Stock Code:3046

# AOPEN INCORPORATED AND SUBSIDIARIES

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

Address: 7F-5, No. 369, Fuxing N. Rd., Songshan District, Taipei City, Taiwan
Telephone: 886-2-7710-1195

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

# Table of contents

| Contents | Page |
|---|---|

## Representation Letter

The entities that are required to be included in the combined financial statements of AOPEN Incorporated 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 of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, AOPEN Incorporated and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

AOPEN Incorporated
Victor Chien
Chairman
March 15, 2023

安侯建業聯合會計師事務所
KPMG
台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)
電 話 Tel + 886 2 8101 6666
傳 真 Fax + 886 2 8101 6667
網 址 Web kpmg.com/tw

# Independent Auditors' Report

To the Board of Directors
AOPEN Incorporated:

## Opinion

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

In our opinion, based on our audits and the reports of other auditors (refer to the paragraph on Other Matter of our report), 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"), and 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

KPMG



**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.

Key audit matters for the consolidated financial statements for the year ended December 31, 2022 are stated as follows:

1. Revenue recognition

   Refer to note 4(o) and note 6(t) for accounting policy on revenue recognition and related disclosures of revenue, respectively.

   Description of key audit matter:

   Revenue is recognized depending on the various trade terms agreed with customers. This exposes the Group to the risk that the sales transactions made close to the balance sheet date are not recorded in the appropriate period. Therefore, the revenue recognition has been identified as one of our key audit matters.

   How the matter was addressed in our audit:

   In relation to the key audit matters above, we have performed certain audit procedures including, among others, testing the design and operating effectiveness of the Group's internal controls over financial reporting in the sales; assessing whether revenue is recognized based on the trade terms with customers through reviewing the related sales contracts or other trade documents; and performing a sample test of sales transactions taking place before and after the balance sheet date to ensure that revenue was recognized in the appropriate period.

2. Valuation of inventories

   Refer to note 4(h) and note 6(f) for accounting policy on inventory valuation and related disclosures of inventories, respectively.

   Description of key audit matter:

   Inventories are measured at the lower of cost and net realizable value. Due to the rapid industry change and fierce market competition, which could possibly result in a price decline and obsolescence of inventory, the valuation of inventories has been identified as 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, obtaining the inventory aging report and analyzing the fluctuation of inventory aging; selecting samples to verify the accuracy of the net realizable value of inventories and inventory aging report prepared by the Group; evaluating whether the valuation of inventories was accounted for in accordance with the Group's accounting policies; and assessing the historical reasonableness of management's estimates on inventory provisions.

**Other Matter**

We did not audit the financial statements of the investment accounted for using the equity method. The financial statements of Apex Material Technology Corp. were audited by other auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Apex Material Technology Corp., is based solely on the report of other auditor. The investment in Apex Material Technology Corp. accounted for using the equity method constituted 18.58% and 17.80% of the total consolidated assets as of December 31, 2022 and 2021, respectively, and the related share of profit of associates accounted for using the equity method constituted 15.77% and 24.14% of the consolidated net income before tax, for the years ended December 31, 2022 and 2021, respectively.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs, IASs, IFRIC, and SIC endorsed and issued into effect 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 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 Wei-Ming Shih and Chun-I Chang.

KPMG

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

**Notes to Readers**

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

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

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

# AOPEN INCORPORATED AND SUBSIDIARIES

## Consolidated Balance Sheets

## December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | $ 604,499 | 34 | 624,489 | 37 |
| 1110 | Financial assets measured at fair value through profit or loss — current (note 6(b)) | 34 | - | 967 | - |
| 1170 | Notes and accounts receivable, net (notes 6(d) and (t)) | 53,926 | 3 | 94,118 | 6 |
| 1180 | Accounts receivable from related parties (notes 6(d), (t) and 7) | 414,653 | 23 | 379,975 | 22 |
| 1200 | Other receivables (note 6(e)) | 788 | - | 930 | - |
| 1210 | Other receivables due from related parties (notes 6(e) and 7) | - | - | 31 | - |
| 1220 | Current income tax assets | 1,619 | - | 3,132 | - |
| 130x | Inventories (note 6(f)) | 241,057 | 13 | 155,337 | 9 |
| 1479 | Other current assets | 45,072 | 3 | 40,559 | 3 |
| | **Total current assets** | 1,361,648 | 76 | 1,299,538 | 77 |
| | **Non-current assets:** | | | | |
| 1517 | Financial assets measured at fair value through other comprehensive income — non-current (note 6(c)) | 52,224 | 3 | 55,258 | 3 |
| 1550 | Investments accounted for using the equity method (note 6(g)) | 330,807 | 19 | 302,166 | 18 |
| 1600 | Property, plant and equipment (note 6(j)) | 5,986 | - | 4,249 | - |
| 1755 | Right-of-use assets (notes 6(k) and 7) | 7,931 | 1 | 14,118 | 1 |
| 1780 | Intangible assets (note 6(l)) | 1,057 | - | 1,392 | - |
| 1840 | Deferred income tax assets (note 6(q)) | 2,846 | - | 3,245 | - |
| 1920 | Refundable deposits | 4,844 | - | 7,722 | - |
| 1975 | Net defined benefit assets — non-current (note 6(p)) | 12,612 | 1 | 9,214 | 1 |
| 1995 | Other non-current assets (note 8) | 600 | - | 600 | - |
| | **Total non-current assets** | 418,907 | 24 | 397,964 | 23 |
| | **Total assets** | $ 1,780,555 | 100 | 1,697,502 | 100 |

| | | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|---|
| | **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (notes 6(m) and (z)) | $ - | - | 163,070 | 10 |
| 2120 | Financial liabilities measured at fair value through profit or loss — current (note 6(b)) | 3,974 | - | 366 | - |
| 2130 | Contract liabilities — current (note 6(t)) | 15,631 | 1 | 9,957 | 1 |
| 2170 | Notes and accounts payable | 737,428 | 41 | 667,711 | 40 |
| 2180 | Accounts payable to related parties (note 7) | 2,077 | - | 6,888 | - |
| 2200 | Other payables (note 6(u)) | 62,063 | 4 | 74,262 | 4 |
| 2220 | Other payables to related parties (note 7) | 5,794 | - | 1,684 | - |
| 2230 | Current income tax liabilities | 2,483 | - | 996 | - |
| 2250 | Provisions — current (note 6(n)) | 15,605 | 1 | 18,340 | 1 |
| 2280 | Lease liabilities — current (notes 6(o), (z) and 7) | 5,327 | - | 6,187 | - |
| 2300 | Other current liabilities | 10,054 | 1 | 10,126 | 1 |
| | **Total current liabilities** | 860,436 | 48 | 959,587 | 57 |
| | **Non-current liabilities:** | | | | |
| 2527 | Contract liabilities — non-current (note 6(t)) | 5,697 | - | 7,385 | - |
| 2570 | Deferred income tax liabilities (note 6(q)) | 64,840 | 4 | 64,200 | 4 |
| 2580 | Lease liabilities — non-current (notes 6(o), (z) and 7) | 2,662 | - | 7,776 | - |
| 2640 | Net defined benefit liabilities — non-current (note 6(p)) | 7,739 | 1 | 8,082 | 1 |
| 2670 | Other non-current liabilities | 2,893 | - | 2,878 | - |
| | **Total non-current liabilities** | 83,831 | 5 | 90,321 | 5 |
| | **Total liabilities** | 944,267 | 53 | 1,049,908 | 62 |
| | **Equity (notes 6(c), (g), (i) and (r)):** | | | | |
| 3110 | Common stock | 714,480 | 40 | 714,480 | 42 |
| 3200 | Capital surplus | 2,976 | - | 2,976 | - |
| 3300 | Retained earnings (accumulated deficit) | 147,097 | 9 | (56,062) | (3) |
| 3400 | Other equity | (32,916) | (2) | (19,356) | (1) |
| | **Equity attributable to shareholders of the Parent** | 831,637 | 47 | 642,038 | 38 |
| 36XX | **Non-controlling interests** | 4,651 | - | 5,556 | - |
| | **Total equity** | 836,288 | 47 | 647,594 | 38 |
| | **Total liabilities and equity** | $ 1,780,555 | 100 | 1,697,502 | 100 |

See accompanying notes to consolidated financial statements.

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

# AOPEN INCORPORATED AND SUBSIDIARIES
## Consolidated Statements of Comprehensive Income (Loss)
## For the years ended December 31, 2022 and 2021
**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | | **Amount** | **%** | **Amount** | **%** |
| 4000 | **Net revenue (notes 6(t), 7 and 14)** | $ 3,329,551 | 100 | 2,573,408 | 100 |
| 5000 | **Less: cost of revenue (notes 6(f), (j), (n), 7 and 12)** | 3,020,561 | 91 | 2,211,857 | 86 |
| | **Gross profit** | 308,990 | 9 | 361,551 | 14 |
| | **Less: operating expenses (notes 6(d), (j), (k), (l), (o), (p), (u), 7 and 12):** | | | | |
| 6100 | Selling expenses | 105,160 | 3 | 141,118 | 5 |
| 6200 | General and administrative expenses | 106,243 | 3 | 125,329 | 5 |
| 6300 | Research and development expenses | 16,171 | 1 | 19,798 | 1 |
| 6450 | Expected credit losses (gains) | 9,509 | - | (142) | - |
| | **Total operating expenses** | 237,083 | 7 | 286,103 | 11 |
| | **Operating income** | 71,907 | 2 | 75,448 | 3 |
| | **Non-operating income and loss:** | | | | |
| 7100 | Interest income | 10,107 | - | 7,596 | - |
| 7130 | Dividend income (note 6(c)) | 786 | - | 987 | - |
| 7020 | Other gains and losses (notes 6(g), (h), (v) and 7) | 90,108 | 3 | 45,340 | 2 |
| 7050 | Finance costs (notes 6(o), (v) and 7) | (2,283) | - | (3,011) | - |
| 7060 | Share of profits of associates (note 6(g)) | 31,947 | 1 | 19,597 | 1 |
| | **Total non-operating income and loss** | 130,665 | 4 | 70,509 | 3 |
| | **Income before taxes** | 202,572 | 6 | 145,957 | 6 |
| 7950 | **Less: income tax expense (note 6(q))** | 4,607 | - | 9,606 | (1) |
| | **Net income** | 197,965 | 6 | 136,351 | 5 |
| | **Other comprehensive income (loss) (notes 6(g), (p) and (q)):** | | | | |
| 8310 | **Items that will not be reclassified subsequently to profit or loss** | | | | |
| 8311 | Remeasurements of defined benefit plans | 4,070 | - | 2,498 | - |
| 8316 | Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income | (3,034) | - | (6,786) | - |
| 8320 | Share of other comprehensive income (loss) of associates | (13) | - | 17 | - |
| 8349 | Income tax related to items that will not be reclassified subsequently to profit or loss | 407 | - | 1,361 | - |
| | **Total items that will not be reclassified to profit or loss** | 1,430 | - | (2,910) | - |
| 8360 | **Items that may be reclassified subsequently to profit or loss** | | | | |
| 8361 | Exchange differences on translation of foreign operations | (10,367) | - | 869 | - |
| 8370 | Share of other comprehensive income (loss) of associates | (334) | - | 1,007 | - |
| 8399 | Income tax related to items that may be reclassified subsequently to profit or loss | - | - | - | - |
| | **Total items that may be reclassified subsequently to profit or loss** | (10,701) | - | 1,876 | - |
| | **Other comprehensive loss, net of taxes** | (9,271) | - | (1,034) | - |
| | **Total comprehensive income for the year** | **$ 188,694** | **6** | **135,317** | **5** |
| | **Net income attributable to:** | | | | |
| | Shareholders of the parent | $ 199,102 | 6 | 130,205 | 5 |
| | Non-controlling interests | (1,137) | - | 6,146 | - |
| | | **$ 197,965** | **6** | **136,351** | **5** |
| | **Total comprehensive income attributable to:** | | | | |
| | Shareholders of the parent | $ 189,599 | 6 | 129,633 | 5 |
| | Non-controlling interests | (905) | - | 5,684 | - |
| | | **$ 188,694** | **6** | **135,317** | **5** |
| | **Earnings per share (in New Taiwan dollars) (note 6(s)):** | | | | |
| 9750 | Basic earnings per share | **$ 2.79** | | **1.82** | |
| 9850 | Diluted earnings per share | **$ 2.78** | | **1.82** | |

See accompanying notes to consolidated financial statements.

