657	1	16,457	1
		398,741	20	270,806	13
	Total assets	$ 2,028,246	100	2,012,244	100

	Liabilities and Equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities:				
2100	Current borrowings (notes (6)(l), (7) and (8))	$ 725,635	36	400,349	20
2170	Notes and accounts payable	179,226	9	229,028	11
2200	Other payables (note (7))	307,805	15	370,722	18
2130	Current contract liabilities (notes (6)(u) and (7))	58,295	3	35,917	2
2250	Current provisions (note (6)(n))	9,556	-	14,482	1
2280	Current lease liabilities (note (6)(o))	19,411	1	18,645	1
2399	Other current liabilities	2,510	-	2,572	-
2320	Long-term liabilities, current portion (notes (6)(m), (7) and (8))	72,722	4	73,121	4
		1,375,160	68	1,144,836	57
	Non-Current liabilities:				
2540	Non-current portion of non-current borrowings (notes (6)(m), (7) and (8))	52,083	3	102,436	5
2527	Non-current contract liabilities (note (6)(u))	54,336	3	-	-
2645	Guarantee deposits received	2,668	-	2,890	-
2570	Deferred tax liabilities (note (6)(r))	1,953	-	399	-
2580	Non-current lease liabilities (note (6)(o))	32,934	1	9,271	1
		143,974	7	114,996	6
	Total liabilities	1,519,134	75	1,259,832	63
	Equity :				
	Share capital:				
3100	Ordinary Share (note (6)(s))	589,460	29	535,873	27
3200	Capital surplus (note (6)(s))	475	-	475	-
3310	Legal reserve	22,787	1	-	-
3350	Unappropriated retained earnings (accumulated deficit) (note (6)(s))	(95,862)	(5)	227,868	11
3400	Other equity interest	(6,725)	-	(10,664)	(1)
	Total equity attributable to owners of parent:	510,135	25	753,552	37
36XX	Non-controlling interests	(1,023)	-	(1,140)	-
	Total equity	509,112	25	752,412	37
	Significant contingent liabilities and unrecognized commitments (note (9))				
	Total liabilities and equity	$ 2,028,246	100	2,012,244	100

See accompanying notes to consolidated financial statements.

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

LEADTEK RESEARCH INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

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

See accompanying notes to consolidated financial statements.

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

LEADTEK RESEARCH INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to consolidated financial statements.

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

LEADTEK RESEARCH INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
LEADTEK RESEARCH INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

(Continued)

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information "
- Amendments to IFRS16 "Requirements for Sale and Leaseback Transactions"

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC.

(Continued)

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

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts in the statement of financial position, the consolidated financial statements have been prepared on the historical cost basis :

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(r).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Company. The Company ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

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

(Continued)

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

When the Group loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary as well as any related non-controlling interests. Any interest retained in the former subsidiary is measured at fair value at the date when control is lost. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (ii) the assets (including any goodwill) and liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

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

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

(d) Foreign currencies

(i) Foreign currency transactions

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

(Continued)

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

1) an investment in equity securities designated as at fair value through other comprehensive income;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rates. All resulting exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. For a partial disposal of the Group's ownership interest in an associate, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

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

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

(Continued)

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

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents is short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

(Continued)

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

4) Business model assessment

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

· the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management' s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

· how the performance of the portfolio is evaluated and reported to the Group' s management;

· the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

· the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

· contingent events that would change the amount or timing of cash flows;

· terms that may adjust the contractual coupon rate, including variable rate features;

· prepayment and extension features; and

· terms that limit the Group' s claim to cash flows from specified assets (e.g. non-recourse features)

(Continued)

6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, long-term receivable, guarantee deposit paid and other financial assets), and contract assets.

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

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

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

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

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

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

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

(Continued)

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

(Continued)

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

2) Equity instrument

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

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL.

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(h) Inventories

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

(Continued)

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

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

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

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

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

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

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

(Continued)

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

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

(Continued)

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

1) Buildings: 25~55years

2) Molding equipment: 2~5 years

3) Machinery and Equipment: 1~5 years

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

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

(l) Leases

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

(i) As a leasee

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

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

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

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

— fixed payments, including in-substance fixed payment;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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

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

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change of its assessment on whether it will exercise a extension or termination option; or

— there is any lease modifications

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

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

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

The Group has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

— the rent concessions occurring as a direct consequence of the COVID-19 pandemic;

— the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(Continued)

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

— any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and

— there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a leasor

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

(m) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

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

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

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(Continued)

(iii) Amortization

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

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

1) Goodwill and trademarks: 5~6 years

2) Computer software, cost: 1~5 years

3) Gaming software royalties: 1~5 years

4) Patents are amortized over the shorter of contract period, other licensing terms or estimated useful lives of 10 years.

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

(n) Impairment of non-financial assets

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

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

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

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

(o) Provisions

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

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

(p) Revenue from contracts with customers

(i) Revenue from contracts with customers

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

1) Sale of goods

The Group manufactures and sells electronic products to downstream vendor. Revenue is recognized when the control over a product has been transferred to the customer. Being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group provides standard warranties for goods sold and has obligation to refund payments for defective goods, in which the Group has recognized provisions for warranties to fulfill the obligation.

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

2) Royalty income

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

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

3) Revenue from service rendered

The Group recognizes revenue from providing services in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the rendered services to date as a proportion of the total estimated rendered services of the transaction.

4) Financing components

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

(q) Contract costs

(i) Incremental costs of obtaining a contract

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

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

(ii) Costs to fulfill a contract

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

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

(Continued)

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

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

(s) Income taxes

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

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

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

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

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes.

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

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

(Continued)

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

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

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

(t) Business combination

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

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

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

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

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

(Continued)

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

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

(u) Earnings per share

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

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

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

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

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

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

(Continued)

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

As inventories are stated at the lower of cost or net realizable value and the inventory cost are write down to net realizable value, the net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial changes, there may be significant differences in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

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

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

(b) Financial assets

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

(d) Other receivables

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

(Continued)

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

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

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

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

(e) Inventories

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

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

	2022	2021
Write-down of inventories (reversal gains)	**$ 220,996**	**20,661**

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

(f) Investments accounted for using equity method

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

	December 31, 2022	December 31, 2021
Associates	**$ 3,997**	**3,828**

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

	December 31, 2022	December 31, 2021
Carrying amount of individually immaterial associate	**$ 3,997**	**3,828**

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

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

(iii) Contingent liabilities

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

(iv) Collateral

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

(g) Changes in ownership interest in a subsidiary

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

(ii) The acquisition of additional equity in the subsidiary

The Group acquired the equity interest in Leadtek Japan (LR JPY) at nil from non-related party in November, 2021, thereby increasing the Group’s shareholding in Leadtek Japan (LR JPY)from 99.97% to100%.

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

Carrying amount of non-controlling interests acquired	$	2
Capital surplus-difference between the consideration and the carrying amount of subsidiaries’ share acquired or disposed	**$**	**2**

(Continued)

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

(h) Property, Plant and Equipment

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

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

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

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

(Continued)

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

(i) Right-of-use assets

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

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

(Continued)

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

(j) Intangible assets

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

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

(k) Prepayments

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

(Continued)

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

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

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

(l) Current borrowings

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

(i) For information on the Group's interest risk, foreign currency risk and liquidity risk, please refer to note (6)(x).

(ii) The credit lines of the Group are guaranteed by key managements act as joint guarantors. Please refer to note (7) for more details.

(iii) For the collateral for bank loans, please refer to note 8.

(Continued)

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

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

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

(i) Secured bank loans are guaranteed by the small and Medium enterprises Credit guarantee Fund.

(ii) The Group entered into an after-sales repurchase agreement on inventory in November, 2020, and obtained financing from Co-operative assets management Co.,Ltd, which was repaid in 18 installments since December, 2020. As of December 31, 2022 and 2021, the outstanding amounts were $0 and $8,485 respectively.

(iii) The Group entered into an after-sales repurchase agreement on inventory in November, 2023, and obtained financing from Co-operative assets management Co., Ltd., which was repaid in 18 installments since December, 2022. As of December, 31, 2022, the outstanding amounts was $28,383 respectively.

(iv) Balance of long term borrowings on December 31, 2022, details are as follows:

Duration	Amount
2023.1.1~2023.12.31	$ 72,722
2024.1.1~2026.08.13	52,083
	$ 124,805

(v) For information on the Group’s interest risk, foreign currency risk and liquidity risk, please refer to note (6)(x).

(vi) The credit lines of the Group are guaranteed by key managements act as joint guarantors. Please refer to note 7 for more details.

(vii) For the collateral for bank loans, please refer to note 8.

(n) Provisions

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

(Continued)

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

(o) Lease liabilities

The carrying amount of lease liabilities was as follow:

	December 31, 2022	December 31, 2021
Current	$ 19,411	18,645
Non-current	$ 32,934	9,271

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

The amounts recognized in profit or loss was as follows:

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

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

	2022	2021
Total cash outflow for leases	$ 25,263	25,077

(i) Real estate leases

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

(ii) Other leases

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

(p) Operating lease-lessor

The Group leases out its property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

(Continued)

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

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

		December 31, 2022	December 31, 2021
Less than one year	$	1,522	1,464
Two to five years		644	2,166
	$	**2,166**	**3,630**

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

(q) Employee benefits

(i) Defined benefit plans

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

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

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

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

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

(Continued)

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

2) Movements in present value of defined benefit obligations

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

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

3) Movements in fair value of defined benefit plan assets

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

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

4) Changes in the effect of the asset ceiling

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

5) Expenses recognized in profit or loss

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

	2022	2021
Current service cost	$ 175	175
Net interest of net liabilities for defined benefit obligations	(60)	(34)
	$ 115	**141**

(Continued)

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

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

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

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

7) Actuarial assumptions

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

	December 31, 2022	December 31, 2021
Discount Rate	1.25 %	0.50 %
Future salary increases	3.00 %	2.00 %

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

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

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

8) Sensitivity analysis

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

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

(Continued)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other. The approach to develop the sensitivity analysis as above is the same approach to recognize the net defined benefit liability in the balance sheet.

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

(ii) Defined contribution plans

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

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

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

(r) Income tax

(i) Income tax expenses:

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

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

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

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

(Continued)

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

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

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

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

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

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 47,207**	**49,824**

2) Unrecognized deferred tax assets

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

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

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

(Continued)

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

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

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

Year of loss	Amount	Expiry date
The Company:		
2013 (Assessed)	$ 83,914	2023
2014 (Assessed)	88,956	2024
2015 (Assessed)	39,001	2025
2016 (Assessed)	106,797	2026
2017 (Assessed)	19,253	2027
2018 (Assessed)	67,211	2028
2019 (Assessed)	115,857	2029
2020 (Assessed)	63,636	2030
2022 (Estimated)	254,802	2032
	$ 839,427	

Year of loss	Amount	Expiry date
LEADHOPE INTERNATIONAL		
2013 (Assessed)	$ 17,300	2023
2014 (Assessed)	12,518	2024
2015 (Assessed)	11,509	2025
2016 (Assessed)	12,337	2026
2018 (Assessed)	7,274	2028
2019 (Assessed)	41,754	2029
2020 (Assessed)	3,456	2030
2021 (Filed)	1,772	2031
2022 (Estimated)	302	2032
	$ 108,222	

(Continued)

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

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

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

3) Recognized deferred tax assets and liabilities

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

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

(Continued)

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

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

(iii) Assessment of tax

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

(s) Capital and Other Components of Equity

(i) Ordinary shares

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

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

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

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

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

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

(ii) Capital surplus

The components of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Additional paid in capital	$ 473	473
Difference between the consideration and the carrying amount of subsidiaries' share acquired or disposed	2	2
	$ 475	**475**

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of capital surplus capitalized per annum shall not exceed 10 percent of the paid-in capital.

(iii) Retained earnings

1) The Company' s article of incorporation stipulated that annual earning shall be appropriated as follows:

a) Offset accumulated losses;

b) According to the ROC Company Act, 10 percent of the net profit shall be allocated as legal reserve until the accumulated legal reserve equals the paid-in capital.

c) Set aside special reserve or reverse special reserve previously provided in accordance with the regulations.

d) The balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed by the directors' distribution proposals and the resolution at the stockholders' meeting.

