

CAMEO COMMUNICATIONS, INC.

2022 Annual Report

Taiwan Stock Exchange Market Observation System : <http://mops.twse.com.tw>

CAMEO COMMUNICATIONS, INC. website : <http://www.cameo.com.tw>

Printed on May 9, 2023

(III) Spokesman of Cameo Communication Inc.

Name : Allen Cheng

Position : General Manager

TEL : (02) 773-63000

Email : Allen_Cheng@cameo.com.tw

(IV) Deputy Spokesman of Cameo Communication Inc.

Name : Amy Wang

Position : Deputy Director of Financial Accounting Department

TEL : (02)773-63000

Email : amyw@cameo.com.tw

(V) Addresses and telephone numbers of company headquarters, Factory and subsidiaries:

Company HQ address : 5F., No. 158, Ruihu St., Neihu Dist., Taipei City 11494, Taiwan

TEL : (02)773-63000

Branch : None.

Factory address: No. 168, Keji 5th Rd., Annan Dist., Tainan City 70955, Taiwan

TEL : (06)701-1000

(VI) Stock transfer agent

Name : Yuanta Securities Co., Ltd.

Address : B1., No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City 103432, Taiwan (R.O.C.)

Website : <https://www.yuanta.com.tw>

TEL : (02) 2586-5859.

(VII) Certified Public Accountant (CPA) for the most recent financial report

Name : CPA Samuel Au 、 CPA Yvette Chien

CPA Firm Name : KPMG

Address : 68F, Taipei 101 Tower, No.7, Sec.5, Xinyi Road, Taipei City 11049, Taiwan

Website : <http://www.kpmg.com.tw>

TEL : (02) 8101-6666

(VIII) Name of any overseas securities trading agency and search name in the said overseas securities trading agency: None

(IX) Company Website : <http://www.cameo.com.tw>

Table of Contents

Chapter 1 Letters to Shareholders

I.	2022 Operating Results	1
II.	Overview of 2023 Business Plan	3
III.	Future Development Strategy, Impact of External Competition Environment, Legal Environment and Overall Business Environment.....	5

Chapter 2 Company Profile

I.	Date of Incorporation	7
II.	Company History	7

Chapter 3 Corporate Governance Report

I.	Organization	7
II.	Information on Directors, President,Vice Presidents,Assistant Vice Presidents,and Heads of Departments and Branches	10
III.	Remuneration paid to Directors, President and Vice Presidents, General Directors, and Independent Directors.....	17
IV.	Operation of corporate governance.....	21
V.	Certified Public Accountant Professional Fees	53
VI.	Replacement of CPAs.....	54
VII.	The Corporation's Chairman, CEO, or any managerial officer in charge of finance or accounting matters who has held a position at the accounting firm of its CPAs or at an affiliated company in the most recent year	55
VIII.	Changes in Shareholdings of Directors, Managerial Officers, and Major Shareholders	55
IX.	Relationship among the Top TenShareholders	56
X.	Ownership of Shares in Affiliated Enterprises	56

Chapter 4 Capital and Shares

I.	Capital and Shares	57
II.	Corporate Bonds.....	61
III.	Preferred Shares	61
IV.	Overseas depository receipt.....	61
V.	Employee stock option	61
VI.	New restricted employee shares.....	61
VII.	New Shares Issuance in Connection with Mergers and Acquisitions.....	61
VIII.	Financing Plans and Implementation	62

Chapter 5 Business Overview

I.	Business Content.	62
II.	Market, Production and Sales overview	69
III.	Human Resource.....	74
IV.	Environmental Protection Expenditures	74
V.	Labor Relations Management	74

VI. Important contracts	76
-------------------------------	----

Chapter 6 Financial Highlights

I. Condensed Balance Sheet, Statement of Comprehensive Income in the Most Recent Five Years	77
II. Financial Analyses for the Past Five Fiscal Years	81
III. Audit Committee's Review Report on the 2020 Financial Report.....	86
IV. Financial Report for the Most Recent Year	87
V. Individual Financial Report Audited and Attested by CPAs for the Most Recent Year	87
VI. Impact of Financial Difficulties of the Company and Affiliated Companies on the Financial Position of the Company in the Most Recent Year, up to the Printing Date of this Annual Report	87

Chapter 7 Financial Status, Operation Results and Risk Management

I. Financial Position	87
II. Financial Performance	88
III. Cash Flow	89
IV. Material Expenditure for the Most Recent Fiscal Year and its Impact on the Company's Finances and Operations	89
V. The Company's Investment Policy for the Most Recent Fiscal Year, and the Main Reasons for the Profits/Losses Generated Thereby, the Improvement Plan, and Investment Plans for the Coming Year	90
VI. Risks that Shall be Assessed in the Most Recent Year and up to the Printing Date of this Annual Report	90
VII. Other Important Matters.....	93

Chapter 8 Special Disclosure

I. Relevant Information of the Company's Affiliates	94
II. Private Placement Securities in the Most Recent Years.....	97
III. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Year	98
IV. Other supplementary matters.....	98
V. Any event that results in substantial impact upon shareholders' equity or prices of the Corporation's securities as prescribed by Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act that have occurred in the most recent year up to the publication date of this annual report.....	98
Attachment 1: 2022 Individual Financial Report and CPA Audit Report	99
Attachment 2: 2022 Financial Report and CPA Audit Report.....	160

Letters to Shareholders

Dear Shareholders,

Thanks for your continuous concerns and supports in the past years. Here we reported the financial results for the full year 2022 as well as the brief operating plan for the year 2023.

I. 2022 Operating Results

(1) Implementation Result of the 2022 Business Plan

The consolidated revenue of 2022 was NTD3.38 billion, which was an increase of 36% year-over-year, compared to NTD2.49 billion of 2021. One of the major reasons for the increase in revenue is that the production capacity adjustment of the factory has been gradually on track after our production base was fully transferred from mainland China to Taiwan in 2021. At the same time, the shortage of labors was also alleviated.

Besides, the shortage of materials has also improved slightly due to the introduction of the substitute of materials for the various models; especially we have prepared the key components in advance to avoid the shipping issues caused by the lockdown policies of some countries under the pandemic. Compared with 2021, the annual revenue has a larger increase than the previous year. As for improving the gross profit, in addition to the cost optimization, we also help our customers to replace those old products with the new competitive high-value ones, so that the gross profit will gradually improve.

Although the impact of the COVID-19 pandemic has not yet been overcome completely, and the global economy is still in doubt due to the inflation, international confrontation and regional wars, however, we will keep improving the manufacturing efficiency continuously and the product competitiveness, as well as working closely with customers to reduce the cost and the risk of the product supply. We will do our best to improve the product value for satisfying the customer needs in order to keep the revenue and gross profit growing continuously.

(2) Budget Execution

The company did not disclose the financial forecast for 2022.

(3) Financial Profitability Analysis

Factors	2022	2021
Liabilities to assets ratio (%)	42.29	40.45
Long-term capital to fixed assets ratio (%)	284.32	267.97
Current ratio (%)	260.84	326.02
Quick Ratio (%)	176.37	233.76
Return on assets (%)	2.00	8.07
Return on equity (%)	2.98	15.32
Net profit rate (%)	2.81	15.68
EPS (after fully diluted) (NT\$)	0.29	1.23

(*) Calculated based on the amount of the consolidated financial report audited by CPA of KPMG.

(4) Overview of Research and Development

- Enterprise Core Switch
- L2/L3 Stackable Management Core Switch
- Outdoor Wide Temperature Switch
- 2.5G/5G/10G RJ45 POE++ (802.3bt) Switch
- SDN Switch
- Cloud Management System
 - Cloud Management Software
 - Cloud Switch
 - Cloud SDN Gateway
 - Cloud Wireless Access Point
- AI Controller Based Management System
 - AI Network Management Controller
 - AI Controller Based Switch

- AI Controller Based VPN Gateway
- AI Controller Based Wireless Access Point

II. Overview of 2023 Business Plan

(1) Operating Policies

1. Keep improving the production quality and efficiency: After the hard working in the past year, we have transferred the purchase orders and the material from the old factory in China and kept tuning for running smoothly gradually at the new factory in Taiwan. We will keep improving and integrating the processes with high flexibility to raise the performance and lower down the cost in order to overcome the challenge of the production cost up.
2. Enhance the cooperation partnership between/ among customers and suppliers: we will cooperate with our customers and suppliers by sharing the market information and the technologies, also trying to cooperate in developing the future technologies and products to satisfy the customers by leveraging our suppliers.
3. Enhance the software R&D capability for high-end technologies: we will keep invest on the new technologies based on current inner R&D resource to provide the high-end products by enhancing software value-added functions which can provide better gross profit significantly than just products with hardware manufactured only. To approach this goal, we will introduce more excellent engineers into our team, and also cooperate with our customers, suppliers for joint development.

(2) Sales Forecast, Basis and Important Production and Sales Policies

1. Estimated sales of the company in 2023
 For the wired products, we plan to finish developing 2.5G/ 5G/ 10G RJ45 PoE++ (802.3bt) network switches, and also put our effort on the development for the stackable L2/L3 software hardware integrated high-end switches. Our goal is to deliver them at the end of this year or early next year for the better gross profit.
 For the wireless products, we will keep investing in high unit price, high value-added enterprise access point, cloud commercial wireless network access point, 5G/LTE wireless routers, in order to enhance the product competition for better profitability.
2. Basis and important production and marketing policies
 We keep improving the production efficiency and introducing the automation to reduce production costs. We will also enhance the cooperation relationship continuously with our suppliers in order to accelerate the process to get the raw material and lower down the cost. We will establish deeper relationship with our customers and enhance the technology capability to provide the competitive products to our customers.

III. Future Development Strategy, Impact of External Competition Environment, Legal Environment and Overall Business Environment

(1) Future development strategies

The main development strategies are as follows:

1. Keep controlling the quality and the cost strictly to raise the production efficiency and the capability to gain.
2. Enhance the cooperation partnership between/ among the customers and suppliers.
3. Keep investing in the advanced technologies to improve the H/W & S/W development capabilities for the high-end products.

(2) The Impact of External Competition Environment, Legal Environment, and Overall Business Environment

1. As the world enters the post pandemic era, people in most of the countries have gotten vaccinated so that the COVID-19 becomes like the flu to exist in our life which makes our

economic activities among countries be recovered gradually from locking down. However, the material shortage issues are still impacting on the achievement of the business. In addition, it would be harder variables to be considered for the trade war among countries under the forming new cold war situation.

2. The lead time is impacted and the shipping cost is going up due to the insufficient global transport capacity and the unresolved congestion issues of the major international trade ports.
3. It would be an impact on the reviving economic activities for the expectations or implementation of raising the interest or reducing the balance sheet by the US FED.

To sum up, on one hand, we believed that the economic will be recovered due to the pandemic easing in 2022; but on the other hand we also face the difficulties of the barriers of the trade, or the cost up issues. In the coming year, we shall take the opportunities coming with the recovery, and also be ready to face the challenges in order to achieve our goals.

Wish all shareholders good health and a safe family!

Chairman : Jerry Chien

GM : Allen Cheng

Accounting Supervisor : Amy Wang

Chapter 2 Company Profile

I.Date of Incorporation : March 11, 1991

II. Company History

1991	Cameo Communications Inc. was established with NT\$ 32,670 thousand. (included technology stocks NT\$ 8,190 thousand dollars)
1992	Increase capital for cash NT\$62,564 thousand for improving financial status.(included technology stocks NT\$ 15,641 thousand.)The paid-in capital amounted NT\$ 95,324 thousand.
1993	Increase capital for cash NT\$14,675 thousand for improving financial status. (included technology stocks NT\$3,668 thousand.) The paid-in capital amounted NT\$ 110,000 thousand.
	Ultra Hub AH5000 was launched.
	CAMEO SNMP hub was ranked 2st in test result of Communication Week.
	Integrated Boundary Router HUB launched.
1994	Increase capital for cash NT\$62,564 thousand for improving financial status. The paid-in capital amounted NT\$ 159,000 thousand. Ultra Hub 1000 was selected best choice in British online professional magazine. Smart Regional Bridge hub was launched.
1995	Cameo obtained international quality management system certification ISO9001 on April, 28. certification of ISO 9001.
1996	Proposal for a capital reduction of NT\$39,750 thousand to offset company losses and increase capital \$80,000 thousand. The paid-in capital after the capital reduce/increase was NT 199,250 thousand. Cameo acquired Youju Co., Ltd. 98.4% Long-term equity investment from D-LINK CORPORATION for NT\$ 68,880 thousand.
1997	In order to reduce management costs and increase the competitiveness of export sales, Cameo merged with Youju Co., Ltd. to bear all its assets, liabilities, employees and business. Mr. Huang Qiz-hen took over as the chairman and general manager of Cameo Communications Inc.
1998	To expand the scale of business and increase the market share, the company issued 15,800 thousand shares and merged with June Kai International Co., Ltd. After the capital increase, the paid-in capital was NT\$ 357,250 thousand. Cameo purchased 6th and 7th floors of the "Asia Pacific Economic and Trade Center", No. 28, Zhongxing Road, Xizhi Town, Taipei County as plant for expanding production capacity. Mr. Huang Qiz-hen who resigned as general manager of Cameo was replaced by Mr. Jerry Chien. Cameo developed and mass-produced 10M Ethernet network card, hub and 100M Ethernet hub.
1999	Due to the growing business, the storage site was becoming increasingly crowded. In order to improve the working environment, the first floor space of No. 22 Zhongxing Road was purchased in 1988 as a warehouse after proper planning. Cameo went public on June 28, 1999. Mr. Huang Qizhen stepped down as the chairman of the company and was replaced by Mr. Jian Zhihao. The position of general manager was promoted by Ms. Wang Baoyi, deputy general manager. Cameo completed the development of 10/100M Nway Ethernet network card, dual-speed hub and switch.
2000	In order to repay the loan for the purchase of factory buildings and improve the financial structure, a cash capital increase of NT\$ 160,000 thousand was processed, and the capital increase was NT\$ 60,777.5 thousand through capitalization of earnings. After the capital increase, the paid-in capital was NT\$ 578,027.5 thousand. HomePNA 1.0 and VLAN 10/100M Nway Ethernet was launched.