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

## AOPEN INCORPORATED AND SUBSIDIARIES

### Consolidated Statements of Changes in Equity

### For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | Attributable to shareholders of the Parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained earnings (accumulated deficit) | | | Other equity | | | | | |
| | Common stock | Capital surplus | Special reserve | Retained earnings (accumulated deficit) | Total | Foreign currency translation differences | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Total | Total equity attributable to shareholders of the parent | Non-controlling interests | Total equity |
| **Balance at January 1, 2021** | $ 714,480 | 59,682 | 32,328 | (203,374) | (171,046) | (30,315) | 12,569 | (17,746) | 585,370 | 15,948 | 601,318 |
| Net income for the year | - | - | - | 130,205 | 130,205 | - | - | - | 130,205 | 6,146 | 136,351 |
| Other comprehensive income (loss) for the year | - | - | - | 2,515 | 2,515 | 2,338 | (5,425) | (3,087) | (572) | (462) | (1,034) |
| Total comprehensive income (loss) for the year | - | - | - | 132,720 | 132,720 | 2,338 | (5,425) | (3,087) | 129,633 | 5,684 | 135,317 |
| Appropriation approved by the stockholders: | | | | | | | | | | | |
| Special reserve used to offset accumulated deficits | - | - | (32,328) | 32,328 | - | - | - | - | - | - | - |
| Other changes in capital surplus: | | | | | | | | | | | |
| Change in ownership interests in subsidiaries | - | 2,976 | - | - | - | - | - | - | 2,976 | (2,976) | - |
| Share of changes in equity of associates | - | (59,682) | - | (17,736) | (17,736) | 1,477 | - | 1,477 | (75,941) | - | (75,941) |
| Cash dividends paid to non-controlling interests by subsidiaries | - | - | - | - | - | - | - | - | - | (3,600) | (3,600) |
| Decrease in non-controlling interests | - | - | - | - | - | - | - | - | - | (9,500) | (9,500) |
| **Balance at December 31, 2021** | 714,480 | 2,976 | - | (56,062) | (56,062) | (26,500) | 7,144 | (19,356) | 642,038 | 5,556 | 647,594 |
| Net income for the year | - | - | - | 199,102 | 199,102 | - | - | - | 199,102 | (1,137) | 197,965 |
| Other comprehensive income (loss) for the year | - | - | - | 4,057 | 4,057 | (10,933) | (2,627) | (13,560) | (9,503) | 232 | (9,271) |
| Total comprehensive income (loss) for the year | - | - | - | 203,159 | 203,159 | (10,933) | (2,627) | (13,560) | 189,599 | (905) | 188,694 |
| **Balance at December 31, 2022** | **$ 714,480** | **2,976** | **-** | **147,097** | **147,097** | **(37,433)** | **4,517** | **(32,916)** | **831,637** | **4,651** | **836,288** |

See accompanying notes to consolidated financial statements.

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

# AOPEN INCORPORATED 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 operating activities:** | | |
| **Income before income tax** | $ 202,572 | 145,957 |
| **Adjustments for:** | | |
| **Adjustments to reconcile profit or loss:** | | |
| Depreciation | 9,760 | 23,033 |
| Amortization | 1,782 | 1,709 |
| Expected credit losses (gains on reversal of impairment loss) | 9,509 | (142) |
| Interest expense | 2,283 | 3,011 |
| Interest income | (10,107) | (7,596) |
| Dividend income | (786) | (987) |
| Share of profits of associates | (31,947) | (19,597) |
| Losses on disposal of property, plant and equipment | - | 4,275 |
| Gains on disposal of investments accounted for using the equity method | (7,998) | (47,815) |
| Unrealized foreign exchange losses (gains) from loans | 120 | (123) |
| Gains on lease modification | - | (259) |
| Gains on reversal of impairment loss on non-financial assets | (30,048) | - |
| **Total adjustments for profit or loss** | (57,432) | (44,491) |
| **Changes in operating assets and liabilities:** | | |
| **Changes in operating assets:** | | |
| Financial assets measured at fair value through profit or loss | 933 | (741) |
| Accounts receivable | 30,778 | 5,168 |
| Accounts receivable from related parties | (34,678) | (115,621) |
| Other receivables | 142 | (729) |
| Other receivables from related parties | 31 | 4,324 |
| Inventories | (87,354) | 96,195 |
| Other current assets | (4,513) | 8,982 |
| Net defined benefit assets | (58) | (9,214) |
| **Changes in operating assets** | (94,719) | (11,636) |
| **Changes in operating liabilities:** | | |
| Financial liabilities measured at fair value through profit or loss | 3,608 | (3,059) |
| Contract liabilities | 3,986 | (8,118) |
| Notes and accounts payable | 69,717 | 312,342 |
| Accounts payable to related parties | (4,811) | (34,198) |
| Other payables | (12,149) | (1,343) |
| Other payables to related parties | 4,110 | (21,777) |
| Provisions | (2,735) | (8,000) |
| Other current liabilities | (72) | (656) |
| Net defined benefit liabilities | 387 | (876) |
| Other non-current liabilities | 15 | 367 |
| **Changes in operating liabilities** | 62,056 | 234,682 |
| **Total changes in operating assets and liabilities** | (32,663) | 223,046 |
| **Total adjustments** | (90,095) | 178,555 |
| Cash provided by operations | 112,477 | 324,512 |
| Interest received | 10,107 | 7,596 |
| Interest paid | (2,333) | (3,109) |
| Income taxes paid | (1,674) | (9,699) |
| **Net cash flows provided by operating activities** | 118,577 | 319,300 |

(Continued)

See accompanying notes to consolidated financial statements.

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

# AOPEN INCORPORATED AND SUBSIDIARIES

## Consolidated Statements of Cash Flows (Continued)

## For the years ended December 31, 2022 and 2021

## (Expressed in Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from investing activities:** | | |
| Purchase of financial assets measured at fair value through other comprehensive income | $ - | (12,000) |
| Proceeds from disposal of investments accounted for using equity method | 21,137 | - |
| Additions to property, plant and equipment | (3,325) | (2,552) |
| Proceeds from disposal of property, plant and equipment | - | 1,016 |
| Decrease (increase) in refundable deposits | 2,878 | (444) |
| Additions to intangible assets | (1,446) | (2,239) |
| Decrease in other non-current assets | - | 235 |
| Dividends received | 20,776 | 67,628 |
| **Net cash flows provided by investing activities** | 40,020 | 51,644 |
| **Cash flows from financing activities:** | | |
| Increase in short-term borrowings | 1,653,158 | 1,940,789 |
| Decrease in short-term borrowings | (1,816,348) | (2,096,055) |
| Payments of lease liabilities | (6,402) | (13,013) |
| Cash dividends paid to non-controlling interests | - | (3,600) |
| Increase in non-controlling interests | - | (9,500) |
| **Net cash flows used in financing activities** | (169,592) | (181,379) |
| **Effect of foreign exchange rate changes** | (8,995) | (2,278) |
| **Net increase (decrease) in cash and cash equivalents** | (19,990) | 187,287 |
| **Cash and cash equivalents at beginning of year** | 624,489 | 437,202 |
| **Cash and cash equivalents at end of year** | **$ 604,499** | **624,489** |

See accompanying notes to consolidated financial statements.

## 1. Organization and business

AOPEN Incorporated (the "Company") was incorporated on December 21, 1996, as a company limited by shares under the laws of the Republic of China ("R.O.C.") and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 7F-5, No. 369, Fuxing N. Rd., Songshan Dist., Taipei City, Taiwan. The Company and its subsidiaries (the "Group") primarily engaged in the sale, manufacture, import and export of computer products, software, computer components, peripheral equipment and apparatus, as well as repair and maintenance service.

To integrate its resources and to optimize its business operation, the Company merged with its subsidiary, AOPEN SmartView Incorporated, with the merger date set on December 15, 2021, based on a resolution approved during the board meeting held on November 2, 2021. After the merger, the Company became the sole surviving entity.

## 2. Authorization of the consolidated financial statements

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

## 3. Application of new and revised accounting standards and interpretations:

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

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

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

(b) The impact of IFRS endorsed 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)

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

The Group does not expect the following 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 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- IFRS 16 "Requirements for Sale and Leaseback Transactions"

**4. Summary of significant accounting policies**

The significant accounting policies presented in the consolidated financial statements are summarized as follows and have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

The Group's accompanying consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (the "Regulations") and the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (collectively as "Taiwan-IFRSs").

(b) Basis of preparation

(i) Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis except for the following items:

1) Financial instruments measured at fair value through profit or loss;
2) Financial assets measured at fair value through other comprehensive income; and
3) Net defined benefit liabilities (assets) measured at present value of defined benefit obligation, less the fair value of plan assets and the effect of the asset ceiling mentioned in note 4(q).

(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 Group's consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

# AOPEN INCORPORATED AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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. Total comprehensive income (loss) of a subsidiary is attributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All inter-company transactions, balances, as well as resulting unrealized income and loss, are eliminated on consolidation.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) List of subsidiaries included in the consolidated financial statements

| | | Percentage of Ownership | | |
|---|---|---|---|---|
| **Name of Investor** | **Name of Investee** | **December 31, 2022** | **December 31, 2021** | **Note** |
| The Company | AOPEN America Inc. ("AOA") | 100.00 % | 100.00 % | - |
| The Company | AOPEN Computer B.V. ("AOE") | 100.00 % | 100.00 % | - |
| The Company | AOPEN Technology Inc. ("AOTH") | 100.00 % | 100.00 % | - |
| The Company | AOPEN Japan Inc. ("AOJ") | 100.00 % | 100.00 % | - |
| The Company | AOPEN Global Solutions Pty Ltd. ("AOGS") | 70.00 % | 70.00 % | - |
| The Company | Aopen SmartVision Incorporated ("AOSV") | 100.00 % | 100.00 % | - |
| The Company | Heartware Alliance and Integration Limited ("HTW") | - | 100.00 % | Note 1 |
| The Company | AOPEN SmartView Incorporated ("AOSD") | - | - | Note 2 |
| AOTH | Great Connection Ltd. ("GCL") | 100.00 % | 100.00 % | - |
| AOTH | AOPEN International (Shanghai) Co., Ltd. ("AOC") | 100.00 % | 100.00 % | - |
| AOTH | AOPEN Information Products (Zhongshan) Inc. ("AOZ") | 100.00 % | 100.00 % | - |
| AOGS | AOPEN Australia & New Zealand Pty Ltd. ("AOAU") | 100.00 % | 100.00 % | - |

Note 1: HTW was liquidated in May 2022.
Note 2: AOSD merged with the Company in December 2021.

(iii) List of subsidiaries which are not included in the consolidated financial statements: None.

(Continued)

(d) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period ("the reporting date"), 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 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 at 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 an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the presentation currency of the Group's consolidated financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the Group's consolidated financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

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, the monetary item is, in substance, a part of net investment in that foreign operation, and the related foreign exchange gains and losses thereon are recognized as other comprehensive income.

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

An asset is classified as current when one of the following criteria is met; all other assets are classified as non-current assets:

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

A liability is classified as current when one of the following criteria is met; all other liabilities are classified as non-current liabilities:

(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.

(Continued)

(f) Cash and cash equivalents

Cash consists of cash on hand, checking deposits and demand deposits. Cash equivalents consist of short-term and 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 that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(g) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is 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 issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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 financial 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.

Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method, less impairment loss. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

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

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 loss are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity 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. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group’s right to receive the dividends is established (usually the ex-dividend date).

3) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or at 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 dividend and interest income, are recognized in profit or loss.

4) Assessment of 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.

(Continued)

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

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

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (“ECL”) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, refundable deposits and other financial assets).

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

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

The Group measures loss allowances and contract assets for accounts receivable at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months 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 ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. 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). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets, and loss allowance or reversal amount is recognized in profit or loss.

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. 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.

6) 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 the assets recognized in its 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) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its foreign currency exposures. Derivatives are initially measured at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss. If the valuation of a derivative instrument is in a positive fair value, it is classified as a financial asset, otherwise, it is classified as a financial liability.

(iii) Financial liabilities

1) Financial liabilities

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

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

(Continued)

2) Derecognition of financial liabilities

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

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

3) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the standard cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(i) Investments in associates

An associate is an entity 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. When necessary, the entire carrying amount of the investment (including goodwill) will be tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group recognizes its 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 percentage of ownership.

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

(Continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the recognition of further losses is discontinued. 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.

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 of a part interest in the associate, 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 associate 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 (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 the reduction in ownership interest to profit or loss (or retained earnings).

Losses recognized using the equity method in excess of the Group's investment in ordinary shares are applied to the other components of the Group's interest in an associate in the reverse order of their seniority. The interest in an associate is the carrying amount of the investment in the associate, which is determined using the equity method, together with any long-term interests that, in substance, form part of the Group's net investment in the associate. Such items may include preference shares and long-term receivables or loans, but excluding trade receivables, trade payables or any long-term receivables for which adequate collateral exists.

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. If the adjustments are charged to capital surplus and the capital surplus resulting from investments accounted for using the equity method 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.

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(Continued)

(ii) Subsequent costs

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 assets, less their residual values 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.