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

(Continued)

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

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

2) Legal reserve

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

3) Special reserve

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

4) Earnings distribution

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

	2021	
	Amount per share	**Amount**
Dividends distributed to ordinary shareholders:		
Cash	$ 1.00	53,587
Shares	1.00	53,587
		$ 107,174

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

(Continued)

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

(t) Earnings per share

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

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

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

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

(u) Revenue from contracts with customers

(i) Details of revenue

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

(Continued)

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

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

(ii) Contract balances

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

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

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

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

(v) Remuneration to Employees and Directors

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

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

(w) Other gains and losses

The details of other gains and losses were as follows:

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

(x) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

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

(Continued)

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

3) Credit risk of receivables

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

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

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

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

	December 31, 2022			
	At amortized cost			
	12-Month ELC	Life time Expected loss-unimpaired	Life time Expected loss-impaired	Total
Gross carrying amounts	$ 78,000	379,038	26,596	483,634
Loss allowance	-	(9,402)	(26,596)	(35,998)
Amortized cost	$ **78,000**	**369,636**	-	**447,636**
Carrying amounts	$ **78,000**	**369,636**	-	**447,636**

	December 31, 2021			
	At amortized cost			
	12-Month ELC	Life time Expected loss-unimpaired	Life time Expected loss-impaired	Total
Gross carrying amounts	$ 52,996	416,025	28,024	497,045
Loss allowance	-	(2,933)	(28,024)	(30,957)
Amortized cost	$ **52,996**	**413,092**	-	**466,088**
Carrying amounts	$ **52,996**	**413,092**	-	**466,088**

(Continued)

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

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities.

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

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

(Continued)

(iii) Currency risk

1) Exposure of foreign currency risk

The Group’s significant exposure to foreign currency risk was as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 4,280	USD/NTD =30.710	131,439	16,951	USD/NTD =27.680	469,204
Financial liabilities						
Monetary items						
USD	$ 11,456	USD/NTD =30.710	351,814	8,584	USD/NTD =27.680	237,605
USD	$ -	USD/RMB =6.9669	-	4,840	USD/RMB =6.3720	133,971

2) Sensitivity analysis

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

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

(Continued)

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

3) Foreign exchange gains and losses on monetary items

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

(iv) Interest rate analysis

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

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

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1 basis point when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 1 basis point, the Group’s net loss would have increased or decreased by $895 for the year ended December 31, 2022 and the net income would have decreased or increased by $59 for the year ended December 31, 2021 with all other variable factors remaining constant. This is mainly due to the Group’ s variable rate bank borrowings and deposits.

(v) Fair value of financial instruments

1) Valuation procedure

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

(Continued)

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

The Group uses the observable market data to evaluate its assets and liabilities. The different inputs of levels of fair value hierarchy in determination of fair value are as follows:

Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

2) Categories of financial instruments and fair value hierarchy

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

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

(Continued)

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

	December 31, 2022				
	Carrying value	Fair vlaue			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Secured bank borrowings	$ 485,832	-	-	-	-
Unsecured bank borrowings	336,225	-	-	-	-
Unsecured borrowings (non-finacial institution)	23,383	-	-	-	-
Notes and accounts payable	179,226	-	-	-	-
Lease liabilities	52,345	-	-	-	-
Other payables	289,907	-	-	-	-
Guarantee deposits	2,668	-	-	-	-
	$ 1,369,586				

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

(Continued)

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

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

5) Reconciliation of Level 3 fair values

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

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

(Continued)

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

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

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

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

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

Quantified information of significant unobservable inputs was as follows:

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

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

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

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

(Continued)

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

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

(y) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Risk management framework

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

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

(iii) Credit risk

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

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

1) Accounts receivable

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

2) Financial instruments

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

3) Guarantees

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

(iv) Liquidity risk

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

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

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

(v) Market risk

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

(Continued)

1) Currency risk

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

2) Interest rate risk

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

(z) Capital Management

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

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

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

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

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

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

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

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

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

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

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

(7) Related-party transactions

(a) Names and relationship with related parties

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

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

(Continued)

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

(b) Significant transactions with related parties

(i) Sale revenue

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

	Sales 2022	Sales 2021
Associates	$ 20,794	28,674

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

(ii) Purchases and other operating cost

	2022	2021
Associates	$ 1,209	885

(iii) Receivables from related parties

The payables to related parties were as follows:

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

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

(iv) Payables to related parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Other payables	Associates	$ 687	418

(Continued)

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

(v) Loans to Related Parties

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

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

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

(vi) Prepayments

1) Pre-paid license fee

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

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

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

(Continued)

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

(vii) Advance sales receipts

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

	December 31, 2022	December 31, 2021
Associates	$ 207	1,252

(c) Compensation of key management

(i) Compensation for key management personnel

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

(ii) Guarantee

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

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

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

(9) Commitments and contingencies:

(a) Significant unrecognized commitments

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

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

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(Continued)

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

(12) Other:

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

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

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral Item	Collateral Value	Individual funding loan limits	Maximum limit of fund financing	Note
0	The Company	LEADHOPE INTERNATIONAL	Other payables - related parties	Yes	26,596	26,596	26,596	3%	Short term financing	-	Repayments of debt	(26,596)	None	-	51,014	204,054	Note 4
1	LEADHOPE INTERNATIONAL	Blueside Inc.	〃	〃	26,596	26,596	26,596	3%	Business Activity	48,000		(26,596)	None	-	-	-	Note 5
	Total					53,192	53,192										

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

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

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

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

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

(Continued)

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
0	The Company	Leadtek Shanghai	Fully owned company	153,041	48,323	46,065	46,065	-	9.03 %	204,054	Y	N	Y

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

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

(In Thousands of New Taiwan Dollars)

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

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(Continued)

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

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

(In Thousands of New Taiwan Dollars)

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/ Sale	Amount	Percentage of total purchases/ sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
The Company	Leadtek Shanghai	Fully owned company	Sales	(1,479,446)	(41.96)%	OA45~90days	Same as regular transaction	-	Accounts receivable 26,611	13.47%	Note
Leadtek Shanghai	The Company	Parent Company	Purchase	1,479,446	51.99%	OA45~90days	-	-	Accounts payable (26,611)	(95.55)%	〃

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

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:None

(ix) Information derivative financial instruments transaction:None

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

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

Note 1: Numbers are filled in as follows:
1. "0" represents the parent company.
2. Subsidiaries are sorted in a numerical order starting from number 1.

Note 2: Relationship with the listed companies:
1. Represents the transactions from the parent company to the subsidiaries.
2. Represents the transactions from the subsidiaries to parent company.
3. Represents the transactions between the subsidiaries.

(Continued)

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

(b) Information on investees:

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

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2022	Original investment amount December 31, 2021	Balance as of December 31, 2022 Shares (thousands)	Balance as of December 31, 2022 Percentage of wnership	Balance as of December 31, 2022 Carrying value	Highest Percentage of wnership	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	LR BVI	The British Virgin Islands	Investment Holding	255,328	255,328	7,500	100.00 %	424,827	7,500	(39,266)	(39,646)	Note 1, 4, 5
The Company	LR JPY	Japan	Responsible for the marketing and after-sales services of the Company's products in the Japanese market	10,688	10,688	3	100.00 %	1,320	3	(3,403)	(3,403)	〃
The Company	LEADHOPE INTERNATIONAL	Taiwan	Agent, broker, trader and operator of software	165,749	165,749	1,657	71.36 %	(2,549)	16,575	371	265	Note 1, 5
The Company	Airborn AI	Taiwan	Computer equipment installation and data processing	10,000	10,000	1,000	100.00 %	3,098	1,000	(1,279)	(1,279)	〃
The Company	Wegene	Taiwan	Research, development, commission and sell medical equipment and health food products	24,317	24,317	100	100.00 %	445	100	327	327	〃
The Company	Samoa Wegene	Samoa	Investment Holding	10,077	10,077	320	100.00 %	(6,287)	320	602	602	Note 1, 4, 5
The Company	ApoDx Technology, Inc.	Taiwan	Sales of medical equipment and information software	3,746	3,746	2,255	13.58 %	-	2,255	-	-	Note 2
The Company	LR CS	Swaziland	Wireless cloud services and e-commerce	3,302	3,302	50	50.00 %	-	50	-	-	〃
								420,854		(42,648)	(43,134)	
LEADHOPE INTERNATIONAL	Leadhope (H.K.)	Hong Kong	Agent, broker, trader and operator of software	129,690	129,690	-	100.00 %	140	-	(332)	(332)	Note 3, 4, 5
Wegene	ApoDx Technology, Inc.	Taiwan	Sales of medical equipment and information software	1,350	1,350	1,175	7.08 %	-	1,175	-	-	Note 2

Note 1: Subsidiaries that have control.
Note 2: Investee accounted for using equity method.
Note 3:Sub-Subsidiaries that have control.
Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.
Note 5: The transaction has been eliminated in the consolidated financial statements.

(Continued)

LEADTEK RESEARCH INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

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

(ii) Limitation on investment in Mainland China:

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

Note 1: Investment in companies in Mainland China through the existing companies in the third regions.
Note 2: Invest company in mainland China through the investment on company located at the third.
Note 3: Investment gain/loss recognition basis exclude Shenyang Wegene and Zero TC because they are not material and are recognized based on the consolidated financial statements of the investee. Leadtek Shanghai is recognized based on the financial statements audited by the accountants of the parent company in Taiwan.
Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.
Note 5: The above inter-company transactions have been eliminated when preparing the consolidated financial statements, except Zero TC.

(iii) Significant transactions:

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

(Continued)

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

(d) Major shareholders: None.

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

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

(14) Segment information:

(a) General information

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

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

The Group's segment financial information is as follows:

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

(Continued)

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

The Group's segment financial information is as follows:

2022	Computer Products	Smart Medical	Other Segment	Total
Revenue:：				
Revenue from external customers	$ 5,106,117	109,835	95,466	5,311,418
Intersegment revenues	-	-	-	-
Interest income	6	10	2,089	2,105
Revenue from external customers	$ **5,106,123**	**109,845**	**97,555**	**5,313,523**
Interest expense	$ (18,416)	(6,843)	(183)	(25,442)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	-	-	113	113
Segment profit or loss	$ **17,635**	**(102,839)**	**(116,219)**	**(201,423)**

2021	Computer Products	Smart Medical	Other Segment	Total
Revenue:：				
Revenue from external customers	$ 8,596,712	121,186	105,158	8,823,056
Intersegment revenues	-	-	-	-
Interest income	2	5	2,336	2,343
Revenue from external customers	$ **8,596,714**	**121,191**	**107,494**	**8,825,399**
Interest expense	$ (9,525)	(5,204)	(126)	(14,855)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	-	-	133	133
Segment profit or loss	$ **736,950**	**(134,833)**	**(56,555)**	**545,562**

(c) Product and service information

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

(d) Geographic information

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

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

(Continued)

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

(ii) Non-current assets:

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

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

(e) Major customer

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

		2022	2021
Customer B	$	562,559	-
	$	**562,559**	**-**

The Computer Products Segment generate sales revenue from Customer B.

V. Parent company only financial statements audited by the CPAs in the most recent year

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Independent Auditors' Report

To the Board of Directors of Leadtek Research Inc.:

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Valuation of inventories

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

   Description of key audit matter:

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

How the matter was addressed in our audit:

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

2. Investment accounted for using equity method and recognition of subsidiary's shares of profit or loss

   Please refers to note 4(i) for accounting policy related to investment accounted for using equity method. Please refers to notes 5 for assumptions used and uncertainties considered in determining the net realizable value and the evaluation of inventory. Please refers to note 6(f) for details of investment accounted for using equity method.

   (a) Inventory Valuation of Subsidiaries

   Description of key audit matter:

   The Company’ s subsidiary, Leadtek Shanghai, is mainly engaged in the trading of communication equipment, computers, communication cables, as well as telecommunications and their peripheral equipment. It also holds a significant amount of assets in stock. Inventories are measured at the lower of cost or net realizable value. The rapid technological innovations may lead to obsolete inventories and unmarketable items; Consequently, the carrying value of inventories may be lower than the net realized value. These factors expose the Company to significant level of uncertainty particularly in the area of estimating net realizable value, which is subject to management’s judgments. Therefore, the valuation of inventories has been identified as one of the key audit matters. Consequently, inventory valuation is one of our key audit matters.