2001	<p>In order to strengthen the R&D team, the 7th floor space of No. 32 and 34 Zhongxing Road was purchased as a R&D laboratory.</p> <p>In May, Cameo applied to the Taipei Exchange for stock trading.</p> <p>In September, the paid-in capital after capital increase was NT\$ 674,621.6 thousand through capitalization of earnings.</p> <p>Cameo was approved to trade general stocks in Taipei Exchange.</p>
2002	<p>On January 22, 2002. Cameo listed in Taipei Exchange.</p> <p>In August, head office moved from Hsinchu Science Park to Xizhi City, Taipei County.</p> <p>In September, the capital increase through capitalization of earnings, the paid-in capital amounted to NT\$ 902,008.1 thousand.</p> <p>In October, the wireless communication research and development department established.</p>
2003	<p>On August 4, Cameo stock trading transferred from Taipei Exchange to Taiwan Stock Exchange Corporation.</p> <p>The paid-in capital amounted to NT\$ 902,008.1 thousand through capitalization of earnings.</p> <p>Gigabit switches product sales rank first in Taiwan.</p>
2004	<p>The paid-in capital amounted to NT\$ 1,113,369.6 thousand through capitalization of earnings in October.</p> <p>On October 29, the board of directors approved the merger with Yangqing Electronics Co., Ltd.</p>
2005	<p>On May 13, 1994, board of directors withdrew the merger with Yangqing Electronics Co., Ltd., and adopted stock swap to incorporate Yangqing Electronics Co., Ltd. as a 100% subsidiary.</p> <p>In July, the paid-in capital amounted to NT\$ 1,331,248.81 thousand through capitalization of earnings NT\$217,879.24 thousand.</p> <p>On December 1 was the record date for Cameo to acquire Yangqing Electronics Co., Ltd.</p>
2006	<p>In April, Cameo Holding Ltd. invested NettechTechnology (Suzhou) Co., Ltd. in China.</p> <p>In September, Cameo participated in TurboComm Tech Inc. private placement with NT\$60 million.</p> <p>In October, the paid-in capital amounted to NT\$ 1,685,483 thousand through capitalization of earnings NT\$204,134.8thousand.</p>
2007	<p>In March, Cameo issued NT\$ 800 million unsecured conversion corporate bonds</p> <p>In April, the board of directors approved the dissolution and liquidation of its subsidiary, Yangqing Electronics Co., Ltd.</p> <p>In August, the paid-in capital amounted to NT\$ 1,814,612 thousand through capitalization of earnings and employee bonus NT\$ 129,129 thousand.</p> <p>On September 20, the board of directors approved the merger with Wide View Technology Co., Ltd., and the record date of the merger was set on October 1.</p>
2008	<p>In September, the paid-in capital amounted to NT\$ 2,209,063 thousand through capitalization of earnings, employee bonus and capital surplus NT\$ 394,451 thousand.</p> <p>On September 30, the board of directors approved the merger with Kaijin Technology Co., Ltd., and the record date of the merger was November 1.</p>
2009	<p>In September, the paid-in capital amounted to NT\$ 2,275,335 thousand through capitalization of earnings and capital surplus NT\$ 66,272 thousand.</p> <p>On December 16, the seventh board of directors in 2009 purchased the corporate operating headquarters in Neihu; the purchase price was re-negotiated and changed to 1.483 billion (tax included) on July 12, 2010.</p>
2010	<p>In September, the paid-in capital amounted to NT\$ 2,571,129 thousand through capitalization of earnings and capital surplus NT\$ 295,794 thousand.</p>
2011	<p>In September, the paid-in capital amounted to NT\$ 2,725,397 thousand through capitalization of earnings NT\$ 154,268 thousand.</p>
2013	<p>On November 11, the board of directors approved disposing subsidiary Cameo Holding Ltd.</p>

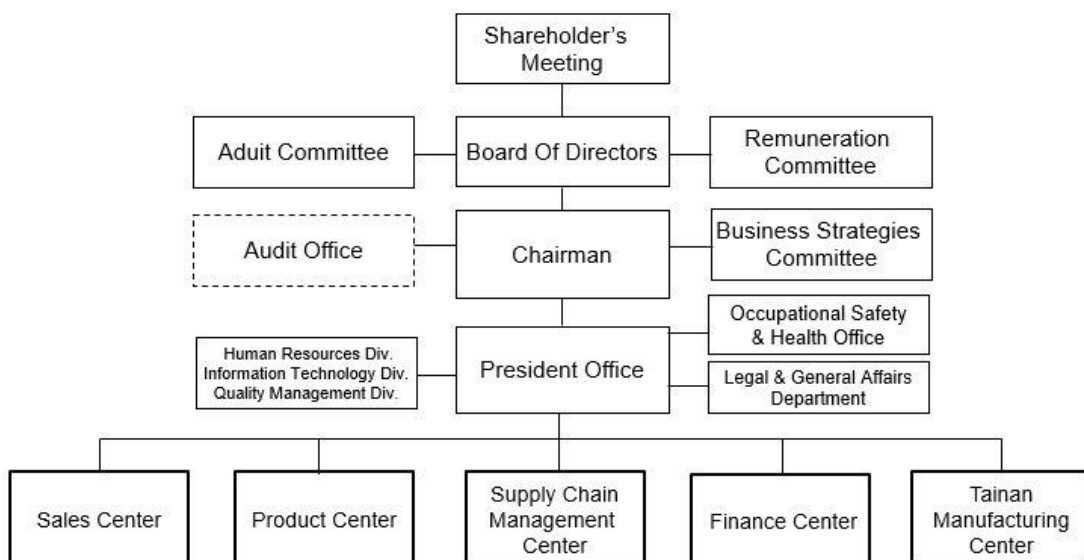
2014	In September, subsidiary Qianjin Investment Co., Ltd. invested SOARNEX TECHNOLOGY CORPORATION.
2015	Through treasury stocks reduction NT\$ 43,040 thousand, the paid-in capital reduced to NT\$ 2,682,357
2016	In December, the board of directors approved the Tainan factory construction project and signed a long-term factory construction contract with Liming Creation Co., Ltd. The total construction price was 1.088 billion.
2017	In March, the board of directors approved the dissolution and liquidation of Wide View Technology (Shanghai) Co., Ltd. In November, the board of directors approved NT\$400 million Tainan plant equipment purchase project.
2018	In August, Tainan factory obtained the license and factory registration certificate. In September, the subsidiary Wide View Technology (Shanghai) Co., Ltd. was dissolved and liquidated.
2019	In March, the board of directors approved of its subsidiary, NettechTechnology (Suzhou) Co., Ltd. sold Suzhou Soarnex Technology Co., Ltd. 100% Investment to its subsidiary, Luis Jo'se Investments Inc. In August, the board of directors approved NT\$ 360 million for Tainan plant purchase project. In October, the transfer of the equity of Suzhou Soarnex Technology Co., Ltd. to Luis Jo'se Investments Inc. was completed.
2020	In September, The Extraordinary Shareholders' Meeting approved an interim capital reduction to make up for the loss of NT\$ 385,564 thousand. After the capital reduction, the paid-in capital was NT\$ 2,296,792 thousand. Record date of the capital reduction was December 30, 2020.
2021	In February, the Company processed 101,100,000 private placement of common stock and the paid-in capital after the capital increase was NT\$ 3,307,792 thousand. The delivery date was April 15, 2021 In April, it was completed capital reduction and issuance of stocks.
2022	In November, the board of directors approved the dissolution and liquidation of Nettech Technology (Suzhou) Co., Ltd.

Chapter 3 Corporate Governance Report

I. Organization

(I) Organizational structure :

 **Cameo Communications, Inc. Organizational Chart**



(II) Responsibilities and functions of major departments :

Board of directors	The chairman of the board is responsible for convening the board of directors, supervising the company's operations, determining the company's important strategies, and planning the company's future business direction and goals.
Audit office	<ol style="list-style-type: none"> 1. Make annual audit plan and perform audit work. 2. Maintain the effectiveness and completeness of the internal audit control system. 3. Establish an internal control risk management system to prevent the company's losses.
President Office	<ol style="list-style-type: none"> 1. Implementing the Company's major resolutions adopted by the Board of Directors, comprehensively managing the Company's operations and future business development plan, as well as guiding and supervising various marketing and sales activities. 2. Planning the Company's business strategy and vision. 3. Human resources related affairs, including recruitment, education training, salary management, employee relations and human budget control. 4. Computerized operating system software and hardware planning and management, computerized operating authority control. 5. To implement quality policy, quality control and control of hazardous substances in products and execute manufacturer audit & counseling and customer quality service. 6. Maintain public safety and labor safety, formulate, plan, and promote safety and health management matters. 7. General administrative maintenance and planning. 8. Review, revision and drafting of contracts, management intellectual property and handling disputes and litigation cases.
Sales Center.	<ol style="list-style-type: none"> 1. Product Sales. 2. New Technology and Marketing Research. 3. New Product/Project Development and Management. 4. Customer New Product/Project and Sales Management.
Product Center	<ol style="list-style-type: none"> 1. Responsible for the planning, implementation and supervision of the company's product research and development affairs. 2. Responsible for the implementation of the company's product development related operating procedures and file management. 3. Responsible for the R&D quality control of the company's products. 4. Responsible for the technical support and customer service of the company's products. 5. Responsible for Software and Hardware functional verification of the company's products. 6. Responsible for the industrial and mechanical design of the company's products. 7. Product development-related support services and management, including product engineering support (DFM), product function verification (DFT), product safety regulatory certification and recognition of components (including power supply components). 8. Human resources training and planning for product development related support matters. 9. Product line management, product management and project management of wired and wireless network related products. 10. Work with sales to solve customer-related product needs. 11. Work with R&D department to develop product specifications. 12. Coordinate the cooperation of relevant departments, including materials, production, R&D to promote business-related operations.

	<p>13. Fabricate product marketing materials, manuals, software GUI wording and teaching materials.</p> <p>14. Project development plan, execution and management.</p>
Supply Chain Management Center	<p>1. Production and sales planning, production scheduling, material procurement, material management and other production planning operations.</p> <p>2. Master the company's product production schedule and make it smooth and correct delivery to customer.</p> <p>3. Warehousing-related operation management, production materials receiving and receiving, work orders are issued and finished products are packed and shipped, materials are properly stored and materials account management.</p> <p>4. Handle all import and export business in accordance with laws and regulations.</p>
Finance Center	Financial accounting planning, budgeting, financing, cost analysis, cashier income and expenditure, shareholder rights, stock affairs, taxes and other operations.
Tainan manufacturing Center	<p>1. To execute production plans and manage their progress to effectively achieve the shipping target.</p> <p>2. Set up and maintain quality management system to meet international quality, occupational health and safety, environmental management system construction.</p> <p>3. To maintain quality system includes quality management, quality prevention training and audit, production quality control, manufacturer audit and guidance, customer after-sales RMA repair and customer quality service.</p> <p>4. Production quality control and improvement, product process control and management.</p> <p>5. To manage production operations safety and also react and handle abnormal situations.</p> <p>6. Not only responsible for the production line working normally but also abnormal analysis, continuous improvement when the product is in mass production phase. To make new product can be built smoothly in NPI (New Product Introduction) phase and the advanced production methodologies must be concerned such as automation and re-layout if it is necessary.</p> <p>7. To setup and manage manufacturing test equipment efficiency and to control retest hours effectiveness.</p> <p>8. To standardize production technologies and to revise them if it is necessary.</p> <p>9. Job safety team: work environment safety and health management and supervision, safe production of zero accidents.</p>

II. Information on Directors, President,Vice Presidents,Assistant Vice Presidents,and Heads of Departments and Branches

(I) Director Information :

April 2, 2023

Title	Nationality or place of registration	Name	Gender/ Age	Date elected	Term (Years)	Date first elected	Shares held when elected		Number of shares currently held		Shares held by spouse or minor children		Number/ percentage of shares held in the name of other persons		Major experience/ academic background	Positions currently assumed in this Corporation or other companies	Any managerial officer, director, or supe rvisor who is a spouse or relative within the second degree of kinship			Remark
							Number of shares held	Shareholding percentage	Number of shares held	Shareholding percentage	Number of shares held	Shareholding percentage	Number of shares held	Shareholding percentage			Title	Name	Relation	
Chairman	Republic of China	D-Link Investment Co., Ltd.		2020.6.15	3	2020.6.15	350,000	0.13	299,690	0.09	-	-	-	-	-	-	-	-	-	-
D-Link Investment Co., Ltd. Representative Director	Republic of China	Victor Kuo	Male 59	2021.10.7	3	2020.6.15	-	-	-	-	-	-	-	-	Master of Electrical Engineering NTU CEO& President of AMIGO TECHNOLOGY INC.	Chairman, D-Link Corporation D-Link International Pte. Ltd. Director, D-Link Holding Co. Ltd. Director ,D-Link (Holdings) Ltd. Director, D-Link (Holdings) Ltd. Director, D-Link Shiang-Hai (Cayman) Inc. Director, D-Link Russia Investment Co. Ltd. Director, D-Link Holding Mauritius, Inc. Representative Director ,You Tai Investment Co.,Ltd. Representative Director ,Cameo Communications Inc. Representative Director ,Yong Rui Investment Co., Ltd. Chairman, AMIGO TECHNOLOGY INC. Chairman, Amit Wireless Inc.,	-	-	-	-
Director	Republic of China	D-Link Corporation		2020.6.15	3	1999.5.14	21,498,506	8.02	137,532,993	41.58	-	-	-	-	-	-	-	-	-	-