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

| | |
|---|---|
| Machinery | 2 to 5 years |
| Molding equipment | 1 year |
| Other equipment | 2 to 8 years |
| Leasehold improvements | 3 to 5 years |

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

(k) Leases

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

(i) As a lessee

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

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

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

(Continued)

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

— fixed payments, including in-substance fixed payments;

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

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is subsequently 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 in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change of the Group's assessment on whether it will exercise an option to purchase the underlying asset; or

— there is a change in the lease term resulting from a change of the Group's assessment on whether it will exercise an extension or termination option; or

— there is any lease modification in lease subject, scope of the lease or other terms.

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 the difference in profit or loss for 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 properties, and lease liabilities as a separate line item respectively in the consolidated balance sheets.

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.

(l) Intangible assets

Intangible assets acquired are carried at cost, less accumulated amortization and accumulated impairment losses and the amortized amount is the cost of an asset, less its residual value.

Amortization is recognized on a straight-line basis over the estimated useful lives of the intangible assets from the date that they are available for use. The estimated useful life of computer software is 1 to 3 years.

The residual value, amortization period, and amortization method are reviewed at least at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

(Continued)

(m) Impairment of non-financial assets

The Group assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets, other than inventories and deferred tax assets, may be impaired. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount for an individual asset or a cash-generating unit ("CGU") is the higher of its fair value, less, costs to sell or its value in use. When the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, and an impairment loss is recognized in profit or loss immediately.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(n) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount 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 costs.

A provision for warranties is recognized when the underlying products or services are sold. This provision reflects the historical warranty claim rate and the weighting of all possible outcomes against their associated probabilities.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Provisions are not recognized for future operating losses.

(o) Revenue recognition

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

(i) Sale of goods－electronic products

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

(Continued)

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.

The Group offers a standard warranty for the product sold to provide assurance that the product complies with agreed-upon specifications. Refer to note 6(n) for more explanation.

(ii) 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 the payment made by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(p) Government grant

For a government grant that becomes receivable as compensation for expenses or losses already incurred, the Group recognizes an unconditional government grant on a systematic basis, and related expenses in deduction of expenses, when there is reasonable assurance that the grant will be received.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each 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 discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

When the benefits of a plan are improved, the expenses related to the increased obligations resulting from the services rendered by employees in the previous years are recognized in profit or loss immediately.

The remeasurements of the net defined benefit liability (asset) comprise (i) actuarial gains and losses; (ii) return on plan assets, excluding the amounts included in the net interest on the net defined benefit liability (asset); and (iii) any change in the effect of the asset ceiling, excluding the amounts included in the net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income and reflected in retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(iii) 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 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.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

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 income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

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

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

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

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

(Continued)

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

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

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

1) the same taxable entity; or

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

(s) Earnings per share ("EPS")

The basic and diluted EPS attributable to stockholders of the parent are disclosed in the consolidated financial statements. Basic EPS is calculated by dividing net income attributable to stockholders of the parent by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the parent and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group's dilutive potential common shares include profit sharing for employees to be settled in the form of common stock.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker, who decides on the allocation of resources to the segment and assesses its performance. Each operating segment consists of standalone financial information.

**5. Critical accounting judgments and key sources of estimation and assumption 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

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

(a) Judgment as to whether the Group has substantial control or significant influence over its investees

The Group holds 16.60% voting rights of Apex Material Technology Corp. ("AMTC"), as well as owns one of directors' seats of AMTC and participates in the decision-making on the Board. Therefore, the Group has significant influence over AMTC and the equity method was used to account for the Group's investment in AMTC.

(Continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

(a) Reversal of impairment loss of investments accounted for using equity method

The assessment of reversal of impairment of investments accounted for using equity method requires the Group to make subjective judgments to assess whether there is any indication that an impairment loss recognized in prior periods for the asset may no longer exist or may have decreased at the reporting date and estimate the recoverable amount with relevant assumptions in accordance with significant inputs that are not based on observable market data, which involved significant uncertainty. Refer to note 6(g) for further description on the reversal of impairment loss of investments accounted for using equity method.

## 6. Significant account disclosures

(a) Cash and cash equivalents

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Cash on hand | $ | 704 | 1,542 |
| Bank deposits | | 574,095 | 351,599 |
| Time deposits | | 29,700 | 271,348 |
| | $ | **604,499** | **624,489** |

Refer to note 6(w) for the sensitivity analysis of financial assets of the Group.

(b) Financial assets and liabilities measured at fair value through profit or loss－current

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Financial assets mandatorily measured at fair value through profit or loss: | | | |
| Derivative instruments not used for hedging | | | |
| Foreign exchange swaps | $ | - | 528 |
| Foreign currency forward contracts | | 34 | 439 |
| | $ | **34** | **967** |
| Financial liabilities held for trading: | | | |
| Derivative instruments not used for hedging | | | |
| Foreign exchange swaps | $ | 758 | 161 |
| Foreign currency forward contracts | | 3,216 | 205 |
| | $ | **3,974** | **366** |

The Group entered into derivative contracts to manage foreign currency exchange risk arising from its operating activities. At each reporting date, the outstanding foreign currency forward contracts that did not conform to the criteria for hedge accounting, and were recognized as financial assets and liabilities measured at fair value through profit or loss, consisted of the following:

Foreign exchange swaps:

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | **Contract amount (in thousands)** | | **Currency** | **Maturity period** |
| Foreign exchange swaps | EUR | 1,850 | EUR / TWD | 2023/01～2023/02 |
| | AUD | 180 | AUD / TWD | 2023/02 |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | **Contract amount (in thousands)** | | **Currency** | **Maturity period** |
| Foreign exchange swaps | USD | 1,900 | USD / TWD | 2022/01 |
| | EUR | 1,120 | EUR / TWD | 2022/01～2022/03 |
| | AUD | 950 | AUD / TWD | 2022/02～2022/03 |

Foreign currency forward contracts:

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | **Contract amount (in thousands)** | | **Currency** | **Maturity period** |
| EUR Sell / USD Buy | EUR | 3,000 | EUR / USD | 2023/01～2023/03 |
| AUD Sell / USD Buy | AUD | 210 | AUD / USD | 2023/01 |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | **Contract amount (in thousands)** | | **Currency** | **Maturity period** |
| EUR Sell / USD Buy | EUR | 1,930 | EUR / USD | 2022/01～2022/03 |
| AUD Sell / USD Buy | AUD | 560 | AUD / USD | 2022/01～2022/03 |

(c) Financial assets measured at fair value through other comprehensive income－non-current

| | **December 31, 2022** | **December 31, 2021** |
|---|---|---|
| Unlisted stock | $ 41,204 | 43,238 |
| Domestic listed stock | 11,020 | 12,020 |
| | **$ 52,224** | **55,258** |

The Group designated the investments shown above as financial assets measured at fair value through other comprehensive income (FVOCI) because these equity instruments are held for long-term strategic purposes and not for trading. Refer to note 6(w) for information on market risk.

(Continued)

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2022 and 2021, the Group recognized the dividend income of $786 and $987, respectively, deriving from the investments shown above.

On August 31, 2021, the Group's loss of significant influence over Meldcx Pty Ltd. had been reclassified from investment accounted for using the equity method to financial assets measured at fair value through other comprehensive income. Refer to note 6(g) for further information.

(d) Accounts receivable (including related parties)

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Accounts receivable from operating activities | $ | 66,673 | 97,261 |
| Accounts receivable from related parties | | 414,653 | 379,975 |
| Less: loss allowance | | (12,747) | (3,143) |
| | **$** | **468,579** | **474,093** |

Except for the entire credit loss incurred from accounts receivable in default, which was individually recognized by the Group, 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, by taking into account the forward-looking information. Analysis of expected credit losses on accounts receivable was as follows:

| | | December 31, 2022 | | |
|---|---|---|---|---|
| | | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance** |
| Current | $ | 462,397 | 0.00%~11.02% | 3,834 |
| Past due 1-30 days | | 11,456 | 0.00%~32.68% | 2,022 |
| Past due 31-60 days | | 4,402 | 10.04%~100% | 3,930 |
| Past due 61-90 days | | 305 | 0.00%~28.05% | 195 |
| Past due 91 days or over | | 953 | 100% | 953 |
| | | 479,513 | | 10,934 |
| Accounts receivable assessed individually | | 1,813 | 100% | 1,813 |
| | **$** | **481,326** | | **12,747** |

| | | December 31, 2021 | | |
|---|---|---|---|---|
| | | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance** |
| Current | $ | 443,128 | 0.00%~3.03% | 865 |
| Past due 1-30 days | | 16,055 | 0.00%~8.74% | 982 |
| Past due 31-60 days | | 1,233 | 0.00%~30.73% | 50 |
| Past due 61-90 days | | 9,715 | 0.00%~64.76% | 610 |
| Past due 91 days or over | | 7,105 | 5.97%~100% | 636 |
| | **$** | **477,236** | | **3,143** |

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

Movements of the allowance for accounts receivable were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Balance at January 1 | $ | 3,143 | 3,497 |
| Impairment losses recognized (reversal of impairment losses) | | 9,509 | (142) |
| Effects of exchange rate changes | | 95 | (212) |
| Balance at December 31 | **$** | **12,747** | **3,143** |

(e) Other receivables (including related parties)

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Other receivables | $ | 40,929 | 41,071 |
| Other receivables from related parties | | - | 31 |
| Less: loss allowance | | (40,141) | (40,141) |
| | **$** | **788** | **961** |

As of December 31, 2022 and 2021, except for the other receivables amounting to $40,141, wherein the loss allowances were fully provided, no loss allowance was provided for the remaining receivables after the management's assessment.

Refer to note 6(w) for credit risk exposure of other receivables.

(f) Inventories

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Raw materials | $ | 34,759 | 49,626 |
| Work in process | | 5,560 | 3,699 |
| Finished goods | | 200,738 | 102,012 |
| | **$** | **241,057** | **155,337** |

Except for inventories recognized as costs of sales and expenses, the details of costs of revenue were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Losses on inventory physical count | $ | 573 | 938 |
| Write-downs of inventories | | 24,205 | 5,206 |
| Royalty costs | | 3,591 | 3,724 |
| Others | | 1,983 | 4,310 |
| | **$** | **30,352** | **14,178** |

(g) Investments accounted for using the equity method

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Associates | $ 330,807 | 302,166 |

The Group's investments in associate is as follows:

| Name of associate | Main business | Location | Percentage of ownership December 31, 2022 | Percentage of ownership December 31, 2021 |
|---|---|---|---|---|
| Apex Material Technology Corp. ("AMTC") | Manufacture and sale of touch display, touch controller and its driver, the Group's strategic partners | Taiwan | 16.60 % | 17.28 % |

AMTC issued new shares for its employee stock options and organizational restructuring in 2021, resulting in the Group's ownership interest in AMTC to decrease from 20.07% to 17.28%, at the amount of $17,736, recognized as a deduction from retained earnings.

In order to comply with the procedures for the Emerging Stock Market Registration, the Group disposed 265,000 shares of AMTC at the request of AMTC in June 2022, resulting in the Group to recognize a gain on investments of $8,120 was recognized in other gains and losses.

Aggregated financial information on associates that were material to the Group is summarized as follows. The financial information summarized the information on fair value adjustments made at the time of acquisition and adjustments on the differences in accounting policies, as well as the value adjustments on the assessment of impairment.

The summarized financial information of AMTC:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current assets | $ 959,965 | 916,883 |
| Non-current assets | 1,620,753 | 1,464,597 |
| Current liabilities | (357,767) | (374,455) |
| Non-current liabilities | (263,787) | (296,353) |
| Equity | $ 1,959,164 | 1,710,672 |
| Equity attributable to non-controlling interests of AMTC | $ 1,135 | 2,241 |
| Equity attributable to shareholders of AMTC | $ 1,958,029 | 1,708,431 |

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

| | | 2022 | 2021 |
|---|---|---|---|
| Net sales | $ | **1,411,841** | **1,297,443** |
| Net income | $ | 207,133 | 203,077 |
| Other comprehensive income (loss) | | 5,023 | (6,307) |
| Total comprehensive income | $ | **212,156** | **196,770** |
| Total comprehensive loss attributable to non-controlling interests of AMTC | $ | **(1,106)** | **(820)** |
| Total comprehensive income attributable to shareholders of AMTC | $ | **213,262** | **197,590** |

| | | 2022 | 2021 |
|---|---|---|---|
| The carrying amount of equity of associates at January 1 | $ | 302,166 | 352,098 |
| Net income attributable to the Group | | 31,947 | 35,237 |
| Other comprehensive loss attributable to the Group | | (347) | (792) |
| Reversal of accumulated impairment loss of associates | | 30,048 | - |
| Dividends received from associates | | (19,990) | (66,641) |
| Retained earnings －arising from changes in ownership interests in associates | | - | (17,736) |
| Disposal of interests in associates | | (13,017) | - |
| The carrying amount of equity of associates at December 31 | $ | **330,807** | **302,166** |

Due to fierce industry competition, AMTC’s revenue was not able to meet its expectation as of December 31, 2019, resulting in AMTC failing to maintain the same profitability as prior years. As a consequence, the Group recognized an impairment of $50,294 in 2019. As of December 31, 2021, the Group assessed that there was no indication that the impairment loss recognized no longer existed or decreased.