   How the matter was addressed in our audit:

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

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

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

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

Those charged with governance (including members of the Audit Committe) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

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

Notes to Readers

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

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

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

LEADTEK RESEARCH INC.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note (6)(a))	$ 76,404	5	213,533	12
1110	Current financial assets at fair value through profit or loss (note (6)(b))	4,346	-	4,965	-
1151	Notes receivable (note (6)(c))	-	-	10,508	1
1170	Accounts receivable (note (6)(c))	167,401	9	294,122	17
1180	Accounts receivable due from related parties, net (notes (6)(c) and (7))	30,219	2	144,368	9
1200	Other receivables (notes (6)(d) and (7))	3,720	-	2,830	-
130x	Inventories (note (6)(e))	594,653	35	264,183	15
1421	Prepayments to suppliers	8,984	1	800	-
1476	Other current financial assets (note (8))	78,000	5	52,996	3
1470	Other current assets	14,626	1	9,858	1
		978,353	58	998,163	58
	Non-current assets:				
1550	Investments accounted for using equity method, net (notes (6)(f) and (g))	429,690	26	474,786	28
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	30,100	2	-	-
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(b))	5,844	-	7,357	-
1600	Property, plant and equipment (notes (6)(h) and (8))	191,044	11	191,731	11
1755	Right-of-use assets (note (6)(i))	9,575	1	23,078	1
1780	Intangible assets (note (6)(j))	5,844	-	5,596	-
1975	Net defined benefit asset, non-current (note (6)(p))	14,379	1	11,939	1
1840	Deferred tax assets (note (6)(q))	4,882	-	5,196	-
1990	Other non-current assets	13,265	1	13,409	1
		704,623	42	733,092	42
	Total assets	**$ 1,682,976**	**100**	**1,731,255**	**100**

	Liabilities and Equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities:				
2100	Current borrowings (notes (6)(k), (7) and (8))	$ 679,585	40	358,805	21
2170	Notes and accounts payable	177,771	11	228,844	13
2200	Other payables (note (7))	133,097	8	145,504	8
2130	Current contract liabilities (note (6)(t))	23,836	1	17,038	1
2250	Current provisions (note (6)(m))	9,556	1	14,482	1
2280	Current lease liabilities (note (6)(n))	8,792	1	15,136	1
2300	Other current liabilities	1,850	-	1,883	-
2320	Long-term liabilities, current portion (notes (6)(l), (7) and (8))	72,722	4	73,121	4
		1,107,209	66	854,813	49
	Non-Current liabilities:				
2540	Non-current portion of non-current borrowings (notes (6)(l), (7) and (8))	52,083	3	102,436	6
2645	Guarantee deposits received	1,600	-	1,711	-
2570	Deferred tax liabilities (note (6)(q))	1,953	-	399	-
2580	Non-current lease liabilities (note (6)(n))	1,160	-	8,714	-
2650	Credit balance of investments accounted for using equity method (note (6)(f))	8,836	1	9,630	1
		65,632	4	122,890	7
	Total liabilities	1,172,841	70	977,703	56
	Equity :				
3100	Ordinary share (note (6)(r))	589,460	35	535,873	31
3200	Capital surplus (note (6)(r))	475	-	475	-
3310	Legal reserve (note (6)(r))	22,787	1	-	-
3350	Unappropriated retained earnings (accumulated deficit) (note (6)(r))	(95,862)	(6)	227,868	14
3400	Other equity interest	(6,725)	-	(10,664)	(1)
	Total equity	510,135	30	753,552	44
	Significant contingent liabilities and unrecognized commitments (note (9))				
	Total liabilities and equity	**$ 1,682,976**	**100**	**1,731,255**	**100**

See accompanying notes to parent company only financial statements.

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

LEADTEK RESEARCH INC.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2022		2021	
		Amount	%	Amount	%
4000	**Operating revenue (notes (6)(t) and (7))**	3,525,657	100	4,848,102	100
5000	**Operating costs (notes (6)(e), (6)(m), (7) and (12))**	3,235,041	92	4,299,503	89
		290,616	8	548,599	11
5910	Less:Unrealized profit (loss) from sales	7,977	-	10,603	-
5900	**Gross profit (loss) from operations**	282,639	8	537,996	11
6000	**Operating expenses (notes (6)(c), (6)(h), (6)(n), (6)(p), (7) and (12)):**				
6100	Selling expenses	169,533	5	156,028	3
6200	Administrative expenses	72,511	2	74,399	2
6300	Research and development expenses	167,276	5	153,266	3
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	(832)	-	712	-
		408,488	12	384,405	8
6900	**Net operating income (loss)**	(125,849)	(4)	153,591	3
7000	**Non-operating income and expenses:**				
7010	Other income and expense (notes (6)(o) and (7))	6,938	-	3,884	-
7100	Interest income	1,343	-	907	-
7230	Foreign exchange losses	(8,773)	-	(9,273)	-
7235	Gains on financial assets (liabilities) at fair value through profit or loss	(620)	-	78	-
7271	Reversal of impairment loss recognised in profit or loss, financial assets (note (6)(d))	-	-	444	-
7050	Finance costs	(20,823)	-	(11,999)	-
7775	Share of loss of associates and joint ventures accounted for using equity method (note (6)(f))	(43,134)	(1)	297,624	6
		(65,069)	(1)	281,665	6
7900	**Profit (loss) from continuing operations before tax**	(190,918)	(5)	435,256	9
7950	**Less: Tax expense (income) (note (6)(q))**	4,895	-	-	-
	Profit (loss)	(195,813)	(5)	435,256	9
8300	**Other comprehensive income :**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans (note (6)(p))	2,555	-	770	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(1,513)	-	1,530	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(q))	511	-	154	-
	Components of other comprehensive income that will not be reclassified to profit or loss	531	-	2,146	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**				
8361	Exchange differences on translation	6,781	-	(1,463)	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	28	-	(4)	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(q))	1,357	-	(293)	-
	Components of other comprehensive income that will be reclassified to profit or loss	5,452	-	(1,174)	-
8300	**Other comprehensive income**	5,983	-	972	-
8500	**Total comprehensive income**	$ **(189,830)**	**(5)**	**436,228**	**9**
	Earnings per share (note (6)(s))				
9750	Basic earnings per share	$ **(3.32)**		**7.38**	
9850	Diluted earnings per share	$ **(3.32)**		**7.37**	

See accompanying notes to parent company only financial statements.

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

LEADTEK RESEARCH INC.

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings		Other equity interest		
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total equity
Balance on January 1, 2021	$ 535,873	473	-	(208,004)	3,343	(14,363)	317,322
Profit	-	-	-	435,256	-	-	435,256
Other comprehensive income	-	-	-	616	(1,174)	1,530	972
Total comprehensive income	-	-	-	435,872	(1,174)	1,530	436,228
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	2	-	-	-	-	2
Balance on December 31, 2021	**535,873**	**475**	**-**	**227,868**	**2,169**	**(12,833)**	**753,552**
Profit (loss)	-	-	-	(195,813)	-	-	(195,813)
Other comprehensive income	-	-	-	2,044	5,452	(1,513)	5,983
Total comprehensive income	-	-	-	(193,769)	5,452	(1,513)	(189,830)
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	22,787	(22,787)	-	-	-
Cash dividends of ordinary share	-	-	-	(53,587)	-	-	(53,587)
Stock dividends of ordinary share	53,587	-	-	(53,587)	-	-	-
Balance at December 31, 2022	**$ 589,460**	**475**	**22,787**	**(95,862)**	**7,621**	**(14,346)**	**510,135**

See accompanying notes to parent company only financial statements.

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

LEADTEK RESEARCH INC.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit (loss) before tax	$ (190,918)	435,256
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	31,527	28,401
Amortization expense	7,170	4,240
Expected credit loss (gain)	(832)	712
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	620	(78)
Interest expense	20,823	11,999
Interest income	(1,343)	(907)
Share of loss (profit) of subsidiaries,associates and joint ventures accounted for using equity method	43,134	(297,624)
Reversal of impairment loss on financial assets	-	(444)
Unrealized profit (loss) from sales	7,977	10,603
Total adjustments to reconcile profit (loss)	109,076	(243,098)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fairvalue	(1)	(2,907)
Decrease (increase) in notes and accounts receivable	10,508	(8,764)
Decrease (increase) in accounts receivable	241,702	(257,740)
Decrease (increase) in inventories	(330,456)	65,864
Decrease (increase) in prepayments	(8,184)	273,887
Decrease (increase) in other current assets	(92)	273
Decrease (increase) in other financial assets	(4,755)	689
Decrease (increase) in deferred debits	115	141
Total changes in operating assets	(91,163)	71,443
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	6,798	(340,140)
Increase (decrease) in accounts payable	(51,073)	62,663
Increase (decrease) in provisions	(4,926)	110
Increase (decrease) in other payable and other current liabilities	(19,545)	61,204
Total changes in operating liabilities	(68,746)	(216,163)
Total changes in operating assets and liabilities	(159,909)	(144,720)
Total adjustments	(50,833)	(387,818)
Cash inflows (outflows) generated from operations	(241,751)	47,438
Interest received	544	104
Interest paid	(18,653)	(12,066)
Income taxes refund (paid)	28	125
Net cash flows from (used in) operating activities	(259,832)	35,601
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(3,695)
Acquisition of financial assets at fair value through profit or loss	(30,100)	-
Acquisition of property, plant and equipment	(14,703)	(12,631)
Increase (decrease) in refundable deposits	844	3,646
Increase in other receivables due from related parties	-	444
Acquisition of intangible assets	(7,418)	(5,637)
Increase (decrease) in prepayments for business facilities	(1,768)	389
Increase (decrease) in restricted assets	(25,004)	5,528
Net cash flows from (used in) investing activities	(78,149)	(11,956)
Cash flows from (used in) financing activities:		
Increase in short-term loans	320,780	77,248
Proceeds from long-term loans	30,000	125,000
Repayments of long-term debt	(80,752)	(107,880)
Increase (decrease) in guarantee deposits received	(111)	450
Payment of lease liabilities	(15,478)	(14,225)
Cash dividends paid	(53,587)	-
Net cash flows from (used in) financing activities	200,852	80,593
Net increase (decrease) in cash and cash equivalents	(137,129)	104,238
Cash and cash equivalents at beginning of period	213,533	109,295
Cash and cash equivalents at end of period	**$ 76,404**	**213,533**

See accompanying notes to parent company only financial statements.

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

LEADTEK RESEARCH INC.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

LEADTEK Research Inc. (the "Company") was established on October, 1986, by the approval of Ministry of Economic Affairs under the Company Law, the main business line is design, manufacture and sale of computers, communication equipment, telecommunication equipment and peripherals.

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

These financial statements were authorized for issue by the Board of Directors on March 15, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

(Continued)

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information "
- Amendments to IFRS16 "Requirements for Sale and Leaseback Transactions"

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(Continued)

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts in the statement of financial position, the financial statements have been prepared on the historical cost basis :

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(q).

(ii) Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollars (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

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

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

1) an investment in equity securities designated as at fair value through other comprehensive income;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent that the hedges are effective.

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rates. All resulting exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. For a partial disposal of the Company' s ownership interest in an associate, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

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

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents is short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Business model assessment

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

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

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

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

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

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

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

6) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, long-term receivable, guarantee deposit paid and other financial assets), and contract assets.

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LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

· bank balances and some other receivable for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

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

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

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

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

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

· significant financial difficulty of the borrower or issuer;

· a breach of contract such as a default or being more than 180 days past due;

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LEADTEK RESEARCH INC.
Notes to the Financial Statements

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

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LEADTEK RESEARCH INC.
Notes to the Financial Statements

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL.

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(g) Inventories

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

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

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

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

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

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

(i) Investment in subsidiaries

When preparing the financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the financial statement are equal to those in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1) Buildings: 25~55years

2) Molding equipment: 2~5 years

3) Machinery and Equipment: 1~5 years

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

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

(k) Leases

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

(Continued)

LEADTEK RESEARCH INC.

Notes to the Financial Statements

(i) As a leasee

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

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

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

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

— fixed payments, including in-substance fixed payment;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change of its assessment on whether it will exercise a extension or termination option; or

— there is any lease modifications

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

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

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

(Continued)

LEADTEK RESEARCH INC.

Notes to the Financial Statements

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

— the rent concessions occurring as a direct consequence of the COVID-19 pandemic;

— the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

— any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and

— there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a leasor

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(l) Intangible assets

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

1) Goodwill and trademarks: 5~6 years

2) Computer software, cost: 1~5 years

3) Patents are amortized over the shorter of contract period, other licensing terms or estimated useful lives of 10 years.

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

(m) Impairment of non-financial assets

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

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

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LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

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

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

(o) Revenue from contracts with customers

(i) Revenue from contracts with customers

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

1) Sale of goods

The Company manufactures and sells electronic products to downstream vendor. Revenue is recognized when the control over a product has been transferred to the customer. Being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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LEADTEK RESEARCH INC.
Notes to the Financial Statements

The Company provides standard warranties for goods sold and has obligation to refund payments for defective goods, in which the Company has recognized provisions for warranties to fulfill the obligation.

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

2) Royalty income

If the nature of the Company's license commitment to its customers is to provide them with access to software throughout the license duration, income is recognized by using the step-by-step method within the agreement period.

3) Revenue from service rendered

The Company recognizes revenue from providing services in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the rendered services to date as a proportion of the total estimated rendered services of the transaction.

4) Financing components

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

(p) Contract costs

(i) Incremental costs of obtaining a contract

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

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(ii) Costs to fulfill a contract

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

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

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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LEADTEK RESEARCH INC.
Notes to the Financial Statements

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

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

(r) Income taxes

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

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

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

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

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

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LEADTEK RESEARCH INC.
Notes to the Financial Statements

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes.

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

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

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

(s) Earnings per share

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

(t) Operating segments

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the financial statements.