Title	Nationality or place of registration	Name	Gender/ Age	Date elected	Term (Years)	Date first elected	Shares held when elected		Number of shares currently held		Shares held by spouse or minor children		Number/ percentage of shares held in the name of other persons		Major experience/ academic background	Positions currently assumed in this Corporation or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Remark
							Number of shares held	Shareholding percentage	Number of shares held	Shareholding percentage	Number of shares held	Shareholding percentage	Number of shares held	Shareholding percentage			Title	Name	Relation	
D-Link Corporation Representative Director	Republic of China	Joseph Wang	Male 59	2020.6.15	3	2020.6.15	-	-	-	-	-	-	-	-	Bachelor of Law, National Chung Hsing University Leading Lawyer of General Law Firm	Chairman, Kings Asset Management Co., LTD. Chairman, Taiwan Steel Group United Co., Ltd. Chairman,Taiwan Network Group United Co., Ltd Chairman,GLORIA MATERIAL TECHNOLOGY CORP Chairman, S-Tech Corp. Director, Chun Zu Plant. Director, KMC INTERNATIONAL INC. Director,SOFT-WORLD INTERNATIONAL CORPORATION. Director, Taiwan Styrene Monomer Corporation. Independent Director, Huang Long Development Co.,Ltd. Director, Hi-Ace Trading Co., Ltd. Director, Chun Yu Bio-Tech Co.,Ltd. Director, Chun Yu Investments Co.,Ltd, Supervisor, Chun Yu(DongGuan) Metal Products Co., Ltd. Supervisor, Shanghai Uchee Hardware Products Co.,Ltd Director, Shanghai Chun Zu Machinery Industry Co.Ltd TSG HAWKS Baseball Co.Ltd Director, Taiwan Steel Sports Marketing Corporation Chairman, GSMC Guangzhou Chairman, GSMC Tianjin Chairman, GSMC Xian Chairman, GSMC Zhejiang Jiaxing Chairman, Goldway Special Metal Co.,Ltd. (Zhejiang Jiaxing) Chairman, He Yang Investment Co.,Ltd. Chairman, ALLOY TOOL STEEL INC. Chairman, G-YAO ENTERPRISES LTD. Chairman, ALL WIN ENTERPRISES LTD. Chairman, FAITH ENTERPRISES LTD. Chairman,Rongyang Investment Co., Ltd. Chairman, Nano Energy Co., Ltd. Director ,YUNG FU CO., LTD Director ,UFC GYM TAIWAN LIMITED Director,Jade Colorful CO. Director, Star Travel Corp	-	-	-	-

Title	Nationality or place of registration	Name	Gender	Date elected	Term (years)	Date first elected	Shares held when elected		Number of shares currently held		Shares held by spouse or minor children		Number/percentage of shares held in the name of other persons		Major experience/ academic background	Positions currently assumed in this Corporation or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Remark
							Number of shares held	Shareholding percentage	Number of shares held	Shareholding percentage	Number of shares held	Shareholding percentage	Number of shares held	Shareholding percentage			Title	Name	Relation	
Independent director	Republic of China	Yu-Chang Lin	Male 62	2020.6.15	3	2020.6.15	-	-	-	-	-	-	-	-	Bachelor of Laws, National Taipei University Vice president, MasterLink Securities Corporation	Chairman,United Fiber Optic Communication Inc. Independent director , Taiwan Styrene Monomer Corporation Independent director, Jia Jie Biomedical Co., Ltd. Independent director, Kaimei Electronic Corp	-	-	-	-
Independent director	Republic of China	Jeff Hong	Male 59	2020.6.15	3	2020.6.15	-	-	-	-	-	-	-	-	Bachelor of Law, National Chung Hsing University Lawyer of Hong Renjie Law Firm	Lawyer of Jeff Hong Law Firm Representative Director ,OFCO Industrial Corporation Independent Director, NewSoft Technology Corporation Supervisor ,Amigo Technology, Inc.	-	-	-	-

(2) Major shareholders of Institutional Shareholders

2023/04/02

Name of Institutional Shareholder	Major shareholders of Institutional Shareholders	
	Shareholders	Percentage
D-Link Corporation	Sapido Technology Inc.	9.97%
	E-Top Metal Co., Ltd.	4.82%
	Yitongyuan investment Co., Ltd.	4.33%
	Pu Ju Investment Co., Ltd.	2.66%
	Chia Hwa Investment Co., Ltd.	1.91%
	Vanguard Emerging Markets Stock Index Fund A Series Of Vanguard International Equity Index Funds	1.23%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds	1.22%
	Young Syun Investment Co., Ltd.	1.00%
	Norges Bank	0.99%
	Chien Chin Investment Co., Ltd.	0.91%
JunYang Investment Co., Ltd.	Su Yue Ye	40.00%
	Pei Yu Chien	20.00%
	Shao chun Chien	20.00%
	ching yen Chien	20.00%
D-link Investment Co., Ltd.	Taiwan Network Group United Co., Ltd.	100%

(3) Institutional shareholders whose major shareholders are institutions

2023/04/02

Name of Institutional Shareholder	Major shareholders of Institutional Shareholders	
	Shareholders	Percentage
Sapido Technology Inc.	E-Top Metal Co., Ltd	100%
Yitongyuan investment Co., Ltd.	E-Sheng Steel Co., Ltd	100%
E-Top Metal Co., Ltd	First Capital Holding Corporation	99.99%
D-link Investment Co., Ltd.	Taiwan Network Group United Co., Ltd.	100%
Qianjin Investment Co., Ltd.	Cameo Communications, Inc.	100%

(4.1) Professional qualifications and independence of the Directors

2023/04/02

Name \ Qualification	professional qualifications and work experience	Independence criteria	Number of other public companies where the individual concurrently serves as an independent director
D-Link Corporation Representative Director Joseph Wang	Lawyer qualifications	He isn't an employee of the company or its affiliates. He and his spouse and minor children don't hold more than 1% of the company's total issued shares or are not the top ten shareholding in the name of others.	1
JunYang Investment Co., Ltd. Representative Director Joseph Lin	Finance profession	He is not an employee of the company or its affiliates. He and his spouse and minor children don't hold more than 1% of the company's total issued shares or are not the top ten hareholding in the name of others.	2
D-Link Investment Co., Ltd. Representative Director Victor Kuo	Technology profession	He is not an employee of the company or its affiliates. He and his spouse and minor children don't hold more than 1% of the company's total issued shares or the top ten shareholding in the name of others.	0
Yu-Chang Lin	Securities business experience	He is not an employee of the company or its affiliates. He and his spouse and minor children don't hold more than 1% of the company's total issued shares and are not the top ten shareholding in the name of others. Non-professionals who provide auditing or business, legal, financial, accounting and other related services for companies or affiliated companies or has received remuneration in the 2 most recent years not exceeding NT\$500,000.	3
Jeff Hong	Lawyer qualifications	He is not an employee of the company or its affiliates. He and his spouse and minor children don't hold more than 1% of the company's total issued shares and are not the top ten shareholding in the name of others. Non-professionals who provide auditing or business, legal, financial, accounting and other related services for companies or affiliated companies or has received remuneration in the 2 most recent years not exceeding NT\$500,000.	1

(4.2) Diversity and independence of the Board of Directors

The Company stipulates in the "corporate governance principles" that the board of directors should consider diversity, including but not limited to the following two standards:

1. Basic conditions and values: gender, age, nationality and culture, etc.
2. Professional knowledge and skills: professional background.

As of . As of the end of 2022, there were 7 current directors, 6 directors were aged 50-59 years old, and the rest were over 60 years old. Among them, the independent directors all comply with the regulations on independence of the Securities and Futures Bureau of the Financial Supervisory Commission. The professional qualifications, work experience and diversity of directors, please refer to page 33.

(II) Information regarding President,Vice Presidents,Assistant Vice Presidents, and Heads of Departments and Branches

April 2.2023

Title	Nationality	Name	Gender	Date of appointment	Number of shares currently held		Shares held by spouse or minor children		Number/percentage of shares held in the name of other persons		Major experience/ academic background	Positions currently assumed in this Corporation or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Remark
					Number of shares held	percentage	Number of shares held	percentage	Number of shares held	percentage			Title	Name	Relation	
Gernal Manager	Republic of China	Allen Cheng	Male	2021.11.3	-	-	-	-	-	-	Master of Electrical Engineering NCKU. Chief Software Technology Officer, D-link Corporation Chief Software Technology Officer, Alpha Networks Inc.	President (Suzhou) SOARNEX HOLDING CO.,LTD Supervisor, Nettech Technology(Suzhou) Co Director, Chien Chin Investment Co.Ltd. Director, Huge Castle LTD Director, Perfect Choice Co., Ltd.	-	-	-	
Financial Administration Center Vice President	Republic of China	Doris Hsieh	Female	2021.5.4	-	-	-	-	-	-	Master of Finance, University of Illinois at Urbana-Champaign Senior Vice President of HSBC Bank (Taiwan)	Director, Perfet Choice Co., Ltd. Director,SOARNEX TECHNOLOGY CORPORATION Director, Luis Jo'se Investment Inc.	-	-	-	
GNT manufacturing Center Vice President	Republic of China	Ray Mao	Male	2010.05.01	487	0.00	-	-	-	-	Bachelor of Business Administration, Chung Yuan Christian University Director, Neo-Neon Group	President, Nettech Technology(Suzhou) Co.,Ltd.	-	-	-	
Executive Assistant	Republic of China	Phil Ko	Male	2021.3.24	-	-	-	-	-	-	National Chengchi University EMBA D-Link Chief Operating Officer, European Business Group	-	-	-	-	
Corporate governance officer Accounting Supervisor	Republic of China	Amy Wang	Female	2016.04.01	3,156	0.00	1,323	0.00	-	-	Bachelor of Accounting Information, Takming University of Science and Technology.	Director, Perfet Choice Co., Ltd.	-	-	-	

Note 1 : GNT manufacturing Center Vice President Ray mao resigned on 2022.3.31 and Executive Assistant Phil Ko resigned on 2022.4.29

Note2: The information of shareholdings held by Ray Mao and Phil Ko were disclosed as of the removal date.

III.Remuneration paid to Directors, President and Vice Presidents, General Directors,and Independent Directors

1. Remuneration paid to directors (including independent directors)

Unit NT\$ Thousands																						
Title	Name	Remuneration to directors								Ratio of total remuneration (A+B+C+D) to net income		Relevant remuneration received by directors who are also employees								Total remuneration (A+B+C+D+E+F+G) as a % of net income after tax		Remuneration from an invested company other than the Company's subsidiaries or parent company
		Remuneration (A)		Severance pay and pension (B)		Remuneration to directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company		All companies listed in the financial statements		The Company	All companies listed in the financial statements	
Chairman	Jerry Chien	-	-	-	-	797	797	15	15	812 0.8550	812 0.8550	3,034	3,034	-	-	-	-	-	-	3,846 4.0496	3,846 4.0496	-
Director	D-Link Corporation Representative Director Joseph Wang	-	-	-	-	266	266	10	10	276 0.2906	276 0.2906	-	-	-	-	-	-	-	-	276 0.2906	276 0.2906	-
Director	JunYang Investment Co., Ltd. Representative Director Joseph Lin	-	-	-	-	265	265	15	15	280 0.2948	280 0.2948	-	-	-	-	-	-	-	-	280 0.2948	280 0.2948	-
Director	D-Link Investment Co., Ltd. Representative Director Victor Kuo	-	-	-	-	266	266	15	15	281 0.2959	281 0.2959	-	-	-	-	-	-	-	-	281 0.2959	281 0.2959	-
Independent Director	Yu-Chang Lin	200	200	-	-	-	-	20	20	220 0.2316	220 0.2316	-	-	-	-	-	-	-	-	220 0.2316	220 0.2316	-
Independent Director	Jeff Hong	200	200	-	-	-	-	15	15	215 0.2264	215 0.2264	-	-	-	-	-	-	-	-	215 0.2264	215 0.2264	-
Independent Director	Arens Chiang	200	200	-	-	-	-	15	15	215 0.2264	215 0.2264	-	-	-	-	-	-	-	-	215 0.2264	215 0.2264	-
1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: According to the company's directors' salary and remuneration method, independent directors are entitled to remuneration of NT\$200,000 per person per year, paid quarterly. Directors attending the board of directors or attending the general meeting of shareholders may receive NT\$5,000 per person per ride. 2.In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors:None.																						

Table of Remuneration Ranges for the Directors

Range of remuneration to the Directors	Name			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements
Less than NT\$ 1,000,000	Jerry Chien 、D-Link Coporation Representative Director, Joseph Wang 、JunYang Investment Co., Ltd. Representative Director,Joseph Lin 、D-Link Investment Co., Ltd. Representative Director Victor Kuo 、Arens Chiang 、Yu-Chang Lin 、Jeff Hong	Jerry Chien 、D-Link Coporation Representative Director, Joseph Wang 、JunYang Investment Co., Ltd. Representative Director,Joseph Lin 、D-Link Investment Co., Ltd. Representative Director Victor Kuo 、Arens Chiang 、Yu-Chang Lin 、Jeff Hong	D-Link Coporation Representative Director, Joseph Wang 、JunYang Investment Co., Ltd. Representative Director,Joseph Lin 、D-Link Investment Co., Ltd. Representative Director Victor Kuo 、Arens Chiang 、Yu-Chang Lin 、Jeff Hong	D-Link Coporation Representative Director, Joseph Wang 、JunYang Investment Co., Ltd. Representative Director,Joseph Lin 、D-Link Investment Co., Ltd. Representative Director Victor Kuo 、Arens Chiang 、Yu-Chang Lin 、Jeff Hong
NT\$ 1,000,000 (inclusive) to 2,000,000 (not inclusive)				
NT\$ 2,000,000 (inclusive) to 3,500,000 (not inclusive)				
NT\$ 3,500,000 (inclusive) to 5,000,000 (not inclusive)			Jerry Chien	Jerry Chien
NT\$5,000,000 (inclusive) to NT\$10,000,000 (not inclusive)				
NT\$10,000,000 (inclusive) to NT\$15,000,000 (not inclusive)				
NT\$15,000,000 (inclusive) to NT\$30,000,000 (not inclusive)				
NT\$30,000,000 (inclusive) to NT\$50,000,000 (not inclusive)				
NT\$50,000,000 (inclusive) to NT\$100,000,000 (not inclusive)				
NT\$100,000,000 and above				
Total	7	7	7	9

Note 1: Retirement pensions are all appropriated for retirement pension expenses in 2022.

2 、Remuneration paid to Supervisors

The company has elected all independent directors to form Audit Committee for replacing supervisors on Shareholder meeting on June 16, 2017. The remuneration of the supervisors was no longer paid.