Based on the assessment made on June 30, 2022, there is an indication that the previously recognized impairment loss no longer existed or decreased, wherein the recoverable amount is re-estimated at the discount rate of 16.5%, resulted in the Group to recognize a gain on reversal of impairment loss amounting to $30,048 as other gains and losses. Refer to note 6(v) for the related information.

Aggregate financial information of associates that was not individually material to the Group and was included in the Group’s consolidated financial statements, was as follows:

The summarized financial information of Meldcx Pty Ltd. (“MPL”):

| | | 2022 | 2021 |
|---|---|---|---|
| Attributable to the Group: | | | |
| Net loss | $ | - | (15,640) |
| Other comprehensive income | | - | 1,816 |
| Total comprehensive loss | $ | **-** | **(13,824)** |

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

The Group donated its ownership interest in MPL to Acer Foundation based on a resolution approved during its board meeting held in August 2021, resulting in the Group's ownership interest in MPL to decrease from 27.21% to 17.21%, losing significant influence over MPL. Therefore, the Group discontinued the use of the equity method and reclassified its remaining ownership interest to fair value through other comprehensive income— non-current, wherein a gain on disposal of investment of $59,726 was recognized in other gains or losses. Refer to note 7(vi) for further information.

In December 2021, MPL issued new shares, wherein the Group did not subscribe proportionately to its existing ownership percentage, resulting in its ownership in MPL to decrease to 15.06%.

(h) Disposal of subsidiary

In May 2022, a subsidiary, Heartware Alliance and Integration Limited, was liquidated and the related other comprehensive income was reclassified to profit or loss, resulting in a loss on disposal of subsidiary amounting to $122 to be recognized in other gains and losses.

(i) Acquisitions of non-controlling interests

In November 2021, the Group acquired additional shares of AOSD for a consideration of $9,500 in cash, resulting in its ownership in AOSD to increase from 80% to 100%. Moreover, its capital surplus increased by $2,976 from the difference between the consideration and the carrying amount arising from the acquisition of AOSD's shares.

(j) Property, plant and equipment

| | Machinery | Other equipment | Leasehold improvements | Total |
|---|---|---|---|---|
| Cost or deemed cost: | | | | |
| Balance at January 1, 2022 | $ 743 | 97,190 | 10,006 | 107,939 |
| Additions | - | 3,325 | - | 3,325 |
| Disposals | - | (259) | - | (259) |
| Reclassification | - | 1,634 | - | 1,634 |
| Effect of exchange rate changes | - | 1,119 | 281 | 1,400 |
| Balance at December 31, 2022 | **$ 743** | **103,009** | **10,287** | **114,039** |
| Balance at January 1, 2021 | $ 1,669 | 169,465 | 28,813 | 199,947 |
| Additions | - | 1,082 | - | 1,082 |
| Disposals | (926) | (71,399) | (17,719) | (90,044) |
| Reclassification | - | 168 | - | 168 |
| Effect of exchange rate changes | - | (2,126) | (1,088) | (3,214) |
| Balance at December 31, 2021 | **$ 743** | **97,190** | **10,006** | **107,939** |
| Accumulated depreciation and impairment loss: | | | | |
| Balance at January 1, 2022 | $ 704 | 93,631 | 9,355 | 103,690 |
| Depreciation | 20 | 3,214 | 199 | 3,433 |
| Disposals | - | (259) | - | (259) |
| Effect of exchange rate changes | - | 898 | 291 | 1,189 |
| Balance at December 31, 2022 | **$ 724** | **97,484** | **9,845** | **108,053** |
| Balance at January 1, 2021 | $ 1,611 | 160,191 | 18,342 | 180,144 |
| Depreciation | 19 | 6,433 | 3,427 | 9,879 |
| Disposals | (926) | (71,264) | (11,365) | (83,555) |
| Effect of exchange rate changes | - | (1,729) | (1,049) | (2,778) |
| Balance at December 31, 2021 | **$ 704** | **93,631** | **9,355** | **103,690** |

(Continued)

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

| | | Machinery | Other equipment | Leasehold improvements | Total |
|---|---|---|---|---|---|
| Carrying amounts: | | | | | |
| Balance at December 31, 2022 | $ | **19** | **5,525** | **442** | **5,986** |
| Balance at December 31, 2021 | $ | **39** | **3,559** | **651** | **4,249** |
| Balance at January 1, 2021 | $ | **58** | **9,274** | **10,471** | **19,803** |

(k) Right-of-use assets

The movements of cost and accumulated depreciation of right-of-use assets for the years ended December 31, 2022 and 2021 were as follows:

| | | Buildings | Transportation equipment and others | Total |
|---|---|---|---|---|
| Cost: | | | | |
| Balance at January 1, 2022 | $ | 32,860 | 2,285 | 35,145 |
| Disposals | | (12,195) | - | (12,195) |
| Effect of exchange rate changes | | 1,051 | 100 | 1,151 |
| Balance at December 31, 2022 | $ | **21,716** | **2,385** | **24,101** |
| Balance at January 1, 2021 | $ | 52,734 | 3,298 | 56,032 |
| Additions | | 4,471 | - | 4,471 |
| Disposals | | (20,664) | (591) | (21,255) |
| Effect of exchange rate changes | | (3,681) | (422) | (4,103) |
| Balance at December 31, 2021 | $ | **32,860** | **2,285** | **35,145** |
| Accumulated depreciation: | | | | |
| Balance at January 1, 2022 | $ | 19,718 | 1,309 | 21,027 |
| Depreciation | | 5,975 | 352 | 6,327 |
| Disposals | | (12,195) | - | (12,195) |
| Effect of exchange rate changes | | 937 | 74 | 1,011 |
| Balance at December 31, 2022 | $ | **14,435** | **1,735** | **16,170** |
| Balance at January 1, 2021 | $ | 26,481 | 1,328 | 27,809 |
| Depreciation | | 12,482 | 672 | 13,154 |
| Disposals | | (16,973) | (591) | (17,564) |
| Effect of exchange rate changes | | (2,272) | (100) | (2,372) |
| Balance at December 31, 2021 | $ | **19,718** | **1,309** | **21,027** |
| Carrying amount: | | | | |
| Balance at December 31, 2022 | $ | **7,281** | **650** | **7,931** |
| Balance at December 31, 2021 | $ | **13,142** | **976** | **14,118** |
| Balance at January 1, 2021 | $ | **26,253** | **1,970** | **28,223** |

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(l) Intangible assets

Intangible assets consisted of the cost of computer software and the movements of cost, accumulated amortization, and impairment loss of intangible assets, as follows:

| | 2022 | 2021 |
|---|---|---|
| Cost: | | |
| Balance at January 1 | $ 5,680 | 6,683 |
| Additions | 1,446 | 2,239 |
| Derecognition | (1,226) | (3,238) |
| Effect of exchange rate changes | 24 | (4) |
| Balance at December 31 | **$ 5,924** | **5,680** |
| Accumulated amortization and impairment loss: | | |
| Balance at January 1 | $ 4,288 | 5,820 |
| Depreciation | 1,782 | 1,709 |
| Derecognition | (1,226) | (3,238) |
| Effect of exchange rate changes | 23 | (3) |
| Balance at December 31 | **$ 4,867** | **4,288** |
| Carrying amount: | | |
| Balance at January 1 | **$ 1,392** | **863** |
| Balance at December 31 | **$ 1,057** | **1,392** |

For the years ended December 31, 2022 and 2021, the amortization of intangible assets was included in operating expenses of the statements of comprehensive income.

(m) Short-term borrowings

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Unsecured bank loans | **$ -** | **163,070** |
| Unused credit facilities | **$ 917,080** | **758,830** |
| Interest rate | **-** | **0.77%~1.15%** |

(n) Provisions

| | Restructuring | Warranties | Total |
|---|---|---|---|
| Balance at January 1, 2022 | $ - | 18,340 | 18,340 |
| Amount recognized | - | 2,664 | 2,664 |
| Amount utilized | - | (5,584) | (5,584) |
| Effect of exchange rate changes | - | 185 | 185 |
| Balance at December 31, 2022 | **$ -** | **15,605** | **15,605** |

(Continued)

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

| | Restructuring | Warranties | Total |
|---|---|---|---|
| Balance at January 1, 2021 | $ 6,476 | 21,062 | 27,538 |
| Amount reversed | - | (1,934) | (1,934) |
| Amount utilized | (6,443) | (294) | (6,737) |
| Effect of exchange rate changes | (33) | (494) | (527) |
| Balance at December 31, 2021 | $ - | 18,340 | 18,340 |

(i) Warranties

Provision for warranties is related mainly to the sale of components business products and system business products. It is based on estimates made from historical warranty data associated with similar goods and services.

(ii) Restructuring

In December 2019, AOZ underwent an operational optimization and organizational downsizing in response to the change of international trade environment and in consideration of enterprise transformation and strategy development, wherein the Group recognized the restructuring cost of $33,258 due to the termination of its employee benefits and relocation costs of its machinery equipment.

(o) Lease liabilities

The carrying amount of lease liabilities were as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | $ 5,327 | 6,187 |
| Non-current | $ 2,662 | 7,776 |

Refer to note 6(w) for the maturity analysis of lease liabilities.

The amounts recognized in profit or loss were as follows:

| | 2022 | 2021 |
|---|---|---|
| Interest expense on lease liabilities | $ 53 | 187 |
| Expenses relating to short-term leases | $ 2,550 | 1,826 |

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

| | 2022 | 2021 |
|---|---|---|
| Total cash outflow for leases | $ 9,005 | 15,026 |

(i) Major terms of leases

The Group leases buildings for its office, with lease terms ranging from 1 to 5 years, some of which include the option to extend the lease upon maturity.

In addition, as leases of buildings, with lease terms of less than 1 year, are considered as short-term leases, the Group elected to apply for an exemption and not to recognize its right-of-use assets and lease liabilities.

(ii) Other leases

The Group leases transportation equipment and other leases with lease terms of 2 to 5 years.

(p) Employee benefits

(i) Defined benefit plans

The reconciliation between the present value of the defined benefit obligations and the net defined benefit assets for the defined benefit plans was as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Present value of benefit obligations | $ 19,741 | 25,304 |
| Fair value of plan assets | (24,614) | (26,436) |
| Net defined benefit (assets) liabilities | **$ (4,873)** | **(1,132)** |
| Net defined benefit liabilities－non-current | **$ 7,739** | **8,082** |
| Net defined benefit assets－non-current | **$ (12,612)** | **(9,214)** |

The Company and its domestic subsidiaries develop the defined benefit pension plans in accordance with the regulations of the Bureau of Labor Funds of the Ministry of Labor. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and an average salary for the six months prior to the employee's retirement.

The foreign subsidiary, AOJ, also develops defined benefit pension plans according to their respective local laws and regulations.

1) Composition of plan assets

The pension fund (the "Fund") contributed by the Company and its domestic subsidiaries is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", with regard to the utilization of the Fund, the minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

Foreign subsidiaries with defined benefit pension plans make pension contributions to the pension management institutions in accordance with their respective local regulations.

As of December 31, 2022 and 2021, the Group's labor pension fund account balance at Bank of Taiwan amounted to $24,614 and $26,436, respectively. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the fund.

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

2) Movements in present value of the defined benefit obligations

| | 2022 | 2021 |
|---|---|---|
| Defined benefit obligations at January 1 | $ 25,304 | 39,099 |
| Current service costs | 834 | 1,023 |
| Remeasurement on the net defined benefit liabilities (assets): | | |
| —Actuarial gain arising from experience adjustments | (207) | (2,523) |
| —Actuarial loss (gain) arising from changes in financial assumption | (1,703) | 453 |
| Effect of exchange rate changes | (362) | (1,098) |
| Benefits paid by the plan | (4,125) | (11,650) |
| Defined benefit obligations at December 31 | **$ 19,741** | **25,304** |

3) Movements in fair value of plan assets

| | 2022 | 2021 |
|---|---|---|
| Fair value of plan assets at January 1 | $ 26,436 | 27,643 |
| Interest income | 165 | 172 |
| Remeasurement on the net defined benefit liabilities (assets): | | |
| —Return on plan assets (excluding amounts included in net interest expense) | 2,138 | 428 |
| Benefits paid by the plan | (4,125) | (1,807) |
| Fair value of plan assets at December 31 | **$ 24,614** | **26,436** |

4) There were no effects on the asset ceiling in 2022 and 2021.