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

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

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

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

As inventories are stated at the lower of cost or net realizable value and the inventory cost are write down to net realizable value, the net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial changes, there may be significant differences in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	$ 109	133
Checking account and demand deposits	76,295	213,400
	$ 76,404	**213,533**

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

(b) Financial assets

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

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

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

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

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

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

	December 31, 2022	December 31, 2021
Notes receivables from operating activities	$ -	10,508
Accounts receivables—measured at amortized cost	167,738	295,291
Accounts receivables-related parties—measured at amortized cost	30,219	144,368
Less: Allowance for uncollectible accounts	(337)	(1,169)
	$ 197,620	**448,998**

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

	December 31, 2022		
Aging Range	**Book value of accounts and notes receivable**	**Lifetime expected credit losses rate**	**Loss allowance provision**
0~ 90 days	$ 195,658	0.17%	333
91~ 120 days	210	2.00%	4
181~ 365 days	-	-%	-
More than 366 days	2,089	-%	-
	$ 197,957		**337**

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

Aging Range	December 31, 2021 Book value of accounts and notes receivable	Lifetime expected credit losses rate	Loss allowance provision
0~ 90 days	$ 444,455	0.15%	678
91~ 120 days	3,205	0.56%	18
121~ 180 days	129	2.85%	4
181~ 365 days	55	50.22%	28
More than 366 days	2,323	18.98%	441
	$ 450,167		**1,169**

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

	2022	2021
Balance at January 1	$ 1,169	5,225
Impairment losses recognized (reversed)	(832)	712
Amounts written off	-	(4,768)
Balance at December 31	**$ 337**	**1,169**

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

(d) Other receivables

	December 31, 2022	December 31, 2021
Other receivables due from related parties	$ 30,316	29,426
Less: Allowance for uncollectible accounts	(26,596)	(26,596)
	$ 3,720	**2,830**

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

	2022	2021
Balance at January 1	$ 26,596	40,125
Write-offs of uncollectible amount for the period	-	(13,085)
Impairment losses recognized (reversed)	-	(444)
Balance at December 31	**$ 26,596**	**26,596**

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

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(e) Inventories

	December 31, 2022	December 31, 2021
Raw materials	$ 103,779	102,126
Work in progress / Semi-finished goods	440,461	116,631
Finished goods	50,413	45,426
	$ 594,653	264,183

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

	2022	2021
Write-down of inventories (reversal gains)	$ 48,395	(3,296)

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

(f) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	$ 420,854	465,156
Plus: Subsidiaries using credit balance of investment in equity method	8,836	9,630
	$ 429,690	474,786

A summary of the Company's profit or loss from investment in its subsidiaries accounted for using equity method is as follows:

	2022	2021
Subsidiaries	$ (43,134)	297,624

(i) Subsidiaries

Please refer to the consolidated financial statement for the year ended December 31, 2022.

(ii) Contingent liabilities

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(iii) Collateral

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

(g) Changes in ownership interest in a subsidiary

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

(ii) The acquisition of additional equity in the subsidiary

The Company acquired the equity interest in Leadtek Japan (LR JPY) at nil from non-related party in November, 2021, thereby increasing the Company's shareholding in Leadtek Japan (LR JPY)from 99.97% to100%.

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

Carrying amount of non-controlling interests acquired	$ 2
Capital surplus difference between the consideration and the carrying amount of subsidiaries' share acquired or disposed	**$ 2**

(h) Property, Plant and Equipment

The cost and depreciation of the property, plant and equipment were as follows:

	Land	Buildings and construction	Machinery and equipment	Office and other equipment	Total
Cost:					
Balance on January 1, 2022	$ 130,582	99,037	225,957	29,007	484,583
Additions	-	2,565	11,483	655	14,703
Disposal	-	-	(2,379)	(687)	(3,066)
Reclassifications	-	-	551	-	551
Balance on December 31, 2022	**$ 130,582**	**101,602**	**235,612**	**28,975**	**496,771**
Balance on January 1, 2021	$ 130,582	95,401	221,780	28,762	476,525
Additions	-	3,636	8,412	583	12,631
Disposal	-	-	(6,573)	(338)	(6,911)
Reclassifications	-	-	2,338	-	2,338
Balance on December 31, 2021	**$ 130,582**	**99,037**	**225,957**	**29,007**	**484,583**

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

		Land	Buildings and construction	Machinery and equipment	Office and other equipment	Total
Depreciation and impairments losses:						
Balance on January 1, 2022	$	-	56,220	211,639	24,993	292,852
Depreciation		-	3,934	9,592	2,918	16,444
Disposal		-	-	(2,379)	(687)	(3,066)
Reclassifications		-	-	(503)	-	(503)
Balance on December 31, 2022	$	-	60,154	218,349	27,224	305,727
Balance on January 1, 2021	$	-	52,863	210,614	22,049	285,526
Depreciation		-	3,357	7,598	3,282	14,237
Disposal		-	-	(6,573)	(338)	(6,911)
Balance on December 31, 2021	$	-	56,220	211,639	24,993	292,852
Carrying amounts:						
Balance on December 31, 2022	$	130,582	41,448	17,263	1,751	191,044
Balance on January 1, 2021	$	130,582	42,538	11,166	6,713	190,999
Balance on December 31, 2021	$	130,582	42,817	14,318	4,014	191,731

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

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

(i) Right-of-use assets

The Company leases including buildings and improvements recognized as right of use assets. The cost of and depreciation of the right-of-use assets of the Company were as follows:

		Buildings and construction	Transportation equipment	Total
Right-of-use assets, Cost:				
Balance on January 1, 2022	$	60,507	3,311	63,818
Additions		-	1,580	1,580
Balance on December 31, 2022	$	60,507	4,891	65,398
Balance on January 1, 2021	$	58,953	1,212	60,165
Additions		1,554	2,099	3,653
Balance on December 31, 2021	$	60,507	3,311	63,818

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

		Buildings and construction	Transportation equipment	Total
Accumulated depreciation and impairment losses:				
Balance on January 1, 2022	$	39,543	1,197	40,740
Depreciation for the period		13,785	1,298	15,083
Balance on December 31, 2022	$	**53,328**	**2,495**	**55,823**
Balance on January 1, 2021	$	26,017	559	26,576
Depreciation for the period		13,526	638	14,164
Balance on December 31, 2021	$	**39,543**	**1,197**	**40,740**
Carrying amounts:				
Balance on December 31, 2022	$	**7,179**	**2,396**	**9,575**
Balance on January 1, 2021	$	**32,936**	**653**	**33,589**
Balance on December 31, 2021	$	**20,964**	**2,114**	**23,078**

(j) Intangible assets

The amortization of intangible assets and their impairment losses are included in the statement of comprehensive income amounting to $7,170 and $4,240 for the years ended December 31, 2022 and 2021, respectively.

(k) Current borrowings

		December 31, 2022	December 31, 2021
Unsecured bank borrowings	$	272,715	15,000
Secured bank borrowings		406,870	343,805
	$	**679,585**	**358,805**
Unused credit lines	$	**94,060**	**370,334**
Range of Interest rate		**1.36%~5.55%**	**1.36%~2.22%**

(i) For information on the Company’s interest risk, foreign currency risk and liquidity risk, please refer to note (6)(v).

(ii) The credit lines of the Company are guaranteed by key managements act as joint guarantors. Please refer to note (7) for more details.

(iii) For the collateral for bank loans, please refer to note (8).

LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

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

(i) Secured bank borrowings are guaranteed by the small and Medium enterprises Credit guarantee Fund.

(ii) The Company entered into an after-sales repurchase agreement on inventory in November, 2020, and obtained financing from Co-operative assets management Co.,Ltd, which was repaid in 18 installments since December, 2020. As of December 31, 2022 and 2021, the outstanding amounts were $0 and $8,485, respectively.

(iii) The Company entered into an after-sales repurchase agreement on inventory in November, 2023, and obtained financing from Co-operative assets management Co., Ltd., which was repaid in 18 installments since December, 2022. As of December 31, 2022, the outstanding amounts was $28,383 respectively.

(iv) Balance of long term borrowings on December 31, 2022, details are as follows:

Duration	Amount
2023.1.1~2023.12.31	$ 72,722
2024.1.1~2026.08.13	52,083
	$ 124,805

(v) For information on the Company's interest risk, foreign currency risk and liquidity risk, please refer to note note (6)(v).

(vi) The credit lines of the Company are guaranteed by key managements act as joint guarantors. Please refer to note 7 for more details.

(vii) For the collateral for bank loans, please refer to note 8.

(m) Provisions

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

(Continued)

(n) Lease liabilities

The carrying amount of lease liabilities was as follow:

	December 31, 2022	December 31, 2021
Current	$ 8,792	15,136
Non-current	$ 1,160	8,714

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

The amounts recognized in profit or loss was as follows:

	2022	2021
Interest on lease liabilities	$ 394	708
Income from sub-leasing right-of-use assets	$ (30)	(120)
Expenses relating to short-term leases	$ 87	17
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ -	3

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

	2022	2021
Total cash outflow for leases	$ 15,959	14,953

(i) Real estate leases

The Company leases land, buildings, and improvements for its offices. The leases typically run for 2 to 3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

The Company sub-leases some of its right-of-use assets under operating and finance leases; please refer to note (6)(o).

(ii) Other leases

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

(o) Operating lease- lessor

The Company leases out its property and sub-leases some of its right-of-use assets. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

	December 31, 2022	December 31, 2021
Less than one year	$ 1,522	1,464
Two to five years	644	2,166
	$ 2,166	**3,630**

As of December 31, 2022 and 2021, the operating leases recognized in profit or loss amounted to $1,706 and $2,766, respectively.

(p) Employee benefits

(i) Defined benefit plans

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

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

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

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

2) Movements in present value of defined benefit obligations

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

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

3) Movements in fair value of defined benefit plan assets

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

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

4) Changes in the effect of the asset ceiling

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

5) Expenses recognized in profit or loss

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

	2022	2021
Current service cost	$ 175	175
Net interest of net liabilities for defined benefit obligations	(60)	(34)
	$ 115	**141**

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

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

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

7) Actuarial assumptions

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

	December 31, 2022	December 31, 2021
Discount Rate	1.25 %	0.50 %
Future salary increases	3.00 %	2.00 %

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

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

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

8) Sensitivity analysis

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

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other. The approach to develop the sensitivity analysis as above is the same approach to recognize the net defined benefit liability in the balance sheet.

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

(ii) Defined contribution plans

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

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2022 and 2021 amounted to $13,631 and $12,579, respectively.

(q) Income tax

(i) Income tax expenses:

The components of income tax expense were as follows:

	2022	2021
Current tax expense		
Surtax on unappropriated earnings	$ 4,895	-
Income tax expense (benefit)	**$ 4,895**	**-**

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

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

	2022	2021
Profit (loss) before income tax	$ (190,918)	435,256
Income tax using the Company's domestic tax rate	(38,184)	87,051
Realized investment loss	(29,835)	-
Change in unrecognized temporary differences	17,379	(69,726)
Surtax on unappropriated earnings	4,895	-
Adjustment in prior periods	405	7,347
Changes in tax losses on unrecognized deferred tax assets	49,890	(25,707)
Other	345	1,035
	$ 4,895	**-**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

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

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

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 47,207**	**49,824**

2) Unrecognized deferred tax assets

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

	December 31, 2022	December 31, 2021
Tax effect of deductible temporary differences	$ 75,463	58,084
The carryforward of unused tax losses	167,885	135,526
	$ 243,348	**193,610**

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

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

Year of loss	Amount	Expiry date
2013 (Assessed)	$ 83,914	2023
2014 (Assessed)	88,956	2024
2015 (Assessed)	39,001	2025
2016 (Assessed)	106,797	2026
2017 (Assessed)	19,253	2027
2018 (Assessed)	67,211	2028
2019 (Assessed)	115,857	2029
2020 (Assessed)	63,636	2030
2022 (Estimated)	254,802	2032
	$ 839,427	

3) Recognized deferred tax assets and liabilities

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

	Write-down of inventories	Warrranty liabilities	Defined benefit plans	Other	Total
Deferred tax assets:					
Balance on January 1, 2022	$ 3,568	575	314	739	5,196
Recognized in other comprehensive income	-	-	(314)	-	(314)
Balance on December 31, 2022	**$ 3,568**	**575**	**-**	**739**	**4,882**
Balance on January 1, 2021	$ 3,568	575	468	739	5,350
Recognized in other comprehensive income	-	-	(154)	-	(154)
Balance on December 31, 2021	**$ 3,568**	**575**	**314**	**739**	**5,196**

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

(iii) Assessment of tax

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

(r) Capital and Other Components of Equity

(i) Ordinary shares

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

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

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

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

(ii) Capital surplus

The components of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Additional paid in capital	$ 473	473
Difference between the consideration and the carrying amount of subsidiaries' share acquired or disposed	2	2
	$ 475	**475**

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of capital surplus capitalized per annum shall not exceed 10 percent of the paid-in capital.