3、Remuneration paid to the President and Vice Presidents

3 、Remuneration paid to the President and Vice Presidents											Unit NT\$ Thousands			
Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and Allowances (C)		Employee bonus (D)				Total amount and Ratio of total remuneration (A+B+C+D) to net Income(%)		Remuneration from an invested company other than the Company's subsidiaries or parent company
		The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company		All companies listed in the financial statements		The Company	All companies listed in the financial statements	
								Cash	stock	Cash	stock			
President	Allen Cheng	7,595	7,714	171	171	1,121	1,121	-	-	-	-	8,887	9,006	-
Vice President	Doris Hsieh											9.35%	9.48%	
Vice President	Ray Mao													
Vice President	Phil Ko													

Table of Remuneration Ranges for the President and Vice Presidents

Range of remuneration to the President and Vice Presidents	Name	
	The Company	All companieslisted in thefinancial statements
Less than NT\$ 1,000,000	Phil Ko	Phil Ko
NT\$ 1,000,000 (inclusive) to 2,000,000 (not inclusive)	Ray Mao	Ray Mao
NT\$ 2,000,000 (inclusive) to 3,500,000 (not inclusive)	Doris Hsieh	Doris Hsieh
NT\$ 3,500,000 (inclusive) to 5,000,000 (not inclusive)	Allen Cheng	Allen Cheng
NT\$5,000,000 (inclusive) to NT\$10,000,000 (not inclusive)		
NT\$10,000,000 (inclusive) to NT\$15,000,000 (not inclusive)		
NT\$15,000,000 (inclusive) to NT\$30,000,000 (not inclusive)		
NT\$30,000,000 (inclusive) to NT\$50,000,000 (not inclusive)		
NT\$50,000,000 (inclusive) to NT\$100,000,000 (not inclusive)		
NT\$100,000,000 and above		
Total	4	4

Note 1: Retirement pensions are all appropriated for retirement pension expenses in 2022.

5、Names of managerial officers who receive employee bonus, and distribution of employee bonus

December 31, 2022 (Unit: NT\$ thousands)

	Title	Name	Stock	Cash	Total	Ratio of total amount to Net income (%)
Managerial officer	President	Allen Cheng	-	-	-	-%
	Vice President	Doris Hsieh				
	Vice President	Ray Mao				
	Assistant Vice President	Phil Ko				
	Corporate governance officer/Accounting Supervisor	Amy Wang				

Note: The distribution of 2022 employee remuneration for managers has not yet been resolved.

(IV) The analysis of the ratio of the total remuneration paid to the Company's Directors, President, and Vice Presidents by the Company and all companies listed in the consolidated statements in the most recent two years to net income, and the relevance between the remuneration payment policy, standard and package, and procedure for determining remuneration and business performance and future risk shall be compared and stated:

Title	Ratio of total remuneration to net income after tax (%) 2022		Ratio of total remuneration to net income after tax (%) 2021	
	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements
Directors	14.97%	15.10%	11.69%	11.81%
Supervisors				
President and Vice Presidents				

The remuneration paid to directors and supervisors by the company and all companies listed in the consolidated statements in the most recent two years is appropriated according to the Articles of Incorporation, which stipulate that: "From the profit earned by the Company as shown through the annual account closing, no more than 2% shall be taken for directors' and supervisors' compensation. The annual earning distribution status was submitted to the Board of Directors for discussion before being sent to the shareholders' meeting for resolution. There was big difference in the percentage of net income in 2022 and 2021. There was earnings after deficit to be deducted in 2022. The ratio of the remuneration paid to directors was higher than in 2021 mainly because the company disposed of plant and land use rights of the subsidiary Nettek Suzhou to increase profit in 2021. The actual remuneration paid to directors in 2022 was much lower than that in 2021. According to the company's directors' salary and remuneration method, independent directors are entitled to remuneration of NT\$200,000 per person per year, paid quarterly. Directors attending the board of directors or attending the general meeting of shareholders may receive NT\$5,000 per person per ride.

The salary structure of the president, executive vice presidents, vice presidents, and technical director is composed by salary, food allowance, duty allowance, and transportation allowance. The difference in salary is determined by the contribution of the position and performance of the individual related to academic background, experience, performance, working years and job title.

The company established the Remuneration Committee on December 23, 2011 with professional and objective status for evaluating the company's directors and managers'

compensation policies and systems, and making recommendations to the board of directors for their decision-making reference.

The performance evaluation and salary remuneration of directors and managers under the Remuneration Committee system should refer to the usual level of payment in the industry, and consider the time invested by the individual, the responsibilities, the achievement of personal goals, the performance of other positions, and the salary and remuneration given to employees of the same position in recent years, including the company's short-term and long-term sales goals, the company's financial status, and the relevant to personal performance and company operating performance and future risks etc.

Directors and managers should not be guided to engage in behaviors that exceed the company's risk appetite in pursuit of remuneration. The proportion of short-term performance compensation for directors and senior managers and the payment time of the variable salary compensation should be determined by considering the characteristics of the industry and the nature of the company's business.

IV 、 Operation of corporate governance

(I) Operations of the Board of Directors

A total of 6 meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	Jerry Chien	6	0	100.0	Elected on 2020.6.15
Director	D-Link Corporation Representative Director Joseph Wang	6	0	100.0	Elected on 2020.6.15
Director	JunYang Investment Co.,Ltd. Representative Director Joseph Lin	6	0	100.0	Elected on 2020.6.15
Director	D-Link Investment Co., Ltd. Representative Director Victor Kuo	5	1	83.0	Elected on 2021.10.7
Independent Director	Arens Chiang	6	0	100.0	Elected on 2020.6.15
Independent Director	Yu-Chang Lin	6	0	100.0	Elected on 2020.6.15
Independent Director	Jeff Hong	6	0	100.0	Elected on 2020.6.15

Other mentionable items:

If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Date	Proposal	All independent directors' opinions
The 11 st meeting of the 11 st term 2022.2.22	1.Approval of 2022 business plan 2.Approval of 2021CPA independence assessment 3.Approval of 2022 CPA fees 4.Approved the amendment to Procedures for Asset Acquisition & Disposal 5. Report on 2021 Endorsement and Guarantee to subsidiaries 6. Report on 2022 derivative financial products transactions	Approved by all independent directors

The 12 nd meeting of the 11 st term 2022.3.16	1. Approval of 2021 business report and consolidated financial statement (inclusive parent company only financial statement) 2. Approval of the 2021 deficit compensation proposal 3. Approval 2021 Internal Control System Statement	
The 14 th meeting of the 11 st term 2022.5.3	1. Approval of 2022Q1 consolidated financial statement 2. To approve renewal liability insurance for directors and managers 3. Report on 2021Q1 the Implementation of Sound Business Plan 4. Report on 2022 Greenhouse Gas Verification Schedule Plan	
The 15 th meeting of the 11 st term 2022.8.2	1. Approval of 2022 Q2 consolidated financial statement 2. Report on 2022Q2 the Implementation of Sound Business Plan 3. Report on 2022 Greenhouse Gas Verification Schedule Plan	
The 16 th meeting of the 11 st term 2022.11.3	1. Approval of 2022 Q3 consolidated financial statement. 2. Report on 2022Q3 the Implementation of Sound Business Plan 3. Approval of 2023 audit plan 4. Approva lthe amendment to Internal control system 5. Approval the amendment to Internal Material Information Processing Procedures	
(2) Except the aforementioned matters, other resolutions approved by two-thirds or more of all the directors but yet to be approved by the Audit Committee: None.		
II. With regard to the recusal of independent directors from voting due to conflict of interests,the name of independent directors, the content of proposals, reasons for recusal due to conflict of interests and participation in voting shall be stated: None.		
III. TWSE/TPEx listed companies shall disclose information such as the evaluation cycle and period, scope, method, and items of the Board’s self (or peer) evaluation, and fill out the implementation status of evaluation of the Board in Table 2(2).		
IV. Goals for enhancing the functions of the Board of Directors (such as establishing an Audit Committee or increasing information transparency) for the current year and most recent year as well as the assessment of the actions implemented:		
The company established an audit committee on June 16, 2017, composed of all independent directors to improve the effectiveness of the board of directors. In order to consolidate corporate governance and enhance the functions of the company's board of directors, the company has formulated the "Board Performance Evaluation Method" on March 26, 2018, and conducts annual performance evaluations to enhance the operational efficiency of the board of directors.		

The implementation status of evaluation of the Board of directors

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	2022/1/1~ 2022/12/31	the Board of directors	the Board of directors self-evaluation	1. Degree of participation in company operations 2. Quality decision making by directors 3. The component and structure of the board of directors 4. Directors election and further education 5. Internal Control

Once a year	2022/1/1~ 2022/12/31	Performance evaluation of individual board members	Board member self-evaluation	1.Company goals and tasks responsibilities of the directors 2. Degree of participation in company operations. 3.Relationship and communication 4.Profession and further education of directors 5. Internal Control
Once a year	2022/1/1~ 2022/12/31	Performance evaluation of individual board members	Board member self-evaluation	1.Participation in the operation of the Company; 2.Awareness of the duties of the audit committee; 3.Improvement of quality of decisions made by the audit committee; 4. Makeup of the audit committee and election of its members; 5. Internal control

The attendance of independent directors of the board of directors in 2022

☺Attend in person ☆By Proxy ◇Not attend

Date Name	2022.2.22	2022.3.16	2022.4.12	2022.5.3	2022.8.2	2022.11.1
Arens Chiang	☺	☺	☺	☺	☺	☺
Yu-Chang Lin	☺	☺	☺	☺	☺	☺
Jeff Hong	☺	☺	☺	☺	☺	☺

(II) Operation of Audit Committee

1、Audit Committee：

A total of 5 Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent Director	Arens Chiang	5	0	100.0	Elected on 2020/6/15
Independent Director	Yu-Chang Lin	5	0	100.0	Elected on 2020/6/15
Independent Director	Jeff Hong	5	0	100.0	Elected on 2020/6/15

Other mentionable items

I. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Date	Proposal	All members' opinions
The 9 th meeting of the 2 nd term 2022.2.22	1. Report on 2021 Endorsement and Guarantee to subsidiaries 2. Report on 2022 derivative financial products transactions 3. Approval of 2021 CPA independence assessment 4. Approval of 2022 CPA fee 5. Approved the amendment to Procedures for Asset Acquisition & Disposal	Approved by all committee members
The 10 th meeting of the 2 nd term 2022.3.16	1. Approval of 2021 business report and consolidated financial statement (inclusive parent company only financial statement) 2. Approval of the 2022 deficit compensation proposal 3. Approval of 2021 Internal Control System Statement	
The 12 th meeting of the 2 nd term 2022.5.3	1. Approval of 2022 Q1 consolidated financial statement 2. To approve renewal liability insurance for directors and managers	
The 13 th meeting of the 2 nd term 2022.8.2	1. Approval of 2022 Q2 consolidated financial statement	
The 14 th meeting of the 2 nd term 2022.11.1	1. Approval of 2022 Q3 consolidated financial statement 2. Approval of 2023 audit plan 3. Approval the amendment to Internal control system 4. Approval the amendment to Internal Material Information Processing Procedures	

(2) Except the aforementioned matters, other resolutions approved by two-thirds or more of all the directors but yet to be approved by the Audit Committee: None.

II. With regard to the recusal of independent directors from voting due to conflict of interests, the name of independent directors, the content of proposals, reasons for recusal due to conflict of interests and participation in voting shall be stated: None.

III. Communication between directors and the internal auditing officer and CPAs (including material issues, audit methods and results relating to the Company's finances and business).

(1) The audit supervisor of the company quarterly reports to the members of the audit committee on the implementation of the audit plan. No major abnormalities were discovered in 2022, and the communication between the independent directors of the company and the internal audit supervisor

was good.

(2) CPA quarterly reports to the members of the audit committee on the audit result of financial report and other items required by SEC laws. No major abnormalities were discovered in 2022, and the communication between the independent directors and the CPA was good.

(3) Communication between independent directors and Internal Auditing supervisor:

Date	Content of the communication	Result
2022.2.22	Report on 2021 Q4 status of audit Implementation	Audit procedure improvement
2022.3.16	Approval 2021 Internal Control System statement	Independent directors have no opinion
2022.5.3	Report on 2022Q1 status of audit implementation	Independent directors have no opinion
2022.8.2	Report on 2022 Q2 status of audit implementation	Independent directors have no opinion
2022.11.1	Report on 2022 Q3 status of audit implementation Approved the amendment to Internal Control System Approval the amendment to Internal Material Information Processing Procedure	Independent directors have no opinion

Communication between independent directors and CPA:

Date	Content of the communication	Result
2022.3.16	2021 consolidated (individual) financial report audit results	Independent directors have no opinion
2022.5.3	2022 Q1 consolidated financial report review result	Independent directors have no opinion
2022.8.2	2021 Q2 consolidated financial report review result 2022 Q2 communication about key audit matters with corporate governance and law update	Independent directors have no opinion
2022.11.1	2022 Q3 consolidated financial report review result 2022 Q3 communication about key audit matters with corporate governance and law update	Independent directors have no opinion

2 、 Audit Committee work point:

- Adoption or amendment to an internal control system pursuant to Article 14-1.
- Assessment of the effectiveness of the internal control system.
- Review financial Statement audited by CPA
- A material asset or derivatives transaction
- A material monetary loan, endorsement, or provision of guarantee
- The offering, issuance, or private placement of any equity-type securities
- The hiring or dismissal of an attesting CPA and independent assessment
- The appointment or discharge of a financial, accounting, or internal auditing officer

➤ Review financial Statement audited by CPA

The 2022 business report, financial statements and deficit compensation proposal which were agreed upon the Audit Committee and resolved by the Board, were audited by the CPA of KPMG, and a review report was issued.

➤ Assessment of the effectiveness of the internal control system.

The audit committee assessed the company's internal control system for the year 2022, including five major aspects: control environment, risk assessment, control operations, information

communication and supervision for evaluation of the effectiveness of internal control, as well as whether the design and system of internal control were actually implemented. The committee believes that the company's internal control system is effective and the company will continue to make amendments to improve the internal control system.