5) Expenses recognized in profit or loss

| | 2022 | 2021 |
|---|---|---|
| Current service costs | $ 679 | 783 |
| Net interest expense on net defined benefit liabilities | (10) | 68 |
| | **$ 669** | **851** |
| Selling expenses | $ 727 | 833 |
| Administrative expenses | (44) | 13 |
| Research and development expenses | (14) | 5 |
| | **$ 669** | **851** |

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Discount rate | 1.750 % | 0.625 % |
| Rates on future salary increase | 2.5%~3.0% | 2.0%~2.5% |

The Group does not expect to make any contribution to the defined benefit plans in the year following December 31, 2022.

The weighted-average duration of the defined benefit plans ranges from 12.33 to 18.12 years.

7) Sensitivity analysis

The following table summarizes the impact of the change in the assumptions on the present value of the defined benefit obligation.

| | The impact on the defined benefit obligation | |
|---|---|---|
| | 0.25% Increase | 0.25% Decrease |
| December 31, 2022 | | |
| Discount rate | $ (634) | 659 |
| Rates on future salary increase | 645 | (623) |
| December 31, 2021 | | |
| Discount rate | (796) | 828 |
| Rates on future salary increase | 801 | (776) |

The above sensitivity analysis considers the change in one assumption at a time, leaving other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are interrelated. The method used to carry out the sensitivity analysis is consistent with the calculation of the net defined benefit liabilities recognized in the balance sheets.

The method and assumptions used to carry out the sensitivity analysis is the same as in the prior year.

(ii) Defined contribution plans

The Company and its domestic subsidiaries contribute monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance. For the years ended December 31, 2022 and 2021, the Group recognized the pension expenses of $1,367 and $1,947, respectively, in relation to the defined contribution plans.

(Continued)

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

Foreign subsidiaries make contributions based on certain percentage of the total monthly salary in compliance with their respective local regulations under this defined contribution plan. For the years ended December 31, 2022 and 2021, the Group recognized the pension expenses of $3,584 and $3,877, respectively, in relation to the defined contribution plans.

(q) Income taxes

(i) The components of income tax expense were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Current income tax expense | | | |
| Current period | $ | 3,161 | 7,549 |
| Deferred tax expense | | | |
| Origination and reversal of temporary differences | | 1,446 | 2,057 |
| Income tax expense | $ | **4,607** | **9,606** |

(ii) The components of income tax benefit recognized in other comprehensive income were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Unrealized losses from investments in equity instruments at fair value through other comprehensive income | $ | **(407)** | **(1,361)** |

(iii) Reconciliation between the expected income tax expense calculated based on the Company's statutory tax rate and the actual income tax expense reported in the consolidated statements of comprehensive income was as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Income before taxes | $ | **202,572** | **145,957** |
| Income tax using the Company's statutory tax rate | $ | 40,514 | 29,191 |
| Effect of different tax rates in foreign jurisdictions | | (6,563) | (1,079) |
| Changes in unrecognized tax losses | | (17,245) | 718 |
| Changes in unrecognized temporary difference | | (12,294) | (6,674) |
| Others | | 195 | (12,550) |
| | $ | **4,607** | **9,606** |

(iv) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Loss associated with investments in subsidiaries | $ | 182,150 | 184,735 |
| Tax losses | | 210,165 | 227,500 |
| Others | | 30,515 | 35,532 |
| | $ | **422,830** | **447,767** |

(Continued)

The above deferred income tax assets were not recognized as management believed that it is not probable that future taxable profits will be available against which the Group can utilize the benefits therefrom.

Each entity in the Group is entitled to use tax losses to offset future taxable income in accordance with the respective local tax regulations of each jurisdiction. As of December 31, 2022, the tax effects of unused tax losses and the respective expiry years were as follows:

| Year of loss | Tax effects of tax losses | Year of expiry |
|---|---|---|
| 2007 | $ 15,972 | 2027 |
| 2008 | 13,193 | 2028 |
| 2009 | 15,532 | 2029 |
| 2010 | 42,628 | 2030 |
| 2011 | 8,402 | 2021~2031 |
| 2012 | 18,749 | 2022~2032 |
| 2013 | 44,862 | 2023~2033 |
| 2014 | 239,966 | 2024~2034 |
| 2015 | 87,821 | 2024~2035 |
| 2016 | 187,590 | 2024~2036 |
| 2017 | 162,550 | 2027~2037 |
| 2018 | 113,790 | 2028~2038 |
| 2019 | 43,936 | 2029~2039 |
| 2020 | 109,516 | 2030~2040 |
| 2021 | 2,281 | 2031~2041 |
| | **$ 1,106,788** | |

2) Unrecognized deferred income tax liabilities

The Group is able to control the timing of reversal of the temporary differences associated with investments in subsidiaries. As management believed that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences were not recognized as deferred income tax liabilities. The related amounts were as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Net profits associated with investments in subsidiaries | **$ 26,058** | **18,379** |

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

3) Recognized deferred income tax assets and liabilities

| | | Others |
|---|---|---|
| Deferred income tax assets: | | |
| Balance at January 1, 2022 | $ | 3,245 |
| Recognized in profit or loss | | (399) |
| Balance at December 31, 2022 | **$** | **2,846** |
| Balance at January 1, 2021 | $ | 7,019 |
| Recognized in profit or loss | | (3,774) |
| Balance at December 31, 2021 | **$** | **3,245** |

| | | Unremitted earnings from subsidiaries | Unrealized gains on financial assets measured at fair value through other comprehensive income | Others | Total |
|---|---|---|---|---|---|
| Deferred income tax liabilities: | | | | | |
| Balance at January 1, 2022 | $ | 59,771 | 1,781 | 2,648 | 64,200 |
| Recognized in profit or loss | | (457) | - | 1,504 | 1,047 |
| Recognized in other comprehensive income | | - | (407) | - | (407) |
| Balance at December 31, 2022 | **$** | **59,314** | **1,374** | **4,152** | **64,840** |
| Balance at January 1, 2021 | $ | 61,317 | 3,142 | 2,819 | 67,278 |
| Recognized in profit or loss | | (1,546) | - | (171) | (1,717) |
| Recognized in other comprehensive income | | - | (1,361) | - | (1,361) |
| Balance at December 31, 2021 | **$** | **59,771** | **1,781** | **2,648** | **64,200** |

The Company’s income tax returns for the years through 2020 were examined and approved by the R.O.C. income tax authorities.

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(r) Capital and other equity

(i) Common stock

As of December 31, 2022 and 2021, the Company's authorized shares of common stock consisted of 440,000 thousand shares, with a par value of $10 per share, of which 71,448 thousand shares were issued.

(ii) Capital surplus

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of the par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", the distribution of stock dividends from capital surplus, in any year, shall not exceed 10% of the paid-in capital.

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that at least 10% of the annual net income, after deducting the accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of the paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, together with the unappropriated earnings from the previous years, shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval to appropriate no less than 10% of the accumulated distributable earnings as shareholder dividends.

In accordance with the rulings issued by the FSC, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from the current and prior-year earnings. This special reserve shall be reverted to retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

On July 6, 2021, the Company's shareholders approved an appropriation of special reserve amounting to $32,328 to offset against the accumulated deficits.

The appropriation of 2021 and 2020 earnings were approved at the shareholders' meetings held on June 17, 2022 and July 6, 2021, respectively. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(Continued)

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(iv) Other equity items (net after tax)

| | Foreign currency translation differences | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Total |
|---|---|---|---|
| Balance at January 1, 2022 | $ (26,500) | 7,144 | (19,356) |
| Foreign exchange differences arising from translation of foreign operations | (10,599) | - | (10,599) |
| Share of foreign currency translation differences of associates | (334) | - | (334) |
| Valuation losses on financial assets measured at fair value through other comprehensive income | - | (2,627) | (2,627) |
| Balance at December 31, 2022 | **$ (37,433)** | **4,517** | **(32,916)** |
| Balance at January 1, 2021 | $ (30,315) | 12,569 | (17,746) |
| Foreign exchange differences arising from translation of foreign operations | 1,331 | - | 1,331 |
| Share of foreign currency translation differences of associates | 2,484 | - | 2,484 |
| Valuation losses on financial assets measured at fair value through other comprehensive income | - | (5,425) | (5,425) |
| Balance at December 31, 2021 | **$ (26,500)** | **7,144** | **(19,356)** |

(v) Non-controlling interests (net after tax)

| | 2022 | 2021 |
|---|---|---|
| Balance at January 1 | $ 5,556 | 15,948 |
| Net income (loss) attributable to non-controlling interests | (1,137) | 6,146 |
| Foreign exchange differences arising from translation of foreign operations | 232 | (462) |
| Changes in ownership interests in subsidiaries | - | (2,976) |
| Cash dividends paid to non-controlling interests | - | (3,600) |
| Decrease in non-controlling interests | - | (9,500) |
| | **$ 4,651** | **5,556** |

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(s) Earnings per share ("EPS")

(i) Basic earnings per share

| | 2022 | 2021 |
|---|---|---|
| Net income attributable to the ordinary shareholders of the parent | $ 199,102 | 130,205 |
| Weighted-average number of ordinary shares outstanding (in thousands) | 71,448 | 71,448 |
| Basic earnings per share (in New Taiwan dollars) | $ 2.79 | 1.82 |

(ii) Diluted earnings per share

| | 2022 | 2021 |
|---|---|---|
| Net income attributable to the ordinary shareholders of the parent | $ 199,102 | 130,205 |
| Weighted-average number of ordinary shares outstanding (in thousands) | 71,448 | 71,448 |
| Effect of dilutive potential common stock (in thousands): | | |
| Effect of employee remuneration in stock | 181 | - |
| Weighted-average shares of common stock outstanding, including effect of dilutive potential common stock (in thousands) | 71,629 | 71,448 |
| Diluted earnings per share (in New Taiwan dollars) | $ 2.78 | 1.82 |

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

| | 2022 | | | |
|---|---|---|---|---|
| | America | Europe | Asia Pacific and emerging markets | Total |
| Major products/services lines | | | | |
| Components business products | $ 1,341 | 6,240 | 15,432 | 23,013 |
| System business products | 209,741 | 446,291 | 2,650,506 | 3,306,538 |
| Total | $ 211,082 | 452,531 | 2,665,938 | 3,329,551 |

| | 2021 | | | |
|---|---|---|---|---|
| | America | Europe | Asia Pacific and emerging markets | Total |
| Major products/services lines | | | | |
| Components business products | $ 867 | 8,244 | 15,243 | 24,354 |
| System business products | 298,330 | 434,048 | 1,816,676 | 2,549,054 |
| Total | $ 299,197 | 442,292 | 1,831,919 | 2,573,408 |

(Continued)

(ii) Contract balances

| | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|---|---|---|---|
| Notes and accounts receivable (including related parties) | $ 481,326 | 477,236 | 367,206 |
| Less: loss allowance | (12,747) | (3,143) | (3,497) |
| | **$ 468,579** | **474,093** | **363,709** |
| Contract liabilities－current | $ 15,631 | 9,957 | 17,012 |
| Contract liabilities－non-current | 5,697 | 7,385 | 8,448 |
| | **$ 21,328** | **17,342** | **25,460** |

Refer to note 6(d) for details on notes and accounts receivable (including related parties) and related loss allowance.

The major changes in the balance of contract liabilities were due to the timing difference between the satisfaction of performance obligation and the receipt of customer's payment.

The amounts of revenue recognized in 2022 and 2021 that were included in the contract liability balances on January 1, 2022 and 2021 were $11,035 and $18,175, respectively.

(u) Remuneration to employees and directors

The Company's Articles of Incorporation require that annual earnings, which refer to income before tax, excluding the amounts of employees' and directors' profit sharing bonus, shall first be offset against any deficit, then, shall be allocated as follows:

(i) A minimum of 5% shall be allocated as employee remuneration, in share or cash, to qualified full-time employees, including those of the Company's subsidiaries.

(ii) A maximum of 1% shall be allocated as directors' remuneration based on the assessment from the board, taking into account the extent and value of their services provided for the Company.

For the year ended December 31, 2022, the Company accrued its remuneration to employees and directors amounting to $8,538 and $854, respectively. The said amounts, which were recognized as operating expenses, were calculated based on pre-tax net profit for each year before deducting the amount of the remuneration to employees and directors, multiplied by the proposed distribution ratio of remuneration to employees and directors. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in following year.

No remunerations to employees and directors were accrued for the year ended December 31, 2021 due to accumulated deficit incurred by the Company.

(Continued)

(v) Non-operating income and loss

(i) Other gains and losses

| | 2022 | 2021 |
|---|---|---|
| Losses on disposal of property, plant and equipment | $ - | (4,275) |
| Foreign currency exchange gains (losses) | 9,962 | (6,551) |
| Gains on reversal of impairment loss on non-financial assets | 30,048 | - |
| Gains on disposal of investment | 7,998 | 47,815 |
| Gains on reversal of impairment loss on VAT | 41,516 | - |
| Others | 584 | 8,351 |
| | **$ 90,108** | **45,340** |

(ii) Finance costs

| | 2022 | 2021 |
|---|---|---|
| Interest expense from bank loans | $ (2,230) | (2,824) |
| Interest expense on lease liabilities | (53) | (187) |
| | **$ (2,283)** | **(3,011)** |

(w) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

2) Concentration of credit risk

As of December 31, 2022 and 2021, 58% and 51%, respectively, of accounts receivable (excluding related parties) were concentrated on six customers; thus, credit risk is significantly centralized.