(iii) Retained earnings

1) The Company' s article of incorporation stipulated that annual earning shall be appropriated as follows:

a) Offset accumulated losses;

b) According to the ROC Company Act, 10 percent of the net profit shall be allocated as legal reserve until the accumulated legal reserve equals the paid-in capital.

c) Set aside special reserve or reverse special reserve previously provided in accordance with the regulations.

d) The balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed by the directors' distribution proposals and the resolution at the stockholders' meeting.

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

2) Legal reserve

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

3) Special reserve

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

4) Earnings distribution

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

	2021	
	Amount per share	**Amount**
Dividends distributed to ordinary shareholders:		
Cash	$ 1.00	53,587
Shares	1.00	53,587
Total		$ 107,174

(s) Earnings per share

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

	2022	2021
Basic earnings per share		
Profit	$ (195,813)	435,256
Weighted-average number of ordinary shares (thousand shares)	58,946	58,946
Basic earnings per share	$ (3.32)	7.38

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

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

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

(t) Revenue from contracts with customers

(i) Details of revenue

	2022	2021
Primary geographical markets:		
Mainland China	$ 1,499,677	2,187,387
Taiwan	729,953	921,013
Hong Kong	419,718	660,270
United States	199,377	192,018
Other	676,932	887,414
	$ 3,525,657	4,848,102
Primary products:		
Computer Products	$ 3,346,796	4,653,183
Smart Medical	107,568	114,542
Other Segment	71,293	80,377
	$ 3,525,657	4,848,102

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable and accounts receivable	$ 197,957	450,167	188,431
Less: Allowance for uncollectible accounts	(337)	(1,169)	(5,225)
	$ 197,620	**448,998**	**183,206**
Contract liabilities	**$ 23,836**	**17,038**	**357,178**

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

The amount of revenue recognized for the years ended December 31, 2022 and 2021 included the contract liability balance at the beginning of the period were $16,065 and $352,451, respectively.

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

(u) Remuneration to Employees and Directors

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

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

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

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(v) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represent the maximum amount exposed to credit risk. As of December 31, 2022 and 2021, the maximum amount exposed to credit risk amounted to $407,431 and $742,920, respectively.

2) Concentration of credit risk

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

3) Credit risk of receivables

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

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

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

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

	December 31, 2022			
	At amortized cost			
	12-Month ELC	Life time Expected loss-unimpaired	Life time Expected loss-impaired	Total
Gross carrying amounts	$ 78,000	201,677	26,596	306,273
Loss allowance	-	(337)	(26,596)	(26,933)
Amortized cost	**$ 78,000**	**201,340**	**-**	**279,340**
Carrying amounts	**$ 78,000**	**201,340**	**-**	**279,340**

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

	December 31, 2021			
	At amortized cost			
	12-Month ELC	Life time Expected loss-unimpaired	Life time Expected loss-impaired	Total
Gross carrying amounts	$ 52,996	452,997	26,596	532,589
Loss allowance	-	(1,169)	(26,596)	(27,765)
Amortized cost	**$ 52,996**	**451,828**	**-**	**504,824**
Carrying amounts	**$ 52,996**	**451,828**	**-**	**504,824**

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities.

	Carrying value	Cash flows	Within a year	1~2 years	Over 2 years
December 31, 2022					
Non derivative financial liabilities					
Secured bank borrowings (including long term and short term borrowings)	$ 485,832	(488,196)	(453,975)	(24,663)	(9,558)
Unsecured bank borrowings (including long term and short term borrowings)	290,175	(290,712)	(282,157)	(6,166)	(2,389)
Unsecured borrowings (non-financial institution) (recorded as long term borrowings)	28,383	(29,291)	(20,676)	(8,615)	-
Notes and accounts payable	177,771	(177,771)	(177,771)	-	-
Current and non-current lease liabilities	9,952	(10,054)	(8,882)	(941)	(231)
Other payables	128,202	(128,202)	(128,202)	-	-
Guarantee deposits	1,600	(1,600)	-	-	(1,600)
	$ 1,121,915	**(1,125,826)**	**(1,071,663)**	**(40,385)**	**(13,778)**

(Continued)

LEADTEK RESEARCH INC.

Notes to the Financial Statements

		Carrying value	Cash flows	Within a year	1~2 years	Over 2 years
December 31, 2021						
Non derivative financial liabilities						
Secured bank borrowings (including long term and short term borrowings)	$	483,146	(483,146)	(398,141)	(47,104)	(37,901)
Unsecured borrowings (non-financial institution) (recorded as long term borrowings)		42,731	(42,731)	(25,300)	(9,097)	(8,334)
Unsecured borrowings (non-financial institution) (recorded as long term borrowings)		8,485	(8,485)	(8,485)	-	-
Notes and accounts payable		228,844	(228,844)	(228,844)	-	-
Current and non-current lease liabilities		23,850	(24,303)	(15,515)	(8,310)	(478)
Other payables		145,504	(145,504)	(145,504)	-	-
Guarantee deposits		1,711	(1,711)	-	-	(1,711)
	$	**934,271**	**(934,724)**	**(821,789)**	**(64,511)**	**(48,424)**

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

(iii) Currency risk

1) Exposure of foreign currency risk

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

		December 31, 2022			December 31, 2021		
		Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets							
Monetary items							
USD	$	5,215	USD/NTD =30.71	160,153	16,891	USD/NTD =27.68	467,543
Financial liabilities							
Monetary items							
USD	$	11,456	USD/NTD =30.71	351,814	8,584	USD/NTD =27.68	237,605

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

2) Sensitivity analysis

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

		2022	2021
		Loss before income tax increased (decreased)	**Profit before income tax increased (decreased)**
USD (against to NTD)			
Strengthening 5%	$	9,583	11,497
Weakening 5%		(9,583)	(11,497)

3) Foreign exchange gains and losses on monetary items

As the Company deal in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gain and losses (including realized and unrealized) for the years ended December 31, 2022 and 2021 were loss of $8,773 and $9,273, respectively.

(iv) Interest rate analysis

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

		Carrying value	
		December 31, 2022	**December 31, 2021**
Variable rate instruments:			
Financial assets	$	73,966	209,478
Financial liabilities		592,507	496,572

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1 basis point when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

(Continued)

LEADTEK RESEARCH INC.

Notes to the Financial Statements

If the interest rate had increased or decreased by 1 basis point, the Company's net income would have decreased or increased by $1,296 for the year ended December 31, 2022 and increased or decreased by $718 for the year ended December 31, 2021 with all other variable factors remaining constant. This is mainly due to the Company's variable rate bank borrowings and deposits.

(v) Fair value of financial instruments

1) Valuation procedure

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

The Company uses the observable market data to evaluate its assets and liabilities. The different inputs of levels of fair value hierarchy in determination of fair value are as follows:

Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

2) Categories of financial instruments and fair value hierarchy

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

	December 31, 2022				
	Carrying value	Fair vlaue			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily at fair value through profit or loss	$ 34,446	4,346	-	30,100	34,446
Financial assets at fair value through other comprehensive income	5,844	-	-	5,844	5,844
Financial assets measured at amortized cost					
Cash and cash equivalents	76,404	-	-	-	-
Notes and accounts receivable (including related parties)	197,620	-	-	-	-
Other receivables	3,720	-	-	-	-
Other financial assets - current	78,000	-	-	-	-
Refundable deposits	11,397	-	-	-	-
Subtotal	367,141				
	$ 407,431				
Financial liabilities measured at amortized cost					
Secured bank borrowings	$ 485,832	-	-	-	-
Unsecured bank borrowings	290,175	-	-	-	-
Unsecured borrowings (non-financial institution)	28,383	-	-	-	-
Notes and accounts payable	177,771	-	-	-	-
Lease liabilities	9,952	-	-	-	-
Other payables	128,202	-	-	-	-
Guarantee deposits	1,600	-	-	-	-
	$ 1,121,915				

	December 31, 2021				
	Carrying value	Fair vlaue			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets at fair value through profit or loss, mandatorily measured at fair value	$ 4,965	4,965	-	-	4,965
Financial assets at fair value through other comprehensive income	7,357	-	-	7,357	7,357

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

	December 31, 2021				
	Carrying value	Fair vlaue			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	213,533	-	-	-	-
Notes and accounts receivable (including related parties)	448,998	-	-	-	-
Other receivables	2,830	-	-	-	-
Other financial assets - current	52,996	-	-	-	-
Refundable deposits	12,241	-	-	-	-
Subtotal	730,598				
	$ 742,920				
Financial liabilities measured at amortized cost					
Secured bank borrowings	$ 483,146	-	-	-	-
Unsecured bank borrowings	42,731	-	-	-	-
Unsecured borrowings (non-financial institution)	8,485	-	-	-	-
Notes and accounts payable	228,844	-	-	-	-
Lease liabilities	23,850	-	-	-	-
Other payables	145,504	-	-	-	-
Guarantee deposits	1,711	-	-	-	-
	$ 934,271				

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

5) Reconciliation of Level 3 fair values

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

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

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

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

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

Most of fair value measurements of the Company which are categorized as equity investment instruments into Level 3 have several significant unobservable inputs. Significant unobservable inputs of equity instrument without a quoted price are independent of each other.

(Continued)

Quantified information of significant unobservable inputs was as follows:

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

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

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

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

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

(w) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(ii) Risk management framework

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

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

(iii) Credit risk

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

1) Accounts receivable

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

2) Financial instruments

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

3) Guarantees

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(iv) Liquidity risk

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

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

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

(v) Market risk

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

1) Currency risk

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

2) Interest rate risk

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

(x) Capital Management

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

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

	December 31, 2022	December 31, 2021
Total liabilities	$ 1,172,841	977,703
Total assets	1,682,976	1,731,255
Debt to equity ratio	70 %	56 %

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

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

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

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

			Non-Cash changes	
	January 1, 2022	Cash flows	Acquisition	December 31, 2022
Current borrowings	$ 358,805	320,780	-	679,585
Non-current portion of non-current borrowings	175,557	(50,752)	-	124,805
Guarantee deposits	1,711	(111)	-	1,600
Lease liabilities	23,850	(15,478)	1,580	9,952
Total liabilities from financing activities	**$ 559,923**	**254,439**	**1,580**	**815,942**

			Non-Cash changes	
	January 1, 2021	Cash flows	Acquisition	December 31, 2021
Current borrowings	$ 281,557	77,248	-	358,805
Non-current portion of non-current borrowings	158,437	17,120	-	175,557
Guarantee deposits	1,261	450	-	1,711
Lease liabilities	34,422	(14,225)	3,653	23,850
Total liabilities from financing activities	**$ 475,677**	**80,593**	**3,653**	**559,923**

LEADTEK RESEARCH INC.

Notes to the Financial Statements

(7) Related-party transactions

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Company
Leadtek Japan (LR JPY)	A subsidiary of the Company
Leadhope International Inc. (Leadhope International)	〃
Wegene Technology Inc. (Wegene)	〃
Leadtek Research Inc. (Leadtek Shanghai)	〃
Airbom AI Co., Ltd. (Airbom AI)	〃
Shengyang Wegene Technology Inc. (Shengyang Wegene)	〃
ApoDx Technology, Inc. (ApoDx)	An associate of the Company
Leadtek Clouding Solution (Proprietary) Limited	An associate of the Company
Blueside Inc.	The entity with significant influence over the Company
Mr K.S. Lu	Chairman of the Company

(b) Significant transactions with related parties

(i) Sale revenue

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

	2022	2021
Leadtek Shanghai	$ 1,479,446	1,569,527
Other subsidiaries	902	17,749
Associates	14	41
	$ 1,480,362	**1,587,317**

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

(ii) Purchases and other operating cost

	2022	2021
Associates	**$ 1,209**	**885**

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(iii) Receivables from related parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Accounts receivable	Leadtek Shanghai	$ 26,611	132,093
Accounts receivable	Other subsidiaries	3,608	12,275
Other receivables	Blueside	$ 3,720	2,830
		$ 33,939	**147,198**

Please refer to Note (6)(c) and (6)(d) for the assessment of loss allowance, other receivables are mainly interest receivables from loans to related parties.

(iv) Payables to related parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Other payables	Associates	**$ 687**	**418**

(v) Loans to Related Parties

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

	Highest balance of financing to other parties		Other receivables	
Related party	**2022**	**2021**	**December 31, 2022**	**December 31, 2021**
Leadhope International	**$ 26,596**	**27,040**	26,596	26,596
Less: Loss allowance			(26,596)	(26,596)
			$ -	**-**

The Company lent the loans to subsidiary. The interest rate is determined based on the average rate of the short term borrowings entered into with financial institutions during the year. The loans were borrowed without collaterals and were recognized under other receivables-related parties. As of December 31, 2022 and 2021, the interest income amounted to $798 and $811, respectively.

The Company lent Leadhope International loan, amounted to $35,000 for the year of the year ended December 31, 2017, Leadhope International enetered into a balance transfer with its related party due to business transactions.The balances as of December 31, 2022 and 2021 were both $26,596.The said loans have all been recognized as impairment losses since the recovery is expected to be low. For the years ended December 31, 2022 and 2021, $0 and $444 have been recovered, respectively.