(III) Corporate governance implementation status and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Item	Implementation Status (Note1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
I. Does the Company establish and disclose its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	√		Cameo has formulated the Corporate Governance Best-Practice Principles which approved by the board of directors on March 24, 2017. In accordance with the Best-Practice Principles for TWSE/TPEX Listed Companies.	No material deviations
II. Shareholding structure & shareholders’ rights				
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	√		(1) The company has dedicated personnel to deal with shareholder suggestions or disputes and other issues, and if it involves Legal issues will be referred to the company’s legal counsel. The company possesses the list of its major shareholders as well as the ultimate owners of those shares shall be disclosed in accordance with regulations.	No material deviations
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	√		(2) The Company has delegated a dedicated person to manage the relevant information about the company’s list of its major shareholders as well as the ultimate owners of those shares.	No material deviations
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	√		(3) The company establish and execute the risk management and firewall system within its conglomerate structure in accordance with "Transaction procedures for group companies, specific companies and related parties" "Supervision Measures for Subsidiaries", "Procedure for Endorsement and Guarantee" 、 "Procedure for	No material deviations

Item	Implementation Status (Note1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	√		<p>lending funds to other parties. "</p> <p>(4) The company stipulated " Internal Material Information Processing Procedures "and "Code of Ethical Conduct" that avoid conflicts of interest related to their duties and disclose unpublish information.</p> <p>The company stipulated “Corporate Governance Best-Practice Principles” which prohibit insiders (including directors) from trading securities using information not disclosed during the closed period (30 days before the annual financial report announcement and 15 days before the quarterly financial report announcement).</p>	No material deviations
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p>	√		<p>(1) The Company stipulates in the "corporate governance principles" that the board of directors should consider diversity, including but not limited to the following two standards:</p> <p>a. Basic conditions and values: gender, age, nationality and culture, etc.</p> <p>b. Professional knowledge and skills: professional background.The current board of directors of the company consists of 7 directors, including 4 directors and 3 independent directors. As of the end of 2022, there were 7 current directors, 6 directors were aged 50-59 years old, and the rest were over 60 years old.</p>	<p>No material deviations</p> <p>No material deviations</p>

Item	Implementation Status (Note1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?</p>		<p>v</p> <p>v</p>	<p>Among them, the independent directors all comply with the regulations on independence of the Securities and Futures Bureau of the Financial Supervisory Commission.</p> <p>Diversity of Board members refers to note1.</p> <p>(2) The Company has established the Remuneration Committee and the Audit Committee in accordance with the law. Establishing other functional committees would be considered.</p> <p>(3) The company stipulated "Performance Evaluation Method for the board of directors" on March 26, 2018. It is required that the directors complete the self-evaluation questionnaire and submit it to the stock affairs department before the first quarter of following year. Stock affairs department will evaluate performance of Directors /Audit Committee / Remuneration Committee and report the result. On February 22, 2023, the performance results of the 2022 board of directors' evaluation submitted to the board of directors. The rate of evaluation for the year is about 88%, which is still good. The performance results of the 2022 Audit Committee & Remuneration Committee evaluation submitted to the board of directors. The rate of evaluation for the year is about 92%, which is still good. The company will take as a reference for the</p>	<p>No material deviations</p> <p>No material deviations</p>

Item	Implementation Status (Note1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?	v		<p>nomination for reelection of directors and members of committee. Remuneration only paid to independent directors is currently a fixed pay per year.</p> <p>(4) The company regularly evaluates the independence of CPAs once a year. 2022 result submitted to the board of directors on February 22, 2023. According to result, Sammel Au CPA and Yvette Chien CPA both meet the standard of independence of CPAs. The standard of independence of CPAs refers to note 2.</p>	
IV. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	v		<p>The company has assigned a corporate governance officer concurrently as the accounting supervisor through board of directors on May 4, 2021. According to the "Standard Operating Procedures for Dealing with Directors' Requirements", the company currently appoint corporate governance officer and financial staff part-time to deal with matters related to the board of directors and shareholders meeting, company registration, preparing minutes of the board of directors and shareholders meeting, etc. Information required by directors and supervisors to perform their business and assist them to comply with laws and regulations. Training sessions by corporate governance officer in 2022 refers to note 3.</p>	No material deviations

Item	Implementation Status (Note1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	√		The Company has set up a section on the Company's website dedicated to stakeholders, where any questions and suggestions can be communicated with the Company through the channels, and the Company will handle and respond directly as soon as possible.	No material deviations
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	√		The Company has appointed the Transfer Agency of HORIZON Securities Co., Ltd to handle affairs relevant to the shareholders' meeting before 2022.7.31. The Company has appointed the Transfer Agency of Yuanta Securities Co., Ltd to handle affairs relevant to the shareholders' meeting after 2022.7.31.	No material deviations
VII. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	√		(1) The company has set up a company website section to disclose financial business-related information. Investors can also require the company's financial status, business and corporate governance information through Market Observation Post System.	No material deviations
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	√		(2) The company has dedicated personnel to disclose financial information on the company's website and Market Observation Post System.	No material deviations Still under evaluation

Item	Implementation Status (Note1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		√	(3) The company has announced and reported annual financial statements within two months after the end of each fiscal year in 2022 but not reported Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit	
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?	√		Major Information will be disclosed on the company website and Market Observation Post System, which help shareholders to comprehend company's operation and strategy. The directors of the company had a total of 66 hours of training in 2022. The company has purchased liability insurance for directors and important staff, and reported the insurance coverage to the board of directors for approval and then announced it on the Market Observation Post System.	No material deviations
IX. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures. The company participated in the evaluation of self-assessment of corporate governance of listed companies conducted by the Taiwan Stock Exchange Co., Ltd. The company updated the corporate governance area on website. The company has announced and reported annual financial statements within two months after the end of each fiscal year. The improvement of the above evaluation items was compliance with the regulations of the governance.				

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

Note1: Diversity of Board members

Diversity items Name	Basic information					Industry experience/ Professional background				
	Gender	Age		Years acting as an Independent director		Business Management	Securities	Law	Technology	Finance Accounting
		50-60	Over 60	Less than 3 years	3 years to 6 years					
Jerry Chien	Male	V				V			V	
Joseph Wang	Male	V				V		V	V	
Victor Kuo	Male	V				V			V	
Joseph Lin	Male	V				V				V
Arens Chiang	Male	V			V					V
Yu-Chang Lin	Male		V	V		V	V	V		
Jeff Hong	Male	V		V				V		

Note2 : Content of the CPA's independence and competence assessment.

items	Result	Whether independence or not
1. It wasn't changing for seven years till last audit by CPA.	Yes	Yes
2. No significant financial interest in the client.	Yes	Yes
3. No any inappropriate relationship with the client.	Yes	Yes
4. Accountants should ensure that their assistants are honest, impartial and independent.	Yes	Yes
5.The financial statements of the organization within the first two years of practice shall not be audited.	Yes	Yes
6. CPA may not be represent by others.	Yes	Yes
7. No shares held in the company or related companies.	Yes	Yes
8.No lending funds to the company or related companies.	Yes	Yes

9. No joint investment or benefit-sharing relationship with the company or related companies.	Yes	Yes
10. No fixed salary is paid or no taking position in the company or related companies.	Yes	Yes
11. Not involve the decision-making by management of the company or related companies to make decisions.	Yes	Yes
12. Not operating other businesses that may lose their independence.	Yes	Yes
13. No spouse, direct blood relative, direct in-law relationship, or second relative of the company's management staff.	Yes	Yes
14. No commissions related to the business have been received.	Yes	Yes
15. Until now, no punishment has been imposed or the principle of independence has been compromised.	Yes	Yes

Note3 : Training sessions by corporate governance officer in 2022

Institution of training	Name of the training session	Period of training	Hours of training	Total hours of training
Securities and Futures Institute	Insider equity transaction legal compliance promotion briefing meeting in 2022	2022/10/05~2022/10/05	3	12
KPMG	2022 KPMG Annual Tax Conference	2022/10/19~2022/10/19	3	
Accounting Research and Development Foundation	2022 Auditing Standards Conference	2022/10/21~2022/10/21	3	
Taiwan Corporate Governance Association	2022 ESG Trends and Risk Management Conference	2022/11/03~2022/11/03	3	

(IV) Composition, Responsibilities and Operations of the Remuneration Committee

(1) 、 Information on the members of the Remuneration Committee

Name \ Qualification	professional qualifications and work experience	Independence criteria	Number of other public companies where the individual concurrently serves as an Remuneration Committee Member
Yu-Chang Lin	Securities business experience	He is not an employee of the company or its affiliates. He and his spouse and minor children do not hold more than 1% of the company's total issued shares and are not the top ten shareholding in the name of others. Non-professionals who provide auditing or business, legal, financial, accounting and other related services for companies or affiliated companies or has received remuneration in the 2 most recent years not exceeding NT\$500,000.	3
Jeff Hong	Lawyer qualifications	He is not an employee of the company or its affiliates. He and his spouse and minor children do not hold more than 1% of the company's total issued shares and are not the top ten shareholding in the name of others. Non-professionals who provide auditing or business, legal, financial, accounting and other related services for companies or affiliated companies or has received remuneration in the 2 most recent years not exceeding NT\$500,000.	1
Arens Chiang	Certified Public Accountant	He is not an employee of the company or its affiliates. He and his spouse and minor children do not hold more than 1% of the company's total issued shares and are not the top ten shareholding in the name of others. Non-professionals who provide auditing or business, legal, financial, accounting and other related services for companies or affiliated companies or has received remuneration in the 2 most recent years not exceeding NT\$500,000.	0

(2) 、 Duties of Remuneration Committee Member

This committee should faithfully perform the following duties with the good attention:

- 1 、 Regularly review the organizational procedures of the Remuneration Committee and propose amendments.
- 2 、 Formulate and regularly review the company's directors, supervisors and managers' annual and long-term performance targets and remuneration policies, systems, standards and structures.
- 3 、 Regularly evaluate the achievement of the performance goals of the company's directors, supervisors and managers, and determine the content and amount of their individual remuneration.

(3) 、 Operation of the Remuneration Committee

There are 3 members in the Remuneration Committee. Duration of the current term of service: August 4, 2020, until June 14, 2023

A total of 2 Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairperson	Arens Chaing	2	0	100%	Appointed on 2020.8.4
member	Yu-Chang Lin	2	0	100%	Appointed on 2020.8.4
member	Jeff Hong	2	0	100%	Appointed on 2020.8.4
Other mentionable items: 1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None. 2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

Date	Proposal	All members' opinions
The 5 th meeting of the 4 th term 2022.5.3	1. Report on matters related to salary adjustment in 2022 2. Report on bonus distribution adjustment in 2022 3. Review the range of remuneration and remuneration proposal which applicable for managers by the Remuneration Committee 4. Review the manager's salary adjustment 5. Review the manager's bonus distribution	Approved by all committee members
The 6 th meeting of the 4 th term 2022.11.1	1. Review the manager's bonus distribution 2. Employees status report 3. 2021 salary information for full-time employees in supervisory positions and non-supervisory positions	

(V) Environment Social governance (ESG), Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Items	Implantation status (Note1)			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary(Note2)	
I. Does the company set up a dedicated (part-time) unit to promote Environment Social governance (ESG), and the board of directors authorizes the senior management to handle it, and reports the handling situation to the board of directors?	V		<p>On 2023.2.22, the board of directors appointed GM as the sustainability committee members to set the mission and goals. Part-time jobs are held by various departments of the company, and the ESG report is updated every year.</p> <p>The organization chart looks like this:</p> <pre> graph TD President --> CSR[CSR management representative] CSR --> Audit[Coordinate relevant unit audits and Supervise the execution of relevant work by various] Audit --> Finance[Finance and Administration Center] Audit --> Product[Product Center] Audit --> Supply[Supply Chain Mang. Center] Finance --> FinanceDep[Finance Dep.] Finance --> HR[Human Resource] Finance --> GA[General Affairs Dep.] Product --> RD[RD Dep.] Product --> PM[PM Dep.] Supply --> Purchasing[Purchasing Dep.] Supply --> Customer[Customer Service] FinanceDep --- FD["Corporate Governance Regulations/Internal School/Shareholders Equity"] HR --- HR["Labor rights/ethics formulation/group insurance/employee complaint handling"] GA --- GA["Environment / Health / Safety / Hygiene / Energy Catering"] RD --- RD["Green/ Environment and Greenhouse Gas Management"] PM --- PM["Customer Message / Request reception and reply"] Purchasing --- Purchasing["New Supplier Development/SC Security"] Customer --- Customer["Handling quality complaints/protecting consumer rights"] </pre>	No material deviation.
II. Does the company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	V		<p>CAMEO Company handle in accordance with the " Sustainable Development Best Practice Principles " and Identify stakeholders based on relevance, including employees, shareholders, customers, suppliers, etc., which can be used as a reference for identifying major issues.</p>	No material deviation.

Items	Implantation status (Note1)			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary(Note2)	
			Material issues can be classified into economic, environmental, social and corporate governance issues related to the company's operations. The company conducts risk assessment on this major issue and formulates relevant risk management policies or strategies.	
III. Environmental issues (I) Has the company established an appropriate environmental management system according to its industrial characteristics?	V		(I) CAMEO has passed ISO 14001 environmental management at the factory and has developed a sustainable environment. The operating conditions are as follows: 1. The company promotes green procurement measures, and the raw materials and components of the products must comply with regulations prohibiting the use of hazardous substances, such as RoHS requirements. Suppliers need to upload RoHS Reports, REACH data and MSDS (Material Safety Data Sheet) on the company website http://gpmap.cameo.com.tw . 2. And at the factory end, use XRF (X-ray Fluorescence) testing equipment to perform hazardous material feed detection; in the product development stage, make dismantling reports according to customer needs to achieve	No material deviation.

Items	Implantation status (Note1)			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary(Note2)	
(II) Is the company committed to improving energy efficiency and using recycled materials with low impact on the environment?	V		3R (Reuse, Recycle, Recovery) goals to meet WEEE[Waste electrical and electronic equipment] related directives to reduce environmental load. 3. The certificate of ISO 14001 Environmental Management System was awarded by the Verified Unit (SGS) on 2021.11.30, valid until 2024.11.29. (II) 1.The company promotes garbage classification, recycling of waste electronic materials and environmentally friendly paper, etc., to recycle available resources and reduce the impact on environmental pollution. 2.Currently, it is supervised by the general affairs department on a part-time basis, and the cleaning company is outsourced to perform environmental cleaning work, and all employees work together to maintain the environment. 3. The company promotes paperless e-work in the office, turns off lights during lunch breaks to reduce energy waste and use, installs water-saving devices in the tap water system, uses power-saving electric light devices, and partitions switch devices for power and air-conditioning	No material deviation.

Items	Implantation status (Note1)			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary(Note2)	
(III) Does the company assess the current and future potential risks and opportunities of climate change for the company, and take measures to address climate-related issues?	V		<p>systems, and strives to save energy and reduce carbon. Greenhouse gas reduction and other measures.</p> <p>(III) The company pays attention to the impact of climate change on its operating activities. The product design conforms to the EU ErP energy-saving directive. The company's office buildings are all set to use T5 lamps to comply with the company's energy conservation and carbon reduction and greenhouse gas reduction policies. In view of the increasingly serious problem of global warming, the company is not behind in the issue of environmental protection concerns, starting from the internal body of the enterprise, from garbage classification, kitchen waste recycling, office paperless, energy saving, and even electricity saving , The design of the water-saving device is an attempt to contribute to Taiwan's environment.</p>	No material deviation.
(IV) Has the company counted the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management policies?	V		<p>(IV) The company has actively evaluated and planned the statistics of greenhouse gas emissions, water consumption and total weight of waste to reduce the impact on natural resources and reduce environmental pollution. It also plans to conduct quantitative statistical disclosure of</p>	No material deviation.