The Group continuously evaluates the credit quality of its customers and utilizes insurance to minimize the credit risk.

3) Credit risk from receivables

Refer to note 6(d) for credit risk exposure of notes and accounts receivable.

Other financial assets measured at amortized cost include low-credit-risk financial assets of other receivables, and thus, the loss allowance is measured using 12-months ECL. Refer to note 4(g) of the consolidated financial statements for the year ended December 31, 2022 for descriptions on how the Group determines the credit risk. For details on loss allowance, refer to note 6(e).

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(ii) Liquidity risk

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and estimated interest.

| | Contractual cash flows | Within 1 year | 1-2 years | Over 5 years |
|---|---|---|---|---|
| **December 31, 2022** | | | | |
| Non-derivative financial liabilities: | | | | |
| Notes and accounts payable (including related parties) | $ 739,505 | 739,505 | - | - |
| Other payables (including related parties) | 67,857 | 67,857 | - | - |
| Lease liabilities (including current and non-current) | 8,021 | 5,354 | 2,667 | - |
| | **$ 815,383** | **812,716** | **2,667** | **-** |
| Derivative financial instruments: | | | | |
| Foreign currency forward contracts and foreign exchange swaps－settled in gross: | | | | |
| Outflow | $ 167,593 | 167,593 | - | - |
| Inflow | (163,016) | (163,016) | - | - |
| | **$ 4,577** | **4,577** | **-** | **-** |
| **December 31, 2021** | | | | |
| Non-derivative financial liabilities: | | | | |
| Unsecured bank loans | $ 163,288 | 163,288 | - | - |
| Notes and accounts payable (including related parties) | 674,599 | 674,599 | - | - |
| Other payables (including related parties) | 75,946 | 75,946 | - | - |
| Lease liabilities (including current and non-current) | 14,047 | 6,241 | 5,251 | 2,555 |
| | **$ 927,880** | **920,074** | **5,251** | **2,555** |
| Derivative financial instruments: | | | | |
| Foreign currency forward contracts and foreign exchange swaps－settled in gross: | | | | |
| Outflow | $ 179,004 | 179,004 | - | - |
| Inflow | (179,204) | (179,204) | - | - |
| | **$ (200)** | **(200)** | **-** | **-** |

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

(Continued)

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(iii) Foreign currency risk

1) Exposure to foreign currency risk

| | December 31, 2022 | | | | December 31, 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | | NTD | Foreign currency | Exchange rate | | NTD |
| Financial assets | | | | | | | | |
| Monetary items | | | | | | | | |
| USD | $ 24,235 | USD/TWD= | 30.708 | 744,210 | 24,203 | USD/TWD= | 27.690 | 670,190 |
| | 185 | USD/CNY= | 6.899 | 5,686 | 179 | USD/CNY= | 6.356 | 4,962 |
| | 465 | USD/EUR= | 0.934 | 14,292 | 267 | USD/EUR= | 0.880 | 7,399 |
| EUR | 5,889 | EUR/TWD= | 32.873 | 193,590 | 3,855 | EUR/TWD= | 31.484 | 121,358 |
| Non-monetary items | | | | | | | | |
| AUD | 1,969 | AUD/TWD= | 20.921 | 41,204 | 2,150 | AUD/TWD= | 20.111 | 43,238 |
| Financial liabilities | | | | | | | | |
| USD | 25,145 | USD/TWD= | 30.708 | 772,142 | 22,351 | USD/TWD= | 27.690 | 618,887 |
| | 278 | USD/CNY= | 6.899 | 8,546 | 340 | USD/CNY= | 6.356 | 9,411 |
| | 2 | USD/EUR= | 0.934 | 49 | - | USD/EUR= | 0.880 | - |
| EUR | 240 | EUR/TWD= | 32.873 | 7,885 | 240 | EUR/TWD= | 31.484 | 7,552 |

2) Sensitivity analysis

The Group’s exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable/payable (including related parties), and other receivables/payables (including related parties) that are denominated in foreign currencies. As of December 31, 2022 and 2021, a 5% depreciation or appreciation of the TWD against the USD and EUR would have increased the Group’s income before tax for the years ended December 31, 2022 and 2021 by $8,458, and $8,403, respectively. This analysis assumes that all other variables remain constant and is performed on the same basis for the current and prior periods.

3) Foreign exchange gains (losses) on monetary items

With varieties of functional currencies within the consolidated entities of the Group, the Group disclosed net realized and unrealized foreign exchange gains (losses) on monetary items in aggregate. Refer to note 6(v) for further information.

(iv) Interest rate risk

Refer to the notes on liquidity risk management and interest rate exposure of the Group’s financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. For variable rate instruments, the sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period. The change in interest rate reported to the key management of the Group is based on 50 basis points (0.5%), which is consistent with the assessment made by the key management in respect of the possible change in interest rate.

If the interest rate had been 50 basis points (0.5%) higher/lower with all other variables held constant, the pre-tax income for the years ended December 31, 2022 and 2021 would have been $0 and $834, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

(v) Other market price risk

The Group is exposed to the risk of price fluctuation in securities resulting from its investment in publicly traded stocks. The Group supervises the equity price risk actively and manages the risk based on fair value. The Group also has strategic investments in privately held stocks, in which the Group does not actively participate in their trading.

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2022 and 2021 would have increased or decreased by $2,611 and $2,763, respectively.

(vi) Fair value information

1) Financial instruments not measured at fair value

The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

2) Financial instruments measured at fair value

The following financial instruments are measured at fair value on a recurring basis.

The table below analyzes the financial instruments measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

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

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

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

# AOPEN INCORPORATED AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets mandatorily measured at fair value through profit or loss —current: | | | | | |
| Foreign currency forward contracts and foreign exchange swaps | **$ 34** | **-** | **34** | **-** | **34** |
| Financial assets measured at fair value through other comprehensive income —non-current: | | | | | |
| Unlisted stock | $ 41,204 | - | - | 41,204 | 41,204 |
| Domestic listed stock | 11,020 | 11,020 | - | - | 11,020 |
| | **$ 52,224** | **11,020** | **-** | **41,204** | **52,224** |
| Financial liabilities mandatorily measured at fair value through profit or loss —current: | | | | | |
| Foreign currency forward contracts and foreign exchange swaps | **$ 3,974** | **-** | **3,974** | **-** | **3,974** |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets mandatorily measured at fair value through profit or loss —current: | | | | | |
| Foreign currency forward contracts and foreign exchange swaps | **$ 967** | **-** | **967** | **-** | **967** |
| Financial assets measured at fair value through other comprehensive income —non-current: | | | | | |
| Unlisted stock | $ 43,238 | - | - | 43,238 | 43,238 |
| Domestic listed stock | 12,020 | 12,020 | - | - | 12,020 |
| | **$ 55,258** | **12,020** | **-** | **43,238** | **55,258** |
| Financial liabilities mandatorily measured at fair value through profit or loss —current: | | | | | |
| Foreign currency forward contracts and foreign exchange swaps | **$ 366** | **-** | **366** | **-** | **366** |

There were no transfers among fair value hierarchies for the years ended December 31, 2022 and 2021.

3) Valuation techniques used for financial instruments measured at fair value

a) Non-derivative financial instruments

The fair value of financial instruments traded in active liquid markets is determined with reference to quoted market prices. The fair value of unlisted common shares is estimated by using the market approach and is determined by reference to valuations of similar companies, recent financing activities, market conditions and other economic indicators.

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

b) Derivative financial instruments

The fair value of foreign currency forward contracts and foreign exchange swaps is computed individually by each contract using the valuation technique and quoted price from a bank competitor.

4) Movement in financial assets included in Level 3 fair value hierarchy

| | Financial assets measured at fair value through other comprehensive income |
|---|---|
| Balance at January 1, 2022 | $ 43,238 |
| Total gains or losses: | |
| Recognized in other comprehensive income | (2,034) |
| **Balance at December 31, 2022** | **$ 41,204** |
| Balance at January 1, 2021 | $ 29,539 |
| Total gains or losses: | |
| Recognized in other comprehensive income | (6,806) |
| Additions | 20,505 |
| **Balance at December 31, 2021** | **$ 43,238** |

The abovementioned total gains or losses were included in unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income.

5) Quantitative information of significant unobservable inputs

The fair value measurements in Level 3 are based on investments measured at fair value through other comprehensive income－equity investments without an active market.

The fair value measurements in Level 3 consist of multiple significant unobservable inputs which are independent of each other and therefore do not include the interrelationship with other significant unobservable inputs.

(Continued)

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

Quantitative information of significant unobservable inputs was as follows:

| Item | Valuation technique | Significant unobservable inputs | Interrelationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Investments measured at fair value through other comprehensive income — equity investments without an active market | Comparable company valuation | • Price-to-earnings ratio of 0.70~10.81 and 1.98~12.01 on December 31, 2022 and 2021, respectively | • The higher the price-to-earnings ratio, the higher the estimated fair value would be |
| | | • Price-book ratio of 0.70~1.8 and 1.57~1.63 on December 31, 2022 and 2021, respectively | • The higher the price-book ratio, the higher the estimated fair value would be |
| | | • Discount for lack of marketability of 40% on December 31, 2022 and 2021. | • The higher the discount for lack of marketability, the higher the estimated fair value would be |

6) Fair value measurements in Level 3 — sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair value of financial instruments may change if different valuation models or inputs are used. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on other comprehensive income:

| | | | Other comprehensive income | | | |
|---|---|---|---|---|---|---|
| | | Change in | December 31, 2022 | | December 31, 2021 | |
| | Input | assumptions | Favorable | Unfavorable | Favorable | Unfavorable |
| Financial assets measured at fair value through other comprehensive income | Price-to-earnings ratio and price-book ratio | 3% | $ 1,236 | (1,236) | 682 | (682) |

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. If the fair value of a financial instrument is subject to more than one inputs, the analysis above would reflect only the effects of changes in a single input and will not include the interrelationship with another inputs.

(Continued)

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(vii) Offsetting of financial assets and financial liabilities

The Group has financial instrument transactions which are set off in accordance with paragraph 42 of IAS 32, wherein the related financial assets and liabilities are presented in the balance sheets on a net basis.

The table below summarizes the related information of offsetting of financial assets and liabilities:

| December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|
| **Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements** | | | | | | |
| | **Gross amounts of recognized financial assets** | **Gross amounts of recognized financial liabilities offset in the balance sheet** | **Net amount of financial assets presented in the balance sheet** | **Amounts not offset in the balance sheet (d)** | | **Net amount** |
| | | | | **Financial instruments** | **Cash collateral received** | |
| | **(a)** | **(b)** | **(c)=(a)-(b)** | | | **(e)=(c)-(d)** |
| Notes and accounts receivable | $ 79,077 | 25,151 | 53,926 | - | - | 53,926 |

| December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|
| **Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements** | | | | | | |
| | **Gross amounts of recognized financial liabilities** | **Gross amounts of recognized financial assets offset in the balance sheet** | **Net amount of financial liabilities presented in the balance sheet** | **Amounts not offset in the balance sheet (d)** | | **Net amount** |
| | | | | **Financial instruments** | **Cash collateral received** | |
| | **(a)** | **(b)** | **(c)=(a)-(b)** | | | **(e)=(c)-(d)** |
| Notes and accounts payable | $ 762,579 | 25,151 | 737,428 | - | - | 737,428 |

| December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|
| **Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements** | | | | | | |
| | **Gross amounts of recognized financial assets** | **Gross amounts of recognized financial liabilities offset in the balance sheet** | **Net amount of financial assets presented in the balance sheet** | **Amounts not offset in the balance sheet (d)** | | **Net amount** |
| | | | | **Financial instruments** | **Cash collateral received** | |
| | **(a)** | **(b)** | **(c)=(a)-(b)** | | | **(e)=(c)-(d)** |
| Notes and accounts receivable | $ 108,374 | 14,256 | 94,118 | - | - | 94,118 |

| December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|
| **Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements** | | | | | | |
| | **Gross amounts of recognized financial liabilities** | **Gross amounts of recognized financial assets offset in the balance sheet** | **Net amount of financial liabilities presented in the balance sheet** | **Amounts not offset in the balance sheet (d)** | | **Net amount** |
| | | | | **Financial instruments** | **Cash collateral received** | |
| | **(a)** | **(b)** | **(c)=(a)-(b)** | | | **(e)=(c)-(d)** |
| Notes and accounts payable | $ 681,967 | 14,256 | 667,711 | - | - | 667,711 |

(Continued)

(x) Financial risk management

(i) Overview

The daily operation of the Group is affected by multiple financial risks, including market risk (foreign currency risk, interest rate risk and market price risk), credit risk and liquidity risk. The overall risk control policy focuses on unpredictable events in financial market and seeks reduction of potential adverse impact the Group's financial status and financial performance.