(Continued)

LEADTEK RESEARCH INC.

Notes to the Financial Statements

(vi) Service Expense

The labor expenses incurred and labor charges payable at the end of the period in respect of market research or product selling operation by subsidiaries, on behalf of the Company as commissioned, are recognized under operating expenses and other payables respectively, the details are as follows:

		2022	2021
Service Expenses			
LR JPY	$	6,384	10,930
Leadhope International		600	2,600
Other subsidiaries		362	776
	$	**7,346**	**14,306**

(vii) Guarantees

The credit lines of the guarantees the Company to related parties were as follows:

		December 31, 2022	December 31, 2021
Leadtek Shanghai	$	**46,065**	**41,520**

(viii) Lease

The Company leases several office floors and miscellaneous equipment to related parties to collect monthly rent payments, the details are as follows:

		December 31, 2022	December 31, 2021
Lease income:			
Leadhope International	$	73	120
Wegene		58	60
Airbom AI		100	229
	$	**231**	**409**

(c) Compensation of key management

(i) Compensation for key management personnel

		2022	2021
Short-term employee benefits	$	30,723	29,998
Post-employment benefits		756	756
	$	**31,479**	**30,754**

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(ii) Guarantee

As of December 31, 2022 and 2021, the Company had unused credit lines from long term and short term borrowings of $906,422 and $961,572, respectively. These borrowings are guaranteed by key managements who act as joint guarantors.

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

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

(9) Commitments and contingencies:

(a) Significant unrecognized commitments

As of December 31, 2022 and 2021, the Company's stand-by letters of credit due to the purchase of raw materials provided by the bank were amounted to $61,420 and $55,360, respectively.

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

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

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

By funtion / By item	2022 Cost of Sale	2022 Operating Expense	2022 Total	2021 Cost of Sale	2021 Operating Expense	2021 Total
Employee benefits						
Salary	60,224	221,844	282,068	62,073	205,204	267,277
Labor and health insurance	6,061	20,063	26,124	5,866	18,160	24,026
Pension	2,916	10,830	13,746	2,851	9,869	12,720
Remuneration of directors	-	5,205	5,205	-	7,575	7,575
Other employee benefits expense	3,496	9,325	12,821	3,693	8,825	12,518
Depreciation	6,803	24,724	31,527	5,867	22,534	28,401
Amortization expense	-	7,170	7,170	-	4,240	4,240

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

The information about number of employees and employee benefit expenses for the years ended December 31, 2022 and 2021 was as follows:

	2022	2021
Number of employees	336	321
Non-employee directors	6	6
Average benefit expense per employee	$ 1,014	1,005
Average salary expense per employee	$ 855	848
Average salary expense adjustment per employee	0.83 %	

The Company's remuneration policy is as follows:

(i) Directors

1) Remuneration: In accordance with Article 17 of the Articles of incorporation, the Company should, in the performance of job duties, pay directors a fixed monthly remuneration (the amount of which shall be determined by the Board), irrespective of the profits or losses of the Company's operations.

2) Remuneration: If the Company incurred earnings for the year, the earnings shall first be used to offset against any deficits; the remainder, if any, a minimum of 5% of the annual profit before tax shall be appropriated as remuneration to directors.

(ii) Managers and Employees

1) Salaries: salaries are based on market conditions, in line with the Company’s operating conditions, individual performance and salaries adjustment policies.

2) Employee Remuneration: In accordance with Article 20 of the Articles of incorporation, if the Company incurred earnings for the year, the earnings shall first be used to offset against any deficits; the remainder, if any, a minimum of 3% of the annual profit before tax shall be appropriated as remuneration to employees.

3) Bonus for Product segment: According to the annual performance bonus policy, each business segment is rewarded with bonus when its operation incurred profit.

4) Retirement and pension: the provisions is based on the relevant provisions of the Labor Standards Law and the Labor Pension Act.

5) Employee share options: Pursuant to the resolutions of the Board and the employee share options policy, the number of shares that a manager or employee may be granted is based on terms of seniority, job grade, performance achievement and overall contribution to the Company.

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral Item	Collateral Value	Individual funding loan limits	Maximum limit of fund financing	Note
0	The Company	LEADHOPE INTERNATIONAL	Other payables - related parties	Yes	26,596	26,596	26,596	3%	Short term financing	-	Repayments of debt	(26,596)	None	-	51,014	204,054	Note 4
1	LEADHOPE INTERNATIONAL	Blueside Inc.	〃	〃	26,596	26,596	26,596	3%	Business Activity	48,000		(26,596)	None	-	-	-	Note 5
	Total					53,192	53,192										

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

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

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

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

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
0	The Company	Leadtek Shanghai	Fully owned company	153,041	48,323	46,065	46,065	-	9.03 %	204,054	Y	N	Y

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

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

(In Thousands of New Taiwan Dollars)

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

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details Purchase/ Sale	Amount	Percentage of total purchases/ sales	Payment terms	Transactions with terms different from others Unit price	Payment terms	Notes/Accounts receivable (payable) Ending balance	Percentage of total notes/accounts receivable (payable)	Note
The Company	Leadtek Shanghai	Fully owned company	Sales	(1,479,446)	(41.96)%	OA45~90days	Same as regular transaction	-	Accounts receivable 26,611	13.47%	Note
Leadtek Shanghai	The Company	Parent Company	Purchase	1,479,446	51.99%	OA45~90days	-	-	Accounts payable (26,611)	(95.55)%	〃

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:None

(ix) Information derivative financial instruments transaction:None

(b) Information on investees:

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

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2022	Original investment amount December 31, 2021	Balance as of December 31, 2022 Shares (thousands)	Balance as of December 31, 2022 Percentage of wnership	Balance as of December 31, 2022 Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	LR BVI	The British Virgin Islands	Investment Holding	255,328	255,328	7,500	100.00 %	424,827	(39,266)	(39,646)	Note 1, 4, 5
The Company	LR JPY	Japan	Responsible for the marketing and after-sales services of the Company's products in the Japanese market	10,688	10,688	3	100.00 %	1,320	(3,403)	(3,403)	〃
The Company	LEADHOPE INTERNATIONAL	Taiwan	Agent, broker, trader and operator of software	165,749	165,749	1,657	71.36 %	(2,549)	371	265	Note 1, 5
The Company	Airborn AI	Taiwan	Computer equipment installation and data processing	10,000	10,000	1,000	100.00 %	3,098	(1,279)	(1,279)	〃
The Company	Wegene	Taiwan	Research, development, commission and sell medical equipment and health food products	24,317	24,317	100	100.00 %	445	327	327	〃
The Company	Samoa Wegene	Samoa	Investment Holding	10,077	10,077	320	100.00 %	(6,287)	602	602	Note 1, 4, 5
The Company	ApoDx Technology, Inc.	Taiwan	Sales of medical equipment and information software	3,746	3,746	2,255	13.58 %	-	-	-	Note 2
The Company	LR CS	Swaziland	Wireless cloud services and e-commerce	3,302	3,302	50	50.00 %	-	-	-	〃
								420,854	(42,648)	(43,134)	
LEADHOPE INTERNATIONAL	Leadhope (H.K.)	Hong Kong	Agent, broker, trader and operator of software	129,690	129,690	-	100.00 %	140	(332)	(332)	Note 3, 4, 5
Wegene	ApoDx Technology, Inc.	Taiwan	Sales of medical equipment and information software	1,350	1,350	1,175	7.08 %	-	-	-	Note 2

Note 1: Subsidiaries that have control.
Note 2: Investee accounted for using equity method.
Note 3:Sub-Subsidiaries that have control.
Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.
Note 5: The transaction has been eliminated in the consolidated financial statements.

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

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

(ii) Limitation on investment in Mainland China:

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

Note 1: Investment in companies in Mainland China through the existing companies in the third regions.
Note 2: Invest company in mainland China through the investment on company located at the third.
Note 3: Investment gain/loss recognition basis exclude Shenyang Wegene and Zero TC because they are not material and are recognized based on the consolidated financial statements of the investee. Leadtek Shanghai is recognized based on the financial statements audited by the accountants of the parent company in Taiwan.
Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.
Note 5: The above inter-company transactions have been eliminated when preparing the consolidated financial statements, except Zero TC.

(iii) Significant transactions:

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

(Continued)

LEADTEK RESEARCH INC.
Notes to the Financial Statements

(d) Major shareholders: None.

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

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

(14) Segment information:

Please refer to the consolidated financial reports for the year ended December 31, 2022.

Leadtek Research Inc.

Statement of cash and cash equivalents

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Foreign currency deposits		$ 109
Checking and demand deposits	NTD	23,456
	Foreign currency (USD 1,652 thousand, HKD 426 thousand and others)	52,839
		$ 76,404

Note：The exchange rate is 30.71 New Taiwan Dollars for 1 USD ; 3.938 New Taiwan Dollars for 1 HKD.

Statement of notes and accounts receivable

Item	Description	Amount
E Corporation	None-related party sales	$ 18,890
F Corporation	〃	19,487
Q Corporation	〃	15,752
Z Corporation	〃	25,600
Others (Note)	〃	88,009
Subtotal		167,738
Less: Allowance for uncollectible accounts		(337)
Notes and Accounts Receivable-net of none-related parties		**$ 167,401**

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

Leadtek Research Inc.

Statement of inventories

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Cost	Net realizable value
Finished goods	$ 60,262	
Less: Allowance for loss on inventory	(9,849)	
	50,413	76,668
Products in progress / Semi-finished goods	499,173	
Less: Allowance for loss on inventory	(58,712)	
	440,461	480,072
Raw material	173,705	
Less: Allowance for loss on inventory	(69,926)	
	103,779	106,583
	$ 594,653	**663,323**

Statement of Other Current Financial Assets

Item	Description	Amount
Restricted assets	Reserve account for current material-purchasing loans	**$ 78,000**

Statement of changes in property, plant and equipment

Please refer to Note 6(h).

Leadtek Research Inc.

Statement of changes in investments accounted for using the equity method

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

	Balance, January 1, 2022		Increase		Decrease (Note 1)		Share of profits (losses) recognized		Amount of exchanges difference on translation foreign operations		Other adjustment		Ending Balance				
Investees Company	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of holding shares	Amount	Net assets value	Pledge or collateral
Long-term investments at equity:																	
LR BVI	7,500	465,328	-	-	-	-	-	(39,646)	-	7,122	-	(7,977)(Note 2)	7,500	100.00	424,827	445,416	None
LR JPY	3	4,963	-	-	-	-	-	(3,403)	-	(240)	-	-	3	100.00	1,320	1,320	〃
Leadhope International Inc.	16,575	(2,841)	-	-	14,918	-	-	265	-	27	-	-	1,657	71.36	(2,549)	(21,528)	〃
WeGene Technology, Inc.	100	118	-	-	-	-	-	327	-	-	-	-	100	100.00	445	445	〃
ApoDx Technology, Inc.	2,255	-	-	-	-	-	-	-	-	-	-	-	2,255	13.58	-	(16,506)	〃
Samoa WeGene	320	(6,789)	-	-	-	-	-	602	-	(100)	-	-	320	100.00	(6,287)	(6,250)	〃
LR CS	50	-	-	-	-	-	-	-	-	-	-	-	50	50.00	-	-	〃
Airborn AI Co., Ltd	1,000	4,377	-	-	-	-	-	(1,279)	-	-	-	-	1,000	100.00	3,098	3,098	〃
		465,156		-		-		(43,134)		6,809		(7,977)			420,854		
Net of long-term investments		9,630		-		-		-		-		(794)			8,836		
Total		$ 474,786		-		-		(43,134)		6,809		(8,771)			429,690		

Note1: Please refer to Note(g) for current decrease.
Note2: Unrealized gain or loss (upstream or downstream transactions) of 7,977 thousand dollars from affiliated company.

Leadtek Research Inc.

Statement of Current borrowings

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Type of loan	Description	Ending Balance	Contract Period	Range of Interest Rates (%)	Credit lines	Collaterals or pledged assets
Borrowing from financial institutions	Loans for material purchasing	$ 50,000	2022.02.18~2022.11.09	1.36%~1.61%	50,000	Land, Buildings and Construction
〃	〃	108,138	2022.09.16~2023.05.24	1.775%~6.184%	150,000	None
〃	〃	39,970	2022.12.02~2023.06.07	2.722%~7.094%	90,000	Land, Buildings, Construction and reserve account
〃	〃	116,312	2022.08.04~2023.06.27	4.873%~6.935%	189,900	None
〃	〃	260,100	2022.01.28~2023.12.12	1.725%~2.226%	260,100	Land, Buildings, Construction and Reserve account
〃	〃	35,065	2022.10.17~2023.10.17	2.226%	42,000	None
〃	〃	56,800	2022.12.02~2023.12.02	2.79%	56,800	Land, Buildings and Construction
〃	〃	13,200	2022.12.02~2023.12.02	2.79%	13,200	None
		$679,585				

Statement of notes payable

Item	Description	Amount
Accounts payable		
I Corporation	None related party operating costs	$ 95,041
IV Corporation	〃	20,252
V Corporation	〃	34,289
Others (Note)	〃	28,189
		$ 177,771

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

Leadtek Research Inc.