Items	Implantation status (Note1)			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons																											
	Yes	No	Summary(Note2)																												
			<p>environmental information, such as the use of renewable energy, water resources and various raw materials.</p> <p>Tainan factory company verified by a third party. ISO 14064-1:2018-greenhouse gas certification for FY2022 was completed.</p> <p>The results of the investigation are as follows:</p> <p>carbon emissions</p> <table><tr><td>Items</td><td>2022</td><td>2021</td></tr><tr><td>Direct</td><td>150.65</td><td>58.20</td></tr><tr><td>Indirect energy</td><td>4,168.16</td><td>4331.56</td></tr><tr><td>Indirect others</td><td>722.26</td><td>796.42</td></tr><tr><td>Total</td><td>5,041.07</td><td>5,186.18</td></tr></table> <table><tr><td>Year</td><td>Water consumption (metric ton)</td></tr><tr><td>2022</td><td>31,628</td></tr><tr><td>2021</td><td>30,578</td></tr></table> <table><tr><td>Year</td><td>total weight of waste(metric ton)</td></tr><tr><td>2022</td><td>hazardous waste 3.06 non-hazardous waste 61.59</td></tr><tr><td>2021</td><td>hazardous waste 1.954 non-hazardous waste 103.225</td></tr></table>	Items	2022	2021	Direct	150.65	58.20	Indirect energy	4,168.16	4331.56	Indirect others	722.26	796.42	Total	5,041.07	5,186.18	Year	Water consumption (metric ton)	2022	31,628	2021	30,578	Year	total weight of waste(metric ton)	2022	hazardous waste 3.06 non-hazardous waste 61.59	2021	hazardous waste 1.954 non-hazardous waste 103.225	
Items	2022	2021																													
Direct	150.65	58.20																													
Indirect energy	4,168.16	4331.56																													
Indirect others	722.26	796.42																													
Total	5,041.07	5,186.18																													
Year	Water consumption (metric ton)																														
2022	31,628																														
2021	30,578																														
Year	total weight of waste(metric ton)																														
2022	hazardous waste 3.06 non-hazardous waste 61.59																														
2021	hazardous waste 1.954 non-hazardous waste 103.225																														

Items	Implantation status (Note1)			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary(Note2)	
IV. Social issues				
(I) Does the company formulate relevant management policies and procedures in accordance with relevant laws and international human rights conventions?	V		(I) According to the Labor Standards Law and related labor laws and regulations, timely revise the management system rules and labor conditions that are superior to the Labor Standards Law; the company's suppliers all require corporate social responsibility and EICC (Electronic Industry Code of Conduct Commitment)	No material deviation.
(II) Does the company formulate and implement reasonable employee benefit measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect business performance or results in employee compensation?	V		(II) 1. Employee benefits: Based on taking care of the basic needs of employees, we provide employees with labor insurance, health insurance, group insurance, marriage, funeral and childbirth, hospital condolences, birthday gifts, annual gifts and other benefits. 2. Formulate performance evaluation management methods. The company implements performance evaluation every six months to one year, and promotes in July every year according to the performance evaluation evaluation; formulates work rules for employees, and clearly defines an effective reward and punishment system.	No material deviation.

Items	Implantation status (Note1)			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary(Note2)	
(III) Does the company provide employees with a safe and healthy working environment, and conduct regular safety and health education for employees?	V		(III) 1. According to the provisions of the Occupational Safety and Health Law, the work environment measurement shall be carried out on a regular basis every six months. At the factory side, it is certified by ARES to ISO 45001 every year, and it is valid until 2024-11-29. 2. New employee education and training implement labor safety and hygiene training. Conduct fire safety lectures and drills every six months.	No material deviation.
(IV) Does the company establish an effective career development training program for employees?	V		(IV) There is on-the-job training and training system for employees to develop their career capabilities and assist them in exploring functional development.	No material deviation.
(V) Does the company follow relevant laws and international standards, and formulate relevant policies and complaint procedures for the protection of consumer or customer rights and interests regarding issues such as customer health and safety, customer privacy, marketing and labelling of products and services?	V		(V) The company's main business model is the customers of ODM, OEM and EMS brand owners, so there are provisions in each contract to protect the rights and interests of customers. Quality, Service, Customer Satisfaction In line with the company's commitment to timely and effective quality management skills and perfect services, to ensure that the quality management system meets the	No material deviation.

Items	Implantation status (Note1)			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary(Note2)	
			<p>requirements and effectiveness and continues to improve to meet customer needs. The company has passed the ISO9001 certification. In addition to the evaluation of the third-party certification body, it has international credibility and enhances the corporate image. With the implementation of this system, a complete written system, procedures and organization can be established, which can not only leave the enterprise technology. Document assets, when necessary, will become a model of operation communication, making internal communication easier to grasp, and improving management efficiency, effectiveness and work quality due to the establishment of a management system to maintain the stability and safety of product output. Safe to use. Through the management operating system, the company fully follows the RoHS specification in process and material management, and implements "source management". Purchasing personnel proposes the specification of the RoHS directive for suppliers, requiring suppliers to self-control, self-test, sign a RoHS guarantee, and To be audited to ensure that the materials and</p>	

Items	Implantation status (Note1)			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary(Note2)	
(VI) Has the company formulated a supplier management policy, requiring suppliers to follow relevant norms on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation?	V		<p>processes used by the company can meet the relevant specifications and customer requirements.</p> <p>(VI) The company will comply with all regulations and international standards for products and services specified by customers. The company will require suppliers to provide various quality and environmental management guarantees. When performing regular audits, check for records that affect the environment and society. The company will require all suppliers to sign off on the Corporate Social Responsibility-Code of Conduct (CSR-CoC) Commitment Letter, which contains relevant clauses when violating environmental and social policies..</p>	No material deviation.
V. Does the company refer to the internationally accepted reporting standards or guidelines to prepare reports that disclose non-financial information of the company, such as sustainability reports? Has the previous disclosure report obtained the assurance or assurance opinion of the third-party verification unit?	V		<p>The company will compile 2022 ESG report with reference to the internationally GRI standards, and entrust third party Great Certification to perform AA1000 Type 1 Moderate Assurance Certificate .</p> <p>The ESG report will be published on the official website of CAMEO Company</p> <p>https://www.cameo.com.tw/home/company/#about_cameo</p> <p>You can see it:</p>	No material deviation.

Items	Implantation status (Note1)			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary(Note2)	
			1. ESG Report 2. CSR Code of Conduct 3. Continuity Business Management	
VI. If the company has its own sustainable development code in accordance with the "Code of Practice for the Sustainable Development of Listed OTC Companies", please describe the differences between its operation and the prescribed code: In order to improve the management of corporate social responsibility and strengthen corporate governance, the company has formulated the "Code of Practice for Sustainable Development " in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies " in 2021. There is no major difference in the current operation.				
VII. Other important information to help understand the implementation of promoting sustainable development: The annual ESG report can be found on the official website of CAMEO Company http://www.cameo.com.tw/ .				

(VI) Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" :

Items	Implantation status (Note1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
I. Formulating ethical corporate management policies and programs				
(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the board of directors and senior management to rigorous and thorough implementation of such policies?	V		(I) The company established the "Corporate Integrity Management Principle" and "Code of Corporate Ethics" at the "Important Rules of Corporate Governance" area of the of the public website.	No material deviations
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	V		(II) The company's standard "Labor Contract" and its annex "Integrity and Confidentiality Promise Letters" stipulates the obligations and ethics related to integrity, and confidentiality in addition, The company formulates "employee work rules" and set up complaints mailbox receiving employee 's opinion. 1. mailbox mail : declare@cameo.com.tw 2. TEL : 77363619 、 0962090135 。 3. receiving department : Human Resource department	
(III) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	V		(III) Standard "Labor Contract" Article 11: Intellectual Property Rights, Article 12: Confidentiality Obligation, Article 13: Non-competition, and its annex "Integrity and Confidentiality Promise Letters", are preventive measures for business activities with high risk of dishonesty.	
II. Implementing ethical corporate management				
(I) Has the Company evaluated ethical records of its counterparty? Does the contract signed by the Company and its trading counterparty clearly provide terms on ethical conduct?	V		(I) Suppliers sign purchase contracts (including integrity obligations), integrity commitments, and supplier corporate social responsibility codes of conduct commitments.	No material deviations
(II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of	V		(II) In order to improve the management of integrity , human resources is currently responsible for policy advocacy and personnel pre-employment	

Items	Implantation status (Note1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?			education and training. The implementation of ethical corporate management performs by each department. The board of directors of the company shall perform the duty of care of good managers. The audit office shall conduct inspections from time to time and report to the board of directors to supervise and prevent dishonest behavior, and review its implementation effectiveness with continuous improvement to ensure the implementation of the integrity management policy.	
(III) Has the Company establish edpolicies to prevent conflicts of interest, provided an appropriate channel for reporting such conflicts and implemented them?	V		(III) The company has formulated the"Code of Corporate Ethics" 、 『 Labor Contract 』 and its annex "Integrity and Confidentiality Promise Letters" to prevent conflicts of Interest, and provide appropriate statement channels through e-mail and telephone lines.	
(IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	V		(IV) In order to implement integrity management, the company has established internal control systems, accounting systems and other internal regulations, and has taken into consideration the "Code of Integrity Management of Listed OTC Companies" as the basis for implementing integrity management. In addition, the audit office will conduct irregular inspections and report to the board of directors to prevent violations of integrity.	
(V) Does the Company regularly hold internal and external training related to ethical corporate management?	V		(V) The company declares the integrity management philosophy to each department and makes a written promise of integrity. When new employees report for duty , they will sign"Labor Contract" and "Integrity and Confidentiality Promise Letters" ,declaring the integrity of commitment at the same time .	

Items	Implantation status (Note1)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	
<p>III. Implementation of the Company’s whistleblowing system</p> <p>(I) Has the Company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel to handle investigations against wrongdoers?</p> <p>(II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?</p>	V		<p>(I) Whistleblowing channels :</p> <p>1. mailbox mail : declare@cameo.com.tw</p> <p>2. Headquarters TEL : (02)77363615</p> <p>Tainan Factory TEL : (06)7011168</p> <p>3. receiving department : Human Resource department .</p> <p>(II) After the case is accepted, the parties should be notified in writing within ten days. Explain the facts, and at the same time conduct investigations depending on the content of the facts.</p> <p>The person responsible for the investigation must complete the investigation within two months after the complaint is filed.</p> <p>The investigation report should be made into recommendations for punishment or other handling.</p> <p>After approval by the supervisor, the complainant and the respondent will be notified. If there is any objection to the resolution of the case, the parties should appeal to human resource within ten days.</p> <p>In order to protect the rights and interests of the whistleblowers, those who accept the whistleblowers will deal with it in a confidential manner</p> <p>Therefore, it does not reveal the name of the whistleblowers or other sufficient information to identify the whistleblowers.</p> <p>Human resource should have a special person responsible for manage information and keep them sealed and archived for at least two years.</p>	No material deviations

Items	Implantation status (Note1)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	
(III) Has the Company set up protection for whistleblowers to prevent them from being subjected to inappropriate measures as a result of reporting such incidents?	V		(III) The company's employee work rules clearly stipulate that employees will not be punished or dismissed, transferred or other unfavorable treatment due to reports such incidents.	
IV. Enhancing information disclosure (I) Has the Company disclosed the contents of its best practices for ethical corporate management and the effectiveness of relevant activities upon its official website or Market Observation Post System?	V		The company has disclosed " Corporate Integrity Management Principle" and "Code of Corporate Ethics" relevant to integrity management under “Important Rules of Corporate Governance” area on the website. (https://www.cameo.com.tw/home/company/company-management/)	No material deviations
V.If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation :No difference.				
VI. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies). None.				

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

(VII) If the Company has established the corporate governance best practice principles and other relevant regulations, the means to search for these regulations shall be disclosed:

The board of directors has approved the formulation of the corporate governance best principle .Please visit MOPS (<http://mops.twse.com.tw/mops/web/index>) or the official website of the Company. (<http://www.cameo.com.tw/home/company/company-management/>)

(VIII) Other important information to enhance the understanding of the implementation of corporate governance at the Company : None

(IX) Disclosures Required for the Implementation of the Internal Control System :

1. Statement on Internal Control System

Cameo Communications Inc.

Statement on Internal Control System Date : February 22,2023

According to the results of the Company's self-assessment, the Company's statement pertaining to the internal control system in 2022 is as follows:

- I. The Company acknowledges that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and managerial officers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance, and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- III. The Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations.
- IV. The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
- V. Based on the aforementioned audit findings, the Company holds that as of December 31, 2022., its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.
- VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the contents above will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed at the Board of Directors meeting on February 22, 2023, with none of the seven attending Directors expressing objections; all Directors affirmed the content of this Statement.

Cameo Communications Inc.

Chairman : Jerry Chien

General Manager : Allen Cheng

2. If a CPA has been hired to carry out a special audit of the internal control system, please furnish the CPA audit report: None.

(X) Penalties imposed on the Corporation and its internal staff, penalties imposed on its internal staff by the Company for violation of internal control regulations, major deficiencies and status of improvements made in the most recent year up to the publication date of this annual report: None.