(ii) Risk management framework

Risk management policies are approved by the Board of Directors and is executed by the Group' s financial department. For financial risks arising from operation management, the financial department is accountable for recognizing, evaluating and planning the hedge methods through cooperation with other operating units. The Board of Directors develops and documents risk policies which cover specific risk exposures such as currency risk and derivative financial instrument risk to ensure the hedge tools are performed properly and effectively.

(iii) Credit risk

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

1) Accounts receivable

The Group has insured credit insurance that covers accounts receivable from related customers, while customers without credit insurance may transact with the Group only on a prepayment basis.

The Group developed expected credit loss model for estimated future loss on accounts receivable and other receivables.

2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks and companies with good credit rating. The Group expects the counterparties above to meet their obligations, hence, there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group' s policy is to provide financial guarantees only to its wholly owned subsidiaries. As of December 31, 2022 and 2021, no other guarantees were outstanding.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or another financial assets. The Group's approach to managing liquidity is to ensure, as much as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Generally, the Group ensures that there is sufficient cash to cover its expected operating expenditure demand over the succeeding 3 months, but excluding potential influence under unexpected extremely condition (i.e. nature disaster).

(v) Market risk

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

1) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and financing activities that are denominated in a currency other than the respective functional currencies of the Group entities. The foreign currencies used in these transactions are mainly the Euro (EUR), US dollar (USD) and Chinese yuan (CNY).

Procedures responsive to fluctuation of foreign exchange:

a) The Group utilizes foreign currency loans or foreign currency spot/forward contracts to hedge its said exposure based on the offsetting of foreign currency accounts receivable arising from the sales transactions and foreign currency accounts payable arising from the purchase transactions.

b) The Group collects information on currency to monitor the trend of currency rate and keeps connection with the foreign currency department of financial institutions to collect the market information and determine the exchange rate appropriately for securing the currency risk.

2) Interest rate risk

The Group's short-term borrowings and long-term debt carry floating interest rates, and the Group has not entered into interest rate swap contracts to convert floating interest rates to fixed interest rates. The Group monthly negotiates the interest rates of bank loans, with reference to the market, with the bank to reduce the risk arising from fluctuation of interest rates.

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

3) Other market price risk

The Group is exposed to the risk of price fluctuation in its equity instruments, which are held for cash flow management and unused capital. These equity instruments are held for strategic purposes and not for trading. Significant investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of Directors.

(y) Capital management

The capital management aims to maintain a stable capital structure by reviewing the liability-to-equity ratio to enhance long-term shareholder value and to ensure its continuing operations. In consideration of the overall economic environment and the development of the industry, business models, channel resources and product strategies, the Group performs procedures on related capital expenditures and working capital to optimize capital structure.

The management monitors the capital structure regularly and considers the potential risk the Group may be involved in various capital structures. Generally, the strategy of capital structure management remains cautious.

(z) Financing activities not affecting cash flows

The reconciliation of liabilities arising from financing activities were as follows:

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | **January 1, 2022** | **Cash flows** | **Movement of leases** | **Fluctuation of foreign exchange rate** | **December 31, 2022** |
| Short-term borrowings | $ 163,070 | (163,190) | - | 120 | - |
| Lease liabilities | 13,963 | (6,402) | - | 428 | 7,989 |
| Total liabilities from financing activities | **$ 177,033** | **(169,592)** | **-** | **548** | **7,989** |

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | **January 1, 2021** | **Cash flows** | **Movement of leases** | **Fluctuation of foreign exchange rate** | **December 31, 2021** |
| Short-term borrowings | $ 318,459 | (155,266) | - | (123) | 163,070 |
| Lease liabilities | 28,706 | (13,013) | 521 | (2,251) | 13,963 |
| Total liabilities from financing activities | **$ 347,165** | **(168,279)** | **521** | **(2,374)** | **177,033** |

## 7. Related-party transactions

(a) Parent company and ultimate controlling party

Acer Incorporated is the parent company and the ultimate controlling party of the Group and owns 40.54% of the outstanding shares of the Group as of December 31, 2022. Acer Incorporated has issued the consolidated financial statements for public use.

(b) Related party name and categories

The followings are related parties that have had transactions with the Group during the reporting periods:

| Name of related party | Relationship with the Group |
|---|---|
| Acer Incorporated (“Acer”) | The Group’s parent company |
| Apex Material Technology Corp. (“AMTC”) | The Group’s associate |
| Meldcx Pty Ltd. (“MPL”) | The Group’s associate (The Group lost significant influence over MPL on August 31, 2021) |
| Weblink International Inc. (“WLII”) | Other related party |
| Acer e-Enabling Service Business Inc. (“AEB”) | 〃 |
| Acer Computer Australia Pty. Limited | 〃 |
| Acer (Chongqing) Ltd. (“ACCQ”) | 〃 |
| Acer Being Signage GmbH (“ABSG”) | 〃 |
| Acer Gadget Inc. (“AGT”) | 〃 |
| PT. Acer Indonesia (“AIN”) | 〃 |
| Acer India Private Limited (“AIL”) | 〃 |
| Acer Computer Co., Ltd. (“ATH”) | 〃 |
| Acer Synergy Tech Corp. (“AST”) | 〃 |
| ACER Computer GmbH (“ACG”) | 〃 |
| STAR VR CORPORATION (“ASBZ”) | 〃 |
| Acer America Corporation (“AAC”) | 〃 |
| Acer Japan Corp. (“AJC”) | 〃 |
| Acer Europe SA (“AEG”) | 〃 |
| MELDCX USA Inc. (“MPLA”) | 〃 |
| Acer Foundation | 〃 |
| AcerPure Inc. (“API”) | 〃 |
| Acer Medical Inc. (“AMED”) | 〃 |
| Acer ITS Inc. (“ITS”) | 〃 |
| Highpoint Service Network Corporation (“HSNC”) | 〃 |

(Continued)

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(c) Significant related-party transactions

(i) Sales to related parties

| | Sales | | Accounts receivable from related parties | |
|---|---|---|---|---|
| | 2022 | 2021 | December 31, 2022 | December 31, 2021 |
| Parent company | $ 2,240,569 | 1,430,791 | 385,516 | 307,088 |
| ACCQ | 274,431 | 187,758 | 26,738 | 72,841 |
| Other related parties | 28,740 | 23,848 | 2,399 | 46 |
| Associates | - | 1,829 | - | - |
| | **$ 2,543,740** | **1,644,226** | **414,653** | **379,975** |

The sales prices with related parties are not comparable with those of third-party customers due to their different product specifications. Receivables from related parties were uncollateralized.

(ii) Purchases from related parties

| | Purchases | | Accounts payable to related parties | |
|---|---|---|---|---|
| | 2022 | 2021 | December 31, 2022 | December 31, 2021 |
| Parent company | $ 15,856 | 85,221 | 1,086 | 2,286 |
| Other related parties | 2,319 | 25,435 | 991 | 4,602 |
| Associates | 74 | 2,656 | - | - |
| | **$ 18,249** | **113,312** | **2,077** | **6,888** |

The purchase prices with related parties are not comparable with those of third-party vendors as their specifications of products are different.

(iii) Other receivables

| | Other receivables from related parties | |
|---|---|---|
| | December 31, 2022 | December 31, 2021 |
| Parent company | **$ -** | **31** |

(iv) Operating expenses and other payables

Operating expenses and outstanding balances arising from management services provided by related parties and other transactions were as follows:

| | Cost and expenses | | Other payables to related parties | |
|---|---|---|---|---|
| | 2022 | 2021 | December 31, 2022 | December 31, 2021 |
| Parent company | 6,913 | 4,205 | 5,707 | 1,597 |
| Other related parties | - | 98 | 69 | 69 |
| Associates | - | 960 | - | - |
| | $ **6,913** | **5,263** | **5,776** | **1,666** |

(v) Lease

The Group leases warehouses and offices from its parent company; as these leases are short-term, the Group has elected not to recognize its right-of-use assets and lease liabilities for these leases. For the years ended December 31, 2022 and 2021, the Group recognized its rental expenses of $1,264 and $103, respectively. As of both December 31, 2022 and 2021, the related payables of $18 were included in other payables to related parties.

(vi) Donation of financial assets

In August 2021, the Board of Directors approved a resolution to introduce Acer Foundation to assist MPL, the Group's investee, in its product promotions and technology applications for value optimization of long-term investments and reduction of the risk of losses in investments. The Group donated 14,330 shares of its ownership interest in MPL to Acer Foundation and recognized the donation expense measured at fair value of $11,911 which was included in other gains and losses－gains arising from disposal of investment.

(d) Compensation for key management personnel

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | $ 23,835 | 26,124 |
| Post-employment benefits | 889 | 984 |
| | $ **24,724** | **27,108** |

**8. Pledged assets**

The carrying values of pledged assets were as follows:

| Assets | Pledged to secure | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Other non-current assets－time deposits | Performance guarantees and guarantees for customs duties | $ 600 | 600 |

**9. Significant commitments and contingencies: None**

**10. Significant loss from disaster: None**

**11. Significant subsequent events: None**

**12. Others**

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

| By function / By item | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Cost of revenue | Operating expenses | Total | Cost of revenue | Operating expenses | Total |
| Employee benefits: | | | | | | |
| Salaries | - | 133,342 | 133,342 | - | 162,529 | 162,529 |
| Insurance | - | 9,495 | 9,495 | - | 11,686 | 11,686 |
| Pension | - | 5,620 | 5,620 | - | 6,675 | 6,675 |
| Others | - | 8,315 | 8,315 | - | 1,854 | 1,854 |
| Depreciation | 297 | 9,463 | 9,760 | 2,615 | 20,418 | 23,033 |
| Amortization | - | 1,782 | 1,782 | - | 1,709 | 1,709 |

(b) Seasonality operations

The Group’s operations were not significantly influenced by seasonality or cyclicality factors.

# AOPEN INCORPORATED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 13. Additional disclosures

(a) Information on significant transactions:

The followings were 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) Financing provided to other parties: None

(ii) Guarantee and endorsement provided to other parties:

(In Thousands of New Taiwan Dollars / US Dollars)

| No. | Endorsement/ Guarantee Provider | Guarantee Party | | Limitation on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn | Amount of Endorsement/ Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements | Maximum Endorsement/ Guarantee Amount Allowable | Guarantee Provided by Parent Company | Guarantee Provided by a Subsidiary | Guarantee Provided to Subsidiaries in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Nature of Relationship | | | | | | | | | | |
| 0 | The Company | AOSD | 1 | 249,491 | 3,221 (USD 100) | - (Note 3) | - | - | - | 831,637 | Y | N | N |
| 0 | The Company | AOC | 1 | 249,491 | 177,155 (USD 5,500) | 168,894 | - | - | 20.31 % | 831,637 | Y | N | Y |

Note 1: The aggregate endorsement/guarantee amount provided to other entity shall not exceed the net worth of the Company. The endorsement/guarantee provided to an individual party shall not exceed 30% of the net worth of the Company. The aggregate endorsement/guarantee amount provided to other entity shall not exceed the net worth of the Company and its subsidiaries. The endorsement/guarantee provided to an individual party shall not exceed 30% of the net worth of the Company and its subsidiaries.

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party:
Type 1: an entity directly or indirectly owned by the Company over 50%
Type 2: between entities directly or indirectly owned by the Company over 90%

Note 3: AOSD merged with the Company on December 15, 2021 and was liquidated on January 28, 2022.

(iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities):

(In Shares)

| Investing Company | Marketable Securities Type and Name | Relationship with the Securities Issuer | Financial Statement Account | December 31, 2022 | | | | | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Shares/ Units | Carrying Value | Percentage of Ownership | Fair Value | Maximum Percentage of Ownership during 2022 | |
| The Company | Stock: BlueChip | - | Financial assets at fair value through other comprehensive income－non-current | 570,000 | 31,223 | 9.97 % | 31,223 | 11.27 % | - |
| 〃 | Stock: MPL | - | 〃 | 24,670 | 9,981 | 15.06 % | 9,981 | 15.06 % | - |
| 〃 | Stock: Fubon Financial Holding Co., Ltd. Preferred Shares C | - | 〃 | 200,000 | 11,020 | 0.06 % | 11,020 | 0.06 % | - |
| 〃 | Stock: Cameo | - | Financial assets at fair value through profit or loss－non-current | 188,635 | - | 6.38 % | - | 6.38 % | - |
| AOTH | Stock: Xserve (BVI) Corp. | - | 〃 | 142,500 | - | 19.00 % | - | 19.00 % | - |

(Continued)

# AOPEN INCORPORATED AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(iv) Marketable securities for which the accumulated purchase or sale amounts exceed $300 million or 20% of the paid-in capital: None

(v) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital: None

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital: None

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

| | | | Transaction Details | | | | Transactions with Terms Different from Others | | Notes/Accounts Receivable or (Payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Company Name | Related Party | Nature of Relationship | Purchases/ (Sales) | Amount | % of Total Purchases/ (Sales) | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total Notes/Accounts Receivable or (Payable) | Note |
| AOA | The Company | Parent/Subsidiary | Purchases | 168,493 | 92.85 % | - | - | - | (224,100) | 98.12 % | Note 1 |
| The Company | AOA | 〃 | (Sales) | (168,493) | 5.82 % | - | - | - | 224,100 | 26.58 % | 〃 |
| AOE | The Company | 〃 | Purchases | 404,061 | 99.29 % | - | - | - | (194,671) | 100.00 % | 〃 |
| The Company | AOE | 〃 | (Sales) | (404,061) | 13.96 % | - | - | - | 194,671 | 23.09 % | 〃 |
| The Company | Acer | 〃 | (Sales) | (2,240,569) | 77.44 % | - | - | - | 385,516 | 45.73 % | - |
| AOC | ACCQ | 〃 | (Sales) | (274,431) | 92.22 % | - | - | - | 26,738 | 96.14 % | - |

Note: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

| | | | | | Overdue | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate | Amount | Action Taken | Amounts Received in Subsequent Period | Loss Allowance | Note |
| The Company | AOA | Parent/Subsidiary | 224,100 | 0.82 | 196,233 | Under collection | 7,074 | - | Note 1 |
| 〃 | AOE | 〃 | 194,671 | 2.58 | 102,787 | 〃 | 63,760 | - | 〃 |
| 〃 | Acer | 〃 | 385,516 | 6.47 | - | - | 385,516 | - | - |

Note: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(ix) Information about derivative instrument transactions: Refer to note 6(b).

(x) Business relationships and significant intercompany transactions:

| | | | | Intercompany Transactions | | | |
|---|---|---|---|---|---|---|---|
| No. (Note 1) | Company Name | Counterparty | Nature of Relationship (Note 2) | Account (Note 3) | Amount | Transaction Terms | Percentage of Consolidated Net Revenue or Total Assets (Note 4) |
| 0 | The Company | AOA | 1 | Sales | 168,493 | - | 5.06 % |
| 0 | The Company | AOE | 1 | 〃 | 404,061 | 〃 | 12.14 % |
| 0 | The Company | AOA | 1 | Accounts receivable | 224,100 | 〃 | 12.46 % |
| 0 | The Company | AOE | 1 | 〃 | 194,671 | 〃 | 10.82 % |
| 0 | The Company | AOAU | 1 | 〃 | 18,163 | 〃 | 1.01 % |

Note 1: Parties with the intercompany transactions are identified and numbered as follows:
1. "0" represents the Company.
2. Subsidiaries are numbered from "1".

Note 2: The relationships with counterparties are as follows:
No. "1" represents the transactions from the Company to subsidiary.
No. "2" represents the transactions from subsidiary to the Company.

Note 3: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of the consolidated operating revenue or total assets. The corresponding purchases and accounts payables are not disclosed.

Note 4: The ratio is based on the transaction amount divided by the consolidated operating revenues or consolidated total assets.

Note 5: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(Continued)

# AOPEN INCORPORATED AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(b) Information on investees:

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

(In Thousands of New Taiwan Dollars / Shares)

| | | | | Original Investment Amount | | Balance as of December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investor | Investee | Location | Main Businesses and Products | December 31, 2022 | December 31, 2021 | Shares | Percentage of Ownership | Carrying Value | Maximum Percentage of Ownership during 2022 | Net Income (Loss) of the Investee | Share of Profits/ (Losses) of the Investee | Note |
| The Company | AOA | USA | Note 1 | 295,771 | 295,771 | 15,000,000 | 100.00 % | (169,763) | 100.00 % | (646) | (646) | Note 4 |
| 〃 | AOE | The Netherlands | 〃 | 214,094 | 214,094 | 40 | 100.00 % | (23,115) | 100.00 % | (1,065) | (1,065) | 〃 |
| 〃 | AOTH | British Virgin Islands | Note 3 | 1,623 | 1,623 | 50,000 | 100.00 % | 319,820 | 100.00 % | 45,541 | 45,541 | 〃 |
| 〃 | AOJ | Japan | Note 1 | 2,899 | 2,899 | 200 | 100.00 % | 28,415 | 100.00 % | 727 | 727 | 〃 |
| 〃 | AOSV | Taiwan | 〃 | 60,000 | 60,000 | 1,500,000 | 100.00 % | 13,574 | 100.00 % | 20 | 20 | 〃 |
| 〃 | AMTC | Taiwan | Note 2 | 363,284 | 376,238 | 6,399,123 | 16.60 % | 330,807 | 17.28 % | 207,133 | 31,947 | - |
| 〃 | AOGS | Australia | Note 1 | 2,956 | 2,956 | 105,000 | 70.00 % | 9,195 | 70.00 % | (4,646) | (3,253) | Note 4 |
| 〃 | HTW | Hong Kong | 〃 | - | 405 | - | - | - | 100.00 % | 5 | 5 | Note 5 |
| AOGS | AOAU | Australia | 〃 | 3 | 3 | 100 | 100.00 % | 13,355 | 100.00 % | (4,646) | (4,646) | Note 4 |
| AOTH | GCL | Hong Kong | 〃 | 2,675 | 2,675 | 300,000 | 100.00 % | 3,890 | 100.00 % | (1) | (1) | 〃 |

Note 1: Sale and import and export of computer products, software, computer components, peripheral equipment and apparatus, as well as repair and maintenance service

Note 2: Sale and manufacture of touch screens, touch screen controllers, and drivers

Note 3: Investment and holding activity

Note 4: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Note 5: HTW was liquidated on May 6, 2022.

(c) Information on investment in Mainland China:

(i) Information on investments in Mainland China:

(In US Dollars / Thousands of New Taiwan Dollars)

| | | | | | Investment Flows | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital | Method of Investment (Note) | Accumulated Outflow of Investment from Taiwan as of January 1, 2022 | Outflow | Inflow | Accumulated Outflow of Investment from Taiwan as of December 31, 2022 | Net Income (Loss) of the Investee | % of Ownership of Direct or Indirect Investment | Maximum Percentage of Ownership during 2022 | Investment Income (Loss) | Carrying Value as of December 31, 2022 | Accumulated Inward Remittance of Earnings as of December 31, 2022 |
| AOPEN International (Shanghai) Co., Ltd. (“AOC”) | Sale and import and export of computer products, computer components, peripheral equipment and apparatus, as well as repair and maintenance service | 161,322<br>(USD 4800,000) | 2 | 161,322<br>(USD 4800,000) | - | - | 161,322<br>(USD 4800,000) | (2,864)<br>(USD (93,729)) | 100.00 % | 100.00 % | (2,864)<br>(USD (93,729)) | 12,768<br>(USD 415,776) | - |
| AOPEN Information Products (Zhongshan) Inc. (“AOZ”) | Outsource manufacturing management of computer products, computer components, peripheral equipment and apparatus | 450,261<br>(USD 13,500,000) | 2 | 450,261<br>(USD 13,500,000) | - | - | 450,261<br>(USD 13,500,000) | 48,454<br>(USD 1,588,285) | 100.00 % | 100.00 % | 48,454<br>(USD 1,588,285) | 303,577<br>(USD 9,885,925) | - |

Note: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(Continued)

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(ii) Limits on investment in Mainland China:

(In US Dollars / Thousands of New Taiwan Dollars)

| Accumulated Investment in Mainland China as of December 31, 2022 (Note 1) (Note 2) (Note 3) | Investment Amounts Authorized by Investment Commission, MOEA (Note 1) (Note 2) (Note 3) | Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 5) |
|---|---|---|
| 614,228<br>(USD 20,002,200) | 614,228<br>(USD 20,002,200) | - |

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US $1=NT $30.708.
Note 2: The Group disposed its entire previous investment of USD 1,645,200 in Sichuan Jiannanchun Sempo Technology Company Limited in September 2008, and the disposal price of USD 730,000 was repatriated in March 2010. The abovementioned investment not yet reported to the Investment Commission, MOEA remained included in investment in Mainland China.
Note 3: Zhongshan Taida Electronics Co., Ltd., in which the Company indirectly invested, ceased its operations and was liquidated. A liquidating dividend of USD 31,549.06 (19% of the shareholdings) was repatriated to T-Conn Precision Corporation in a third country, Republic of Mauritius. On March 12, 2010, although the Investment Commission, MOEA approved the withdrawal of the abovementioned investment, the amount of USD 57,000 remained included in the investment in Mainland China due to the liquidating dividend that has yet to be repatriated.
Note 4: Method of investments
Type 1: Investment in Mainland China through remittance from a third country
Type 2: Indirect investment in Mainland China through a holding company (AOTH) established in a third country
Type 3: Indirect investment in Mainland China through an existing company established in a third country
Type 4: Others
Note 5: Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limit on investment in Mainland China.

(iii) Significant transactions with investee companies in Mainland China:

For the Group's significant direct or indirect transactions with investee companies in Mainland China for the year ended December 31, 2022, refer to the " Information on significant transactions" above.

(d) Major shareholders:

| Shareholding / Major Shareholder's Name | Shares | Percentage |
|---|---|---|
| Acer Incorporated | 28,970,000 | 40.54 % |

## 14. Segment information

(a) General information

The Group has three reportable segments: the America segment, the Europe segment and the Asia Pacific and emerging market segment which primarily engage in the research, design and marketing of computer products. The Group's reportable segments are strategic divisions that provide related products and services and are managed separately because they require different business models and marketing strategies due to their various channels and customers.

(b) Product and service information

| | 2022 | | | | |
|---|---|---|---|---|---|
| | America | Europe | Asia Pacific and emerging markets | Adjustments and eliminations | Total |
| Revenue: | | | | | |
| Revenues from external customers | $ 211,082 | 452,531 | 2,665,938 | - | 3,329,551 |
| Intra-group revenue | - | - | - | - | - |
| Interest income | 219 | 220 | 9,668 | - | 10,107 |
| Total revenues | $ 211,301 | 452,751 | 2,675,606 | - | 3,339,658 |
| Interest expense | $ 144 | 342 | 1,797 | - | 2,283 |
| Amortization and depreciation | $ 1,044 | 4,842 | 5,656 | - | 11,542 |
| Segment profit (loss) | $ (8,230) | 22,150 | 57,987 | 130,665 (Note 1) | 202,572 |

Note 1: Non-operating income amounted to $130,665.

| | 2021 | | | | |
|---|---|---|---|---|---|
| | America | Europe | Asia Pacific and emerging markets | Adjustments and eliminations | Total |
| Revenue: | | | | | |
| Revenues from external customers | $ 299,197 | 442,292 | 1,831,919 | - | 2,573,408 |
| Intra-group revenue | - | - | - | - | - |
| Interest income | 8 | 8 | 7,580 | - | 7,596 |
| Total revenues | $ 299,205 | 442,300 | 1,839,499 | - | 2,581,004 |
| Interest expense | $ 349 | 543 | 2,119 | - | 3,011 |
| Amortization and depreciation | $ 6,439 | 6,589 | 11,714 | - | 24,742 |
| Segment profit | $ 286 | 13,058 | 62,104 | 70,509 (Note 2) | 145,957 |

Note 2: Non-operating income amounted to $70,509.

(Continued)

**AOPEN INCORPORATED AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(c) Product and service information

Revenues from external customers are detailed below:

| Products and services | 2022 | 2021 |
|---|---|---|
| Components business products | $ 23,013 | 24,354 |
| System business products | 3,306,538 | 2,549,054 |
| Total | **$ 3,329,551** | **2,573,408** |

(d) Geographic information

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

Revenues from external customers are detailed below:

| Region | 2022 | 2021 |
|---|---|---|
| Asia | $ 2,665,938 | 1,831,919 |
| America | 211,082 | 299,197 |
| Europe | 452,531 | 442,292 |
| Total | **$ 3,329,551** | **2,573,408** |

Non-current assets:

| Region | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Taiwan | $ 2,561 | 2,697 |
| Mainland China | 132 | 204 |
| America | 140 | 589 |
| Japan | 1,800 | 3,869 |
| The Netherlands | 10,081 | 11,084 |
| Australia | 260 | 1,316 |
| Total | **$ 14,974** | **19,759** |

Non-current assets include property, plant and equipment, right-of-use assets, investment property and intangible assets, excluding financial instruments, prepaid income taxes, deferred tax assets, and pension fund assets.

(e) Major customers' information

Sales to individual customer representing more than 10% of the revenue in the consolidated statements of comprehensive income were as follows:

| | 2022 | 2021 |
|---|---|---|
| Sales to Customer A | **$ 2,240,569** | **1,430,791** |