Statement of other payables

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Accrued payroll and bonuses		$ 59,872
Employee benefit provisions		11,091
Others (Note)	Freight, shipping fee, etc.	62,134
		$ 133,097

Note: The amount of individual item included in others does not exceed 5% of the account balance.

Leadtek Research Inc.

Statement of Non-current portion of non-current borrowings

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Creditor	Amount	Contract term	Range of interest rates (Note)	Collaterals or pledged assets
Financial institution:				
Chang Hwa Bank	$ 16,584	2020.07.02~2023.12.03		Small and medium enterprise credit guarantee fund
〃	1,843	2020.07.02~2023.12.03		None
Jin Sun Bank	21,589	2021.12.16~2024.12.16		Small and medium enterprise credit guarantee fund
〃	5,397	2021.12.16~2024.12.16		None
Bank of Kaohsiung	15,510	2021.11.17~2024.11.17		Small and medium enterprise credit guarantee fund
〃	3,901	2021.11.17~2024.11.17		None
Bank of Panhsin	4,746	2021.07.30~2023.07.30		Small and medium enterprise credit guarantee fund
〃	1,186	2021.07.30~2023.07.30		None
Shanghai Bank	20,533	2021.08.13~2026.05.13		Small and medium enterprise credit guarantee fund
〃	5,133	2021.08.13~2026.08.13		None
	96,422			
Non financial institution:				
Co-Operative Assets Management Co.	28,383	2022.12~2024.05		None
	28,383			
Subtoal	124,805			
Less: current portion	(72,722)			
	$ **52,083**			

Note: Range of interest rate is 2.35%~3.5% when creditor is the financial institution; otherwise, interest rate is 4.2251%.

Leadtek Research Inc.

Statement of operating revenue

Item	Quantity (thousand units)	Amount
Computer Products	342	$ 3,346,796
Medical Products	1,021	107,568
Others (Note 2)		71,293
Net sales revenue		**$ 3,525,657**

Note 1: The above amount is the net amount of sales returns and discounts.

Note 2: The amount of individual item included in others does not exceed 5% of the account balance.

Leadtek Research Inc.

Statement of operating expenses

For the year ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	
	Subtotal	Total
Cost of self-made products sold	$	3,179,371
Raw materials	264,046	
Raw materials, beginning of the year	158,382	
Add: Purchases	295,022	
Less: Raw materials, end of the year	173,705	
Transferred to cost of goods purchased and sold	12,201	
Transferred to operating expenses	3,452	
Direct labor	33,624	
Manufacturing expenses	59,547	
Manufacturing costs	357,217	
Add: work-in-progress, beginning of the year	150,656	
Purchases	3,190,265	
Less: work-in-progress, end of the year	499,173	
Transferred to operating expenses	12,263	
Cost of finished goods	3,186,702	
Add: Finished goods, beginning of the year	55,248	
Pruchases	13	
Less: Finished goods, end of the year	60,262	
Transferred to operating expenses	2,330	
Other operating costs		55,670
Cost of materials sold	12,201	
Allowance for obsolesence loss and inventory valuation	48,395	
Decrease in product warranty provision	(4,926)	
Operating Costs		**$ 3,235,041**

Leadtek Research Inc.

Statement of selling expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Wages and salaries	$ 88,292	36,553	112,989
Service expense	16,589	11,593	13,532
Insurance	12,466	3,092	10,050
Depreciation	11,273	7,419	6,032
Others (Note)	40,913	13,854	24,673
Total	**$ 169,533**	**72,511**	**167,276**

Note: The amount of individual item included in others does not exceed 5% of the account balance.

VI. Impact on the company's finance of financial difficulties, if any, of the company and affiliates in the most recent year and by the date of report publication: None.

Seven. Review and analysis of the financial position and operational performance and risk management:

I. Financial position

Comparison of financial position of the past two years:

Unit: NTD thousands

Year / Item	2022	2021	Difference	
			Amount	%
Current assets	1,629,505	1,741,438	(111,933)	(6.43)
Property, plant, and equipment	192,806	193,692	(886)	0.46
Other assets	205,935	77,114	128,821	167.05
Total assets	2,028,246	2,012,244	16,002	0.80
Current liabilities	1,375,160	1,144,836	230,324	20.12
Non-current liabilities	143,974	114,996	28,978	25.20
Total liabilities	1,519,134	1,259,832	259,302	20.58
Share capital	589,460	535,873	53,587	10.00
Capital surplus	475	475	0	0.00
Retained earnings	(95,862)	227,868	(323,730)	(142.07)
Other equity interest	(6,725)	(10,664)	3,939	(36.94)
Non-controlling interests	(1,023)	(1,140)	117	(10.26)
Total equity	509,112	752,412	(243,300)	(32.34)

Major causes and impacts of significant changes in assets, liabilities, and equity in the past two years, and the future response plan (difference up to 20% and more than NT$10 million).

(1) The increase in other assets was mainly due to the increases in non-current financial assets at fair value, right-of-use assets, and deferred tax assets.
(2) The increase in current liabilities was due to the increase in short-term borrowings.
(3) The increase in non-current liabilities was due to the increase in non-current contract liabilities and lease liabilities.
(4) The decrease in retained earnings was due to net loss in 2022.
(5) The decrease in total equity was due to net loss in 2022.

II. Financial performance

(I) Comparison of operational results in the past two years

Unit: NTD thousands

Year / Item	2022	2021	Increased (reduced) amount	Change ratio %
Operating revenue	5,311,418	8,823,056	(3,511,638)	(39.80)
Operating costs	4,704,607	7,253,418	(2,548,811)	(35.14)
Gross profit	606,811	1,569,638	(962,827)	(61.34)
Operating expenses	759,073	1,016,168	(257,095)	(25.30)
Non-operating income and expenses	(49,161)	(7,908)	(41,253)	521.66
Profit (loss) from continuing operations before tax	(201,423)	545,562	(746,985)	(136.92)
Tax expense (income)	(5,717)	110,933	(116,650)	(105.15)
Profit (loss)	(195,706)	434,629	(630,335)	(145.03)
Other comprehensive income	5,993	971	5,022	517.20
Total Comprehensive income	(189,713)	435,600	(625,313)	(143.55)

Major causes of significant changes in the revenue, net income, and net income before tax in the past two years:
(Analysis of differences up to 20% and an amount over NT$10 million).

(1) The decrease in operating revenue was due to economy slump in 2022.
(2) The decrease in gross profit was due to the decrease in operating revenue and margin rate.
(3) The decrease in operating expenses was due to the decrease in operating revenue, and the overhead expense was decreased in contrast..
(4) The increase in non-operating income and expense was due to the increase in finance cost and foreign exchange losses.
(5) The increase in tax income was due to loss before tax in the current year.

(II) Estimated sales volume and the basis, the potential impacts on the company's future operations, and counteractions:

In the computer industry, continuous sales growth is expected in VD systems during the development towards cloud computing, and massive sales growth in consumer graphics cards is foreseeable due to mining and blockchain application. Significant sales growth is also expected in workstation graphics cards and server HPC cards in the deep learning and AI domains. We will continuously invest in R&D to develop new technology and new products to maintain long-term competitiveness against the changes in the industry.

III. Cash flow:

Analysis of cash flow in the most recent year:

Consolidated financial statements

Unit: NTD thousands

Opening cash balance	Annual net cash flow from operating activities	Annual net cash flow from investing activities	Annual net cash flow from fundraising activities	Effects of changes in foreign exchange rates	Year-end cash balance
476,876	(361,700)	(81,991)	196,343	7,344	236,872

1. Analysis of changes in cash flow in 2022:
   (1) Operating activities (361,700) NTD thousand
   Because the revenues was not as expected, the substantial increase in inventories resulted in much cash outflow in the current year.
   (2) Investing activities: (81,991) NTD thousand
   Due to investment on convertible note and more restrictive assets in the current year, the cash flow from investing activities was negative..
   (3) Financing activities: 196,343 NTD thousand
   Because the cash flow from operating activities was negative, the current borrowings were increased to make up the gap.
2. Improvement plan for inefficient liquidity: None.
3. Analysis of cash liquidity in the next year:

Opening cash balance	Annual net cash flow from operating activities	Annual cash in/out flows	Amount of cash balance (deficiency)	Remedy for cash deficiency	
				Investment plans	Financial management plans
236,872	92,763	43,211	280,083	-	-

Analysis of changes in cash flow in 2022:

(1) Operating activities: It is expected that the profit from operation will generate 92,763 thousands cash inflow.

(2) Investing activities: It is expected to generate 4,582 thousands cash inflow by disposing current financial assets.

(3) Financing activities: It is expected to return current borrowings of 54,134 thousands by cash inflow from operation.

IV. Influence of major capital spending on financial position and operation in the most recent year: None.

V. Re-investment policies, main causes of gains/losses, and improvement plans in the most recent year, and investment plans in the next year:

(I) Re-investment policy:

Overseas subsidiaries are established in response to the Company's operational needs to develop and complete marketing network and provide quick after-sale service. In consideration of the future development strategy, we seek investment partners based on the Company's product ranges and industry.

(II) Analysis of gains or losses on re-investment:

The gains from re-investment recognized according to the equity method in 2022 were NT$ 113 thousand. We adopt the equity method for long-term strategic investments. The losses are within the Company's control.

(III) Re-investment plans in the next year:

Capital increase and marketing channel deployment of existing investees are the Company's major principle. We also invest in companies with unique technology to ensure technological leadership and thereby maintain the Company's competitiveness and growth.

VI. Risk matters required for analysis and assessment in the most recent year and by the date of report publication:

(I) Impact of interest rate, exchange rate, and inflation on the company's financial position and counteractions:

1. Interest rate: We trade on principle with USD and NTD. As the raw material price soared after the outbreak of the Russo-Ukrainian War, the USA will continue to raise interest rates to suppress domestic inflation. The Central Bank of Taiwan also followed suit. In the future, we will repay loans with operating cash inflows to lower the interest rate risk.

2. Exchange rate: Over 90% of our revenues are gained from export

trade mainly using USD. Natural hedging is our main control of currency risk. Other methods include reducing assets in foreign currencies and the net balance of foreign currency liabilities and hedging currency risk with forward exchange contracts for positions with higher foreign currency income.

3. Inflation: Inflation is more significant than before as the raw material price soared after the outbreak of the Russo-Ukrainian War. We adjust sales prices and purchase/sales terms at any time in respect of the market condition. It is expected that the impact of inflation on the Company will be limited.

(II) Policies, main reason(s) for gains or losses, and future counteractions for engaging in high-risk and high-leverage investments, lending, offering guarantees and endorsements, and derivatives transactions.

So far, we have not engaged in high-risk or high-leverage investments. Loans, guarantees, and endorsements for others and derivatives transaction are implemented according to the policies and counteractions stipulated in the Company’s “Procedures for Acquisition and Disposal of Assets”, “Procedures for Engagement with Derivatives Transactions”, “Procedures of Loaning of Funds”, and “Procedures for Making of Endorsements/Guarantees”

(III) Future R&D projects and planned R&D funds:

The R&D projects for computer and smart healthcare products are implemented as scheduled, and the R&D fund is about 3-6% of the Company’s revenue.

(IV) Influence of significant changes in policies and laws at home or abroad on finance and operations and counteractions: None.

(V) Influence of changes in technology (including cybersecurity risks) and industry on finance and operations and counteractions:

We deal with changes in technology and industry by strengthening R&D capability and keep track on the direction of technological and market development at home and abroad.

Additionally, changes in technology also come with business opportunities. Hence, apart from improving product functions and enhancing cost control at ordinary times, we also actively engage in new product R&D to cope with the unpredictable changes in the industry.

(VI) Influence of changes in market presence on crisis management and counteractions: None.

(VII) Expected benefits and potential risks of mergers and acquisitions and countermeasures: None.

(VIII) Expected benefits and potential risks of factory expansion and counteractions: None.

(IX) Potential risk of purchase or sales centralization and counteractions: None.

(X) Influence and potential risk of the massive transfer or exchange of shares of the directors or major shareholders holding over 10% of the shareholding and counteractions: None.

(XI) Influence and risks of management changes and counteractions: None.

(XII) Litigious and non-litigious events: List the major litigious events, non-litigious events, or administrative remedies with confirmed verdicts or in progress of the company and its directors, president, actual person-in-charge, and major shareholders holding over 10% of the shareholding; subsidiaries; and affiliates, and disclose the facts in dispute, target amount, starting date of litigation, major parties involving in the litigation, and the status by the date of report publication when the results of such may significantly affect the equity or stock prices: None.

(XIII) Other material risks and counteractions:

The demand for technology products has reduced as a result of the recent inflation and the impact of COVID-19. Increased prices due to supply shortages will impact the commodity price in the future.