(XI) Major resolutions of the Shareholders' Meeting and the Board of Directors in the most recent year up to the publication date of this annual report

Date	Type of meeting	Major resolutions
2022.2.22	Board of Directors	<ol style="list-style-type: none"> 1. Approval of the 2022 business plan 2. Approved matters related to the convening of the 2022 General Shareholders' Meeting 3. Approved the period and location where the company's regular shareholders' meeting of 2022 accepted proposals 4. Approval of 2021 CPA independence assessment 5. Proposal for application for 2022 financial credit line 6. Approval of 2021 CPA's fees 7. Approved to Change in Shareholder Services Agent 8. Approved the amendment to "Article of Incorporation" 9. Approved the amendment to "Procedures for Asset Acquisition & Disposal"
2022.3.16	Board of Directors	<ol style="list-style-type: none"> 1. Approval of 2021 business report and consolidated financial statement (inclusive parent company only financial statement) 2. Approval of the 2021 deficit compensation proposal 3. Approval 2021 Internal Control System Statement 4. Approved the capital reduction and return of shares of subsidiary Huge Castle Ltd
2022.4.12	Board of Directors	<ol style="list-style-type: none"> 1. Approved the amendment to "Article of Incorporation"
2022.5.3	Board of Directors	<ol style="list-style-type: none"> 1. Approval of 2022 Q1 consolidated financial statement 2. Approved renewal liability insurance for directors and managers 3. Proposal for application for 2022 financial credit line
2022.5.27	Shareholders' Meeting	<ol style="list-style-type: none"> 1. Approval of 2021 business report and consolidated financial statement (inclusive parent company only financial statement) 2. Approval of the 2021 deficit compensation proposal 3. Approved the amendment to "Article of Incorporation" 4. Approved the amendment to "Procedures for Asset Acquisition & Disposal"
	Implantation status	<p>All resolutions were passed.</p> <p>Registration has been completed and Article of Incorporation disclosed on the MOPs and company website</p> <p>Procedures for Asset Acquisition & Disposal disclosed on the MOPs and company website</p>
2022.8.2	Board of Directors	<ol style="list-style-type: none"> 1. Approval of 2022 Q2 consolidated financial statement 2. Report on 2022Q2 the Implementation of Sound Business Plan 3. Proposal for application for 2022 financial credit line 4. Approval of Sustainable Development Practice Principles 5. Proposal for the Change of Spokesperson 6. Report on 2022 Greenhouse Gas Verification Schedule Plan
2022.11.1	Board of Directors	<ol style="list-style-type: none"> 1. Approval of 2022 Q3 consolidated financial statement 2. Report on 2022Q3 the Implementation of Sound Business Plan 3. Approval of 2023 audit plan 4. Report on 2022 Greenhouse Gas Verification Schedule Plan approval of 5. 5. Proposal for application for 2022 financial credit line 6. Approved the amendment to Internal Control System 7. Approval the amendment to Corporate Governance Best Practice Principles 8. Approval the amendment to Internal Material Information Processing Procedure 9. .Approval the 2022 manager's Remuneration

2023.2.22	Board of Directors	1. Approval of 2022 business report and consolidated financial statement. (inclusive parent company only financial statement) 2. Approval of the 2022 earnings distribution proposal 3. Approval of 2022 the Distribution of Employees' and Directors' Remuneration 4. Approval 2022 Internal Control System Statement 5. Approval of the 2023 business plan 6. Approved matters related to the convening of the 2023 General Shareholders' Meeting 7. Approved the period and location where the company's regular shareholders' meeting of 2023 accepted proposals. 8. To elect 12th Board of Directors (including 3 Independent Directors) 9. Proposal for the nomination of candidates for directors (including independent directors) 10. To release the newly elected directors from non-competition restrictions 11. Approval of 2022 CPA independence assessment 12. Proposal for application for 2023 financial credit line 13. Approval of 2023 CPA's fees 14. Approved to establish ESG Committee 15. Approved to establish the procedure for preparation and validation of the ESG report 16. Approved to establish " ESG Committee Charter " 17. Approved to the CPAs change of the Company 18. Approved to obtain the right to use assets from related parties. 19. Approval the 2023 manager's Remuneration
2023.3.31	Board of Directors	1. To elect the chairman board of director 2. To appoint of directors and chairman of the subsidiaries 3. Proposed and reviewed the list of candidates for the 12 th directors 4. Proposed to change shareholding meetings time
2023.5.9	Board of Directors	1. Approval of 2023Q1 consolidated financial statement 2. Approved renewal liability insurance for directors and managers 3. Proposal for application for 2023 financial credit line

(XII) Dissenting Opinions or Qualified Opinions on Resolutions Passed by the Board of Directors Which are Made by Directors and are Documented or Issued through Written Statements, In the Most Recent Year Up to the Publication Date of This Annual Report: None.

(XIII) Any resignation or dismissal of the Company's Chairman, President, accounting supervisor, financial executive, Audit Supervisor, and research and development executive in the most recent year up to the publication date of this report:

Title	Name	Appointment Date	Date of Resignation or Dismissal	Reasons for resignation or dismissal
Chairman	Jerry Chien	1999.12.10	2023.3.31	resigned
Vice President	Ray Mao	2010.5.1	2022.3.31	resigned
Vice President	Phil Ko	2021.3.24	2022.4.29	resigned

V. Certified Public Accountant Professional Fees

(I) Amount of audit and non-audit fees paid to CPAs, accounting firm and its affiliated companies, and content of non-audit services

Certified Public Accountant Professional Fees					Unit: NT\$ thousands		
Name of accounting firm	Name of CPA		Audit period	Audit fee	Non-Audit fee	Total	Remark
KPMG	Samuel Au	Isabella Lou Yvette Chien	2022/1/1~2022/12/31	2,290	90	2,380	Note1.2

Note1: The report of transfer price is 90 thousands.

Note2: Due to the internal adjustment of the accounting firm, the financial report was certified by Samuel Au and Yvette Chien in 2022Q4.

(II) Where the accounting firm was replaced, and the audit fees for the year when replacement was made was less than that in the previous fiscal year before replacement, the amount of audit fees paid before replacement and the reasons for paying such an amount shall be disclosed: None.

(III) Where the audit fees for the year were reduced by more than 15% compared to the previous year, the amount and percentage of decrease in audit fees, as well as the reason for such decrease shall be disclosed: None.

VI. Replacement of CPAs:

(I) About the former CPA

Change Date	2023.2.22		
Reasons and Descriptions	The accounting firm appointed by the company has changed the certified accountants from Samuel Au and Isabella Lou to Samuel Au and Yvette Chien		
Was the termination of audit services initiated by the Company or the CPA?	Involved Parties		CPA
	Situations		Appointer
	The company terminated the appointment.		Not applicable
The CPA rejected being appointed.			
Opinions and reasons of the audit report other than unqualified opinions issued within the recent 2 years	Not applicable		
Having different opinions from the issuer	Yes		Accounting Principles or Practice
			Disclosure of Financial Reports
			Audit Range and Steps
			Others
	No	V	
	Description		
Other Disclosures (according to Subitem 4 of Item 1, Paragraph 5, Article 10 of Guidelines Governing the Preparation of Financial Reports by Securities)	None		

(II) About the succeeding CPA

Name of the Accounting Firm	KPMG
Name of Accountants	Samuel Au 、Yvette Chien
Date of Appointment	Approved by the Board of Directors on 2023.2.22
Inquiries and replies relating to the accounting methods or principles of certain transactions, and opinions issued for the financial reports prior to appointment	None
Different opinions in written form made by the succeeding accountant from the former accountant	None

(III)Former accountants' response to Item 1 and Sub-item 3 of Item 2, Paragraph 5, Article 10 of these principles: Not Applicable.

VII. The Corporation's Chairman, CEO, or any managerial officer in charge of finance or accounting matters who has held a position at the accounting firm of its CPAs or at an affiliated company in the most recent year: None

VIII. Changes in Shareholdings of Directors, Managerial Officers, and Major Shareholders

(1)Transfer of shares and changes in equity pledge relating to the directors, managers and primary shareholders:

Title	Name	Unit:shares			
		2022		Up tp April 2,2023	
		Change in Quantity of Shareholding	Change in Quantity of Pledged Shares	Change in Quantity of Shareholding	Change in Quantity of Pledged Shares
Chairman	Jerry Chien	-	-	-	-
Director	D-Link Coporation	-	-	-	-
D-Link Coporation Representative Director	Joseph Wang	-	-	-	-
Director	D-Link Investment Co., Ltd.	-	-	-	-
D-Link Investment Co., Ltd. Representative Director	Victor Kuo	-	-	-	-
Director	JunYang Investment Co., Ltd.	-	-	-	-
JunYang Investment Co., Ltd. Representative Director	Joseph Lin	-	-	-	-
Independent Director	Arens Chiang	-	-	-	-
Independent Director	Yu-Chang, Lin	-	-	-	-
Independent Director	Jeff Hong	-	-	-	-
President	Allen Cheng	-	-	-	-
Vice President	Doris Hsieh	-	-	(11,000)	-
Vice President	Ray Mao	-	-	-	-
Executive Assistant	Phil Ko	-	-	-	-
Accounting Supervisor	Amy Wang	-	-	-	-

Note1: The information of shareholdings held by Ray Mao and Phil Ko were disclosed as of the removal date.

(2)Stock transfer with related party: : None

(3)Stock Pledged with related party: None

IX. Relationship among the Top 10 Shareholders
April 2, 2023

Name	Shares Held		Shares Held by Spouse & Minors		Shares Held in the Name of Others		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
D-Link Corporation	137,532,993	41.58	-	-	-	-	-	-	
Representative: Victor Kuo	-	-	-	-	-	-	-	-	
JunYang Investment Co., Ltd.	5,612,879	1.70	-	-	-	-	Jerry Chien	The representative is within the first degree of kinship.	
Representative: Su Yue Ye	-	-	3,919,867	1.18	-	-	Jerry Chien	Spouse	
Jerry Chien	3,919,867	1.18	-	-	-	-	JunYang Investment Co., Ltd.	The representative is within the first degree of kinship.	
JPMorgan Bank Custodian JP JPMorgan Securities Co., Ltd. special account	3,000,000	0.91	-	-	-	-	-	-	
Chen bo sheng	2,972,000	0.90	-	-	-	-	-	-	
Liau shu yi	2,171,884	0.66	-	-	-	-	-	-	
Yu Wen Rong	2,158,000	0.65	-	-	-	-	-	-	
FU XIN BIN	2,000,000	0.60	-	-	-	-	-	-	
CitiBank BNP investment operation SNC investment account	1,806,809	0.55	-	-	-	-	-	-	
YAO YU CAI	1,500,470	0.45	-	-	-	-	-	-	

X. Ownership of Shares in Affiliated Enterprises

Unit: shares/ % ; December 31, 2022

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Qianjin Investment Co., Ltd.	27,000,000	100%	-	-	27,000,000	100%
HUGE CASTLE LTD.	16,397,718	100%	-	-	16,397,718	100%
CAMEO INTERNATIONAL LTD.	-	-	1	100%	1	100%
PERFECT CHOICE CO.,LTD.	-	-	500,000	100%	500,000	100%
Nettech Technology Suzhou Co.,Ltd	-	-	-	100%	-	100%
LUIS JO'SE INVESTMENTS INC.	-	-	1,362,680	100%	1,362,680	100%
SOARNEX HOLDING CO.,LTD.	-	-	1	100%	1	100%
(Suzhou) SOARNEX HOLDING CO.,LTD.	-	-	-	100%	-	100%

Chapter 4 Capital and Shares

I.Capital and Shares

(I) Source of shares

Unit: Thousand shares; NT\$ Thousand;

Month/ Year	Issue Price	Authorized capital		Capital Stock		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Capital increase by assets other than cash	Other
Mar.1991	10	3,276	32,760	3,276	32,760	Established 24,570	Technology Stock 8,190	Note1
Dec.1991	10	11,000	110,000	9,532	95,324	Capital Increase 46,923	Technology Stock 15,641	Note 2
Jan. 1993	13.5	11,000	110,000	11,000	110,000	Capital Increase 11,007	Technology Stock 3,669	Note 3
May,1994	16	19,000	190,000	15,900	159,000	Capital Increase 49,000		Note 4
Nov.1996	10	19,925	199,250	19,925	199,250	Capital Reduction 39,750 Capital Increase 80,000		Note 5
Oct.1998	10	50,000	500,000	35,725	357,250	Merge Increase	Merge Increase 158,000	Note 6
Jun.2000	28	75,000	750,000	57,803	578,027	Capital Increase 160,000 Capital Increase from retained earnings 53,588 Capital increase from employee bonus 7,190		Note 7
Sep.2001	10	75,000	750,000	67,462	674,622	Capital Increase from retained earnings 86,704 Capital increase from employee bonus 9,890		Note 8
Aug.2002	10	135,000	1,350,000	90,201	902,008	Capital Increase from retained earnings 202,386 Capital increase from employee bonus 25,000		Note 9
Aug.2003	10	135,000	1,350,000	108,937	1,089,370	Capital Increase from retained earnings 162,361 Capital increase from employee bonus 25,000		Note 10
Oct.2004	10	135,000	1,350,000	111,337	1,113,370	Capital increase from employee bonus 24,000		Note 11
Aug.2005	10	135,000	1,350,000	133,125	1,331,249	Capital Increase from retained earnings 181,479 Capital increase from employee bonus 36,400		Note 12
Dec.2005	10	188,000	1,880,000	148,135	1,481,348	Acquisition capital increase	Acquisition capital increase 150,099	Note 13
Oct. 2006	10	188,000	1,880,000	168,548	1,685,483	Capital Increase from retained earnings 148,135 Capital increase from employee bonus 56,000		Note 14
Oct.2007	10	250,000	2,500,000	181,461	1,814,612	Capital Increase from retained earnings and capital surplus 101,129 Capital increase from employee bonus 28,000		Note 15
Oct.2008	10 元	250,000	2,500,000	220,906	2,209,063	Capital Increase from retained earnings and capital surplus 333,888 Capital increase from employee bonus 60,563		Note 16
Sep.2009	10	250,000	2,500,000	227,534	2,275,335	Capital Increase from retained earnings 66,272		Note 17
Sep.2010	10	300,000	3,000,000	257,113	2,571,129	Capital Increase from retained earnings and capital surplus 295,794		Note 18
Sep.2011	10	300,000	3,000,000	272,540	2,725,397	Capital Increase from retained earnings 154,268		Note 19
Sep.2015	10	300,000	3,000,000	268,236	2,682,357	Reduction of treasury shares 43,040		Note 20
Oct.2020	10	400,000	4,000,000	229,679	2,296,792	Reduction for offset losses 385,564		Note 21
Mar.2021	8.19	400,000	4,000,000	330,779	3,307,792	Issued private placement of common stock \$828,009		Note 22

Note 1: Approved by the Hsinchu Science Park Bureau, Ministry of Science and Technology as per letter with Ref. No. (80) 00091.

Note 2: Approved by the Hsinchu Science Park Bureau, Ministry of Science and Technology as per letter with Ref. No. (80) 14862.

Note 3: Approved by the Hsinchu Science Park Bureau, Ministry of Science and Technology as per letter with Ref. No. (82) 00375.

Note 4: Approved by the Hsinchu Science Park Bureau, Ministry of Science and Technology as per letter with Ref. No. (83) 05303.