We will keep track on the changes in the macro environment, adjust the organization and operations with flexibility, and improve fund utilization to deal with various changes.

VII. Other important matters: None.

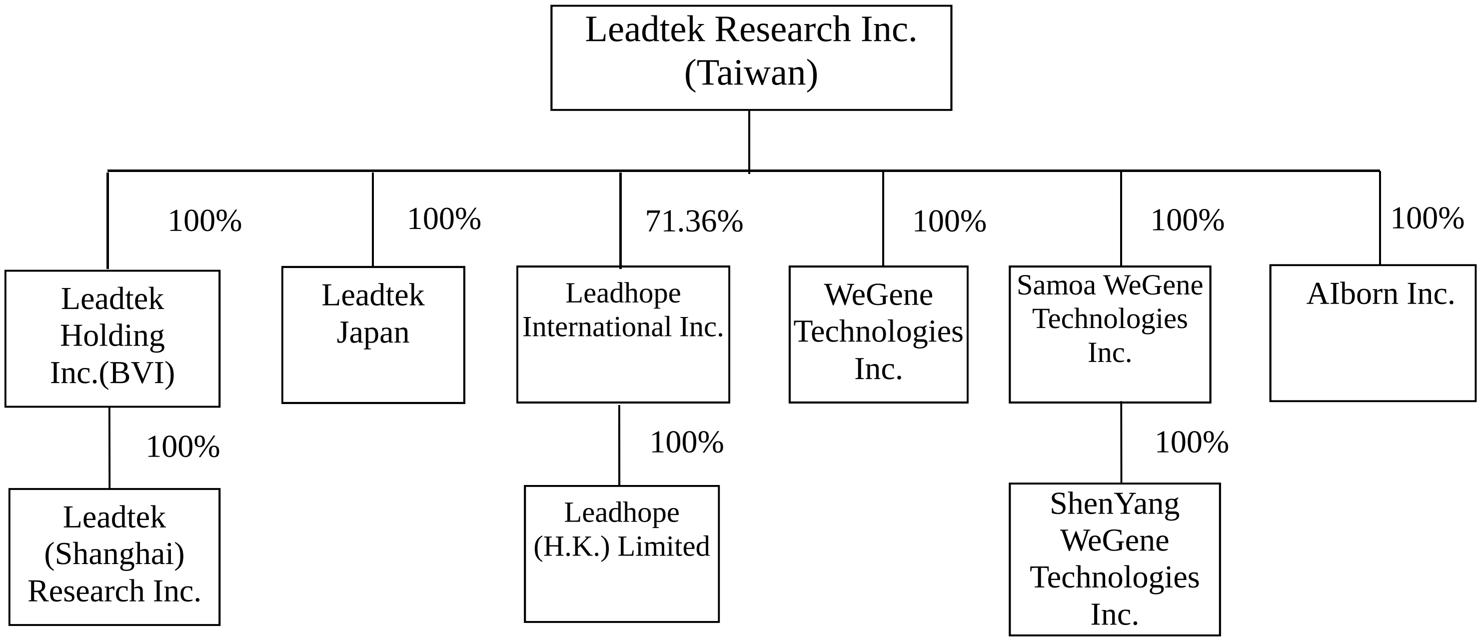
Eight. Special Remarks

I. Information of affiliates

(1) Consolidated business report

1. Overview of affiliates

(1) Organizational chart of affiliates



(2) Basic data of affiliates

Unit: NTD thousand

Name	Date of establishment	Address	Paid-in capital	Major services or products
Leadtek Holding Inc.	Sep. 2001	Beaufort House, P.O. Box 438, Road Town, Tortola British Virgin Islands	USD7,500	Overseas holdings company.
Leadtek Japan	Sep. 2002	8F, L-Kakuei Sasazuka BL., 2-19-2 Sasazuka Shibuya-ku, Tokyo, Japan	JPY30,000	Take charge of the Company’s sales and after-sales service in Japan.
Leadhope International Inc.	Mar. 2002	18F., No.166, Iian 1st Rd., Zhonghe Dist., New Taipei City, Taiwan, R.O.C.	NTD232,286	Software agency, brokerage, trading, and operations
WeGene Technologies Inc.	Oct. 2000	18F., No.166, Iian 1st Rd., Zhonghe Dist., New Taipei City, Taiwan, R.O.C.	NTD1,000	R&D, agency, and sales of medical devices and health food
Samoa WeGene Technologies Inc.	Jun. 2003	P.O. Box 217, Apia, Independent State of Samoa	USD260	Overseas holdings company.
AIborn Inc.	Oct. 2017	8F., No.166, Iian 1st Rd., Zhonghe Dist., New Taipei City, Taiwan, R.O.C.	NTD10,000	Installation of computer equipment and data processing
Leadtek (Shanghai) Research Inc.	May 2002	Room 502C, Block E, No. 1978, Lianhua Road, Minxing District, Shanghai City, P.R.C.	USD5,500	Take charge of the promotion, marketing, and service of the Company’s products in mainland China.
Leadhope (H.K.) Limited	Feb. 2013	Rm 604, Kalok Building 720 Nathan Rd., Kln, Hong Kong	USD4,280	Software agency, distribution, and trading.
ShenYang WeGene Technologies Inc.	Sep. 2003	No. 15-6, Suzheng Street, Linsheng Village, Linsheng Town, Sujiatun District, Shenyang City, P.R.C.	USD260	Agency, and sales of medical devices.

(3) Data of common shareholders inferred to have control or to be in a subordinate relationship in accordance with Article 369-3, *Company Act*: None.

(4) Description of services of affiliates

A. Established Leadtek Holding Inc. in September 2001 as the Company’s overseas holdings company.

B. Established Leadtek Japan in September 2002 for expansion to the Japanese market and improve local customer service.

C. Established Leadhope International Inc. in March 2002 to engage with the agency, brokerage, trading, and operations of computer-related software.

D. Established Wegene Technology, Inc. in October 2000 to engage in the R&D, agency, and sales of medical devices and health food.

E. Established Wegene Technology (Samoa) Inc. in June 2003 as an overseas holdings company.

F. Established Aiborn Inc. in November 2017 to engage in the installation of computer equipment and data processing.

G. Established Leadtek (SHANGHAI) Research Inc. in May 2002 through investment of Leadtek Holding Inc. to take charge of the marketing and after-sale services of the Company’s products in mainland China.

H. Established Leadhope (H.K.) Limited in February 2003 to engage with the agency, brokerage, trading, and operations of computer-related software.

I. Established Wegene Technology (Shenyang) Inc. in September 2003 through investment of Wegene Technology (Samoa) Inc to take charge of the production and sales of the Company’s healthcare products in mainland China.

(5) Data of directors, supervisors, and president of affiliates

Name	Title	Name or name of representative	Shareholding Number of shares	Shareholding percentage	Contribution amount
Leadtek Holding Inc.(BVI)	Chairman & President	Leadtek Research Inc. (Representative: Lu Kun-Shan)	7,500,000	100%	US$ 7,500,000
Leadtek Japan	Chairman & President	Leadtek Research Inc. (Representative: Ma Wei Yuan)	3,000	100.00%	JPY30,000,000
	Director	Leadtek Research Inc. (Representative: Lu Kun-Shan)	3,000	100.00%	JPY30,000,000
	Director	Leadtek Research Inc. (Representative: KuChien PoShih)	3,000	100.00%	JPY30,000,000
	Director	Leadtek Research Inc. (Representative: HsiaoKou ChenYi)	3,000	100.00%	JPY30,000,000
	Supervisor	LingMuYiLang	-	-	-
Leadhope International Inc.	Chairman & President	Leadtek Research Inc. (Representative: Lu Kun-Shan)	1,657,496	71.36%	NT$16,574,960
	Director	Leadtek Research Inc. (Representative: Yang Chin-Tien	1,657,496	71.36%	NT$16,574,960
	Director	Leadtek Research Inc. (Representative: Huang Chi-Cheng	1,657,496	71.36%	NT$16,574,960
	Director	N3 Games (Representative: Sang Yoon Lee)	287,500	12.38%	NT$2,875,000
	Director	Blueside Inc. (Representative:Se Jung Kim)	205,360	8.84%	NT$2,053,600
	Supervisor	Yu Chin-Chang	7,700	0.47%	NT$77,000

Name	Title	Name or name of representative	Shareholding Number of shares	Shareholding percentage	Contribution amount
	Supervisor	Hsiung Mu Wen	963	0.06%	NT$9,630
WeGene Technologies Inc.	Chairman & President	Leadtek Research Inc (Representative: Lu Kun-Shan)	100,000	100.00%	NT$1,000,000
	Director	Leadtek Research Inc (Representative: Yu Chin-Chang	100,000	100.00%	NT$1,000,000
	Director	Leadtek Research Inc (Representative: Yang Chin-Tien)	100,000	100.00%	NT$1,000,000
	Director	Leadtek Research Inc (Representative: Lee Wen Te)	100,000	100.00%	NT$1,000,000
	Director	Leadtek Research Inc (Representative: Yu Chao-Jung	100,000	100.00%	NT$1,000,000
	Supervisor	Leadtek Research Inc (Representative: Lee Wei Yu)	100,000	100.00%	NT$1,000,000
Samoa WeGene Technologies Inc.	Chairman & President	Leadtek Research Inc (Representative: Lu Kun-Shan)	260,400	100%	US$260,400
AIborn Inc.	Chairman & President	Leadtek Research Inc (Representative: Lu Kun-Shan)	1,000,000	100%	NT$10,000,000
	Director	Leadtek Research Inc (Representative: Chou Shih-Wei)	1,000,000	100%	NT$10,000,000
	Director	Leadtek Research Inc (Representative: Chang Shen)	1,000,000	100%	NT$10,000,000

Name	Title	Name or name of representative	Shareholding Number of shares	Shareholding percentage	Contribution amount
	Supervisor	Leadtek Research Inc. (Representative: Lee Wen Te)	1,000,000	100%	NT$10,000,000
Leadtek (Shanghai) Research Inc.	Chairman	Leadtek Holding Inc (Representative: Yang Chin Tien)	-	100%	US$ 5,500,000
	Director	Leadtek Holding Inc (Representative: Lu Kun-Shan)	-	100%	US$ 5,500,000
	Director	Leadtek Holding Inc (Representative: Chou Shih-Wei)	-	100%	US$ 5,500,000
	Supervisor	Leadtek Holding Inc. (Representative: Liang Ching-Ling)	-	100%	US$ 5,500,000
	President	Wang Feng	-	-	-
Leadhope (H.K.) Limited	Chairman & President	Lu Kun-Shan	-	100%	US$4,280,000
ShenYang Wegene Technologies Inc.	Chairman & President	Samoa Wegene Technologies Inc. (Representative: Wang Feng)	-	100%	US$260,300-

2. Status of operations of affiliates:

2022.12.31 Unit: NTD thousands

Name	Share capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Current net profit (after tax)	EPS (NTD)
Leadtek Holding Inc.(BVI)	230,325	445,416	-	445,416	-	-	(39,266)	(5.24)
Leadtek Japan	6,972	5,815	4,495	1,320	7,219	(3,437)	(3,403)	(1,134.29)
Leadhope International Inc.	23,229	290	30,457	(30,167)	876	57	371	0.16
WeGene Technologies Inc.	1,000	594	149	445	788	298	327	3.27
SamoaWeGene Technologies Inc.	9,839	(6,250)	-	(6250)	-	-	602	1.88
AIborn Inc.	10,000	3,228	131	3,097	19	(1,285)	(1,279)	(1,280)
Leadtek (Shanghai) Research Inc.	168,905	822,910	377,504	445,406	326,2897	(22,444)	(39.266)	(0.88)
Leadhhope (H.K.) Limited	131,439	313	173	140	-	(332)	(332)	(0.08)
ShengYang WeGene Technologies Inc.	9,836	4,109	10,367	(6,258)	2,869	770	602	0.28

(II) Statement of consolidated financial statements of affiliates

(III) Relationship report: Our affiliates include: Leadtek Holding Inc. (BVI), Leadtek Japan, Leadhope International Inc., WeGene Technologies Inc., SamoaWeGeneTechnologies Inc., AIborn Inc., Leadtek (Shanghai) Research Inc., Leadhope (H.K.) Limited, and ShenYang WeGene Technologies Inc. As none of them is a public company, a relationship report by law is thus not necessary.

II. Private placement of securities in the most recent year and by the date of report publication: None.

III. Holding or disposal of the Company's shares by subsidiaries in the most recent year and by the date of report publication: None.

IV. Other supplementary information: None.

V. Matters with significant impact on equity or stock prices as stipulated in Article 36, paragraph 2, subparagraph 2, *Securities and Exchange Act* in the most recent year and by the date of report publication: None.

Leadtek Research Inc.

Lu Kun-Shan, Chairman

LEADTEK

Leadtek Research Inc.