Note 5: Approved by the Hsinchu Science Park Bureau, Ministry of Science and Technology as per letter with Ref. No. (85) 17144.

Note 6: Approved by the Hsinchu Science Park Bureau, Ministry of Science and Technology as per letter with Ref. No. (87) 021224.

Note 7: Approved by the Securities and Exchange Commission, Ministry of Finance as per letter with Ref. No. Taiwan-Finance-Securities (I) 32519 dated April 20, 2000.

Note 8: Approved by the Securities and Exchange Commission, Ministry of Finance as per letter with Ref. No. Taiwan-Finance-Securities (I) 148545 dated July 26, 2001.

Note 9: Approved by the Securities and Exchange Commission, Ministry of Finance as per letter with Ref. No. Taiwan-Finance-Securities (I) 0910138255 dated July 10, 2002.

Note10: Approved by the Securities and Exchange Commission, Ministry of Finance as per letter with Ref. No. Taiwan-Finance-Securities (I) 0920133034 dated July 22, 2003.

Note11: Approved by the Securities and Exchange Commission, Ministry of Finance as per letter with Ref. No. Taiwan-Finance-Securities (I) 0930128417 dated June 28, 2004.

Note12: Approved by the Financial Supervisory Commission as per letter with Ref. No. Financial Supervisory Securities Corporate- (I) 0930128417 dated July 7, 2005.

Note13: Approved by the Financial Supervisory Commission as per letter with Ref. No. Financial Supervisory Securities Corporate - (I) 0940141675 dated October 3, 2005.

Note14: Approved by the Financial Supervisory Commission as per letter with Ref. No. Financial Supervisory Securities Corporate- (I) 0950136282 dated August 16, 2006.

Note15: Approved by the Financial Supervisory Commission as per letter with Ref. No. Financial Supervisory Securities Corporate- (I) 0960036107 dated July 12, 2007.

Note16: Approved by the Financial Supervisory Commission as per letter with Ref. No. Financial Supervisory Securities Corporate- (I) 0970034418 dated July 9, 2008.

Note17: Approved by the Financial Supervisory Commission as per letter with Ref. No. Financial Supervisory Securities Corporate- (I) 0980034033 dated July 8, 2009.

Note18: Approved by the Financial Supervisory Commission as per letter with Ref. No. Financial Supervisory Securities Corporate-0990036388 dated July 13, 2010.

Note 19: Approved by the Financial Supervisory Commission as per letter with Ref. No. Financial Supervisory Securities Corporate-1000031361 dated July 6, 2011.

Note20: Approved by the Ministry of Economics as per letter with Ref. No. 10401189730.

Note21: Approved by the Financial Supervisory Commission as per letter with Ref. No. Financial Supervisory Securities Corporate-1090370259 dated October 21, 2020.

Note22: Approved by the Ministry of Economics as per letter with Ref. No. 11001034010.

Type of shares	Authorized capital stock			Remark
	Issued Shares (Note)	Un-issued Shares	Total Shares	
Common stock	229,679,215 Privately 101,100,000	69,220,785	400,000,000	

Note: Issued Shares are listed stocks.

(II) Shareholders structure

Unit : Shares ; Persons as of April 2, 2023

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	0	146	32,690	57	32,893
Shareholding	0	0	145,303,146	170,958,645	14,517,424	330,779,215
Percentage	0%	0%	43.93%	51.69%	4.38%	100.00%

(III) Shareholding Distribution Status

April 2, 2023

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding	Percentage
1 to 999	20,131	1,851,958	0.56
1,000 to 5,000	8,031	18,364,066	5.55
5,001 to 10,000	2,096	16,044,651	4.85
10,001 to 15,000	757	9,534,739	2.88
15,001 to 20,000	497	9,119,314	2.76
20,001 to 30,000	486	12,454,367	3.77
30,001 to 40,000	209	7,442,705	2.25
40,001 to 50,000	137	6,393,367	1.93
50,001 to 100,000	288	20,969,016	6.34
100,001 to 200,000	154	21,480,795	6.49
200,001 to 400,000	54	14,951,824	4.52
400,001 to 600,000	28	13,777,717	4.17
600,001 to 800,000	5	3,680,973	1.11
800,001 to 1,000,000	3	2,776,969	0.84
1,000,001 more	17	171,936,754	51.98
Total	32,893	330,779,215	100.00%

(IV) List of Major Shareholders

April 2, 2023

Shareholder's Name	Shares	Shareholding	Percentage
D-Link Coporation		137,532,993	41.58%
Fubon Sec in Custody for Fubon HK Investment Account		5,612,879	1.70%
JunYang Investment Co., Ltd.		3,919,867	1.19%
Jerry Chien		3,354,221	1.01%
HORIZON SECURITIES CO., LTD.		2,972,000	0.90%
Chen bo sheng		2,171,884	0.66%
Liau shu yi		2,158,000	0.65%
Taiyu Investment Co., Ltd.		2,000,000	0.60%
May Lin		1,806,809	0.55%
S-Tech Corp		1,500,470	0.45%

(V) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

			2022	2021	2023.1.1~ 2023.3.31
Market Price per Share	Highest		19.85	19.85	13.75
	Lowest		7.66	7.66	9.80
	Average		11.80	11.80	11.775
Net Worth per Share	Before Distribution		9.78	9.46	9.88
	After Distribution		9.56	9.46	9.88
Earnings per Share	Weighted Average Shares (thousand shares)	Before Adjustments	330,779	330,779	330,779
		After Adjustments			
	Earnings per Share	Before Adjustments	0.29	1.23	0.03
		After Adjustments	0.29	1.23	0.03
Dividends per Share	Cash Dividends		0.22	-	-
	Free allotment	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends		-	-	-
Return on Investment	Price/earnings ratio	Before Adjustments	32.72	9.59	392.5
		After Adjustments	32.72	9.59	392.5
	Price / Dividend Ratio		43.14	-	-
	Cash Dividend Yield Rate		0.02	-	-

Note 1: The Company's 2022 earnings distribution proposal was approved by the resolution of the board of directors at 2023.2.22, which is not yet to be recognized by the shareholders meeting.

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

(VI) Dividend Policy and Implementation Status

1、Dividend Policy：

If there is a surplus in the company's annual final accounts, tax shall be withholding to cover previous losses, and if there is still a surplus, it shall be assigned in the following order:

- (1) The withdrawal of 10% is a statutory surplus reserve, but this is not the case when the statutory surplus has reached the amount of capital received by the Company.
- (2) Special surplus accumulations may be included or transferred in accordance with the relevant ordinances and the operation of the company.
- (3) After deducting the previous balances, the board of directors shall propose a distribution motion for the balance and the cumulative unearned surplus, which shall be submitted to the shareholders' meeting for distribution by resolution. However, the cash dividend shall not be less than 10% of each dividend paid to shareholders.

2、Proposed Distribution of Dividend：

The company 2022 net income NT\$94,973,297, Deficit yet to be compensated – at the end of 2021 NT\$19,788,768, Changes in Actuarial profit and loss NT\$9,858,000, deduct 10% Legal reserve NT\$8,504,253 and special reserve NT\$1,224,367, Distributable earnings for the current period NT\$75,313,909. The Company resolved to distribute cash dividends NT\$72,771,427 (NT\$0.22 per share) in the current year.

(VII) Impact of stock dividends proposed by the Shareholders' Meeting on the Corporation's business performance and earnings per share (EPS): Not applicable.

(VIII) Compensation to employees and directors

1. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation:

According to Article 18 of the Articles of Incorporation of the Company: Remuneration for employees, directors and supervisors shall be distributed in the following ways :

Based on the profit of the year, the Company shall appropriate 3%~10% of the profit as remuneration to employees, and no more than 1% of the profit as remuneration to directors. However, profits must first be taken to offset against cumulative losses if any. The object of payment of stock or cash by the former employee shall include employees of a subordinate company who meet certain conditions, which shall be determined by the board of directors.

2. Accounting procedures for discrepancies between the estimated and actual distributed amount of remuneration in the form of shares to the Company's employees and Directors in this period:

(1) Accounting procedures for the estimated amount of remuneration in the form of shares to the Company's employees and Directors: It is estimated based on the company's pre-tax net income for the period before deducting the employees' and directors' remuneration multiplied by the distribution ratio of the company's Articles of Incorporation for employees' remuneration and directors' remuneration, and reported as operating costs or operating expenses for the period.

(2) Accounting procedures for discrepancies between the actual amount distributed and the estimated amount: Listed as profit or loss for the current period.

3. Employee compensation proposal adopted by the Board of Directors

(1) Amount of remuneration distributed to employees and Directors in the form of cash or stock:

The Company's Board of Directors resolved to allocate NT \$2,392,000 to employees remuneration and NT \$1,594,000 to directors remuneration on February 22, 2023.

(2) The amount of any employee remuneration distributed in stocks, and the amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial report: None.

4. If there is any discrepancy between the actual amount of remuneration distributed to employees and Directors (including number and amount of shares distributed, as well as share price) and the recognized amount of remuneration to employees and Directors in the previous fiscal year, the amount, causes, and treatment of such discrepancy shall be stated:

Unit : NT\$

	2021		
	Actual amount	Recognized amount	Diff
Employee compensation (cash)	0	0	-
remuneration to Directors	0	0	-

(IX) Repurchase of the Company's treasury stock: None

II. Corporate Bonds : None

III. Preferred Shares: None

IV. Overseas Depository Receipts : None

V. Employee Stock Option : None

VI. New Restricted Employee Shares : None

VII. New Shares Issuance in Connection with Mergers and Acquisitions : None

VIII. Financing Plans and Implementation : The purpose of issuing private stock is to enrich working capital. As of December 31, 2021, the actual cumulative amount spent was NT\$828,009,000, with a proportion of 100%.

Chapter 5 Business Overview

I. Business Content :

(I) Business Scope

1. Business Description:

- Research 、development 、manufacturing 、and selling networking products, including wired communication products, wireless communication products, broadband products, and their accessories
- Export and Import trade business of the above products
- Telecommunications Regulation RF Equipment Manufacturing
- Telecommunications Regulation RF Equipment Import

2. Product Revenue Proportion :

Unit: NT\$ Thousands

Product Category	2022 Revenue	Proportion
Wired communication products	2,620,235	77.55%
Wireless communication products	688,792	20.38%
Others	70,090	2.07%

3. Current Products(Services) :

Major Product Category	Products
Wired Communication Product (Ethernet Switch & Router)	<ul style="list-style-type: none"> ▶ Data Center Switch ▶ Enterprise 40G/100G/200G Switch ▶ L2/L3 Management 10G/2.5G/GE Switch ▶ WebSmart/Metro 10G/2.5G/GE Switch ▶ Un-Management 2.5G/GE Switch ▶ PoE/PoE+/PoE++ 10G/2.5G/GE Switch ▶ VPN/ Firewall Router ▶ Cloud Management Service ▶ Enterprise Data Center Switch
Wireless Communication Product (WLAN Access Point & Router)	<ul style="list-style-type: none"> ▶ WiFi 5/WiFi 6 WLAN Access Point/Router ▶ WiFi 5/WiFi 6 WLAN Mesh System ▶ WiFi 5/WiFi 6 WLAN Enterprise Access Point ▶ WiFi 5/WiFi 6 WLAN Outdoor Access Point ▶ WiFi 5/WiFi 6 WLAN VPN/Firewall router
Broadband Product (Router & Modem)	<ul style="list-style-type: none"> ▶ xDSL Wireless Router (xDSL Wireless IAD, w/ VoIP) ▶ Cable Modem (DOCSIS 3.0 Cable Modem/EMTA) ▶ LTE Wireless Router (LTE Wireless IAD, w/ VoIP) ▶ 5G Wireless Router (5G/LTE Wireless IAD, w/ VoLTE)
Others	<ul style="list-style-type: none"> ▶ Optical Fiber Media Converter (Media Converter, 100G/40G Media Repeater, Fanout 100G to 4x25G media module) ▶ PLC related products. ▶ MoCA related products. ▶ HPNA related products ▶ GPON related products ▶ G.hn related products

4. New products (services) planned for development

- Enterprise Core Switch
- L2/L3 Stackable Management Core Switch
- Outdoor Wide Temperature Switch
- 2.5G/5G/10G RJ45 POE++ (802.3bt) Switch
- SDN Switch
- Cloud Management System
 - Cloud Management Software
 - Cloud Switch
 - Cloud SDN Gateway
 - Cloud Wireless Access Point
- AI Controller Based Management System
 - AI Network Management Controller
 - AI Controller Based Switch
 - AI Controller Based VPN Gateway
 - AI Controller Based Wireless Access Point

(II) Marketing Overview

1. Marketing state and vision:

Our main network communication products are wired and wireless network cards, switch, wireless Access points and routers, so we belong to the computer network industry. According to the classification of the Institute for Information Industry, Computer Network Industry covers two categories: Local Area Network and Wide Area Network :

- Local Area Network (LAN)

Local Area Network (LAN) means that within a small area (such as home, office, factory, campus, etc.), through cable and switch equipment connect PCs 、workstations 、terminal 、printers and other peripheral equipment with each other to do communication 、distributed processing, and distributed resource sharing. Ethernet is the mainstream of LAN.

① Ethernet

Ethernet devices mainly include Network Interface Card (NIC) 、Hub 、and Switch. The router is the connection device between local area network (LAN) and the wide area network (WAN). LAN switch includes “Layer 2 Switch” that forward L2 packets, and “Layer 3 switch” that route Layer 3 IP packets over the Layer 2 switch.

In addition, according to the product stackable capability, there are two types: Chassis Switch and Stackable Switch. The price of Layer3 switch is cheaper than that

of routers, Layer3 switch has gradually and continuously replaced the router. Furthermore, Layer 2 switches can connect departments within a floor, and Layer 3 switches can connect departments across floors so that they are widely deployed in the enterprise.

For the telecom operators, the market continues to expand as a result of the construction and strengthening of the basic environment because of the increase in the number of users of enterprise Ethernet services.

For enterprise users, the demand is expected to expand due to the introduction of new applications such as Internet and wide area network (WAN) service connections 、VoIP and the establishment of new networks,. LAN Switch continue to develop high-speed 、high density 、network quality optimization. The increasing demand of network power over Ethernet, enhanced information security control causes various manufacturers to actively develop Ethernet Switches with PoE (Power Over Ethernet) 、QoS(Quality Of Service) 、Authentication (IEEE802.1x) function 、Safety functions and additional functions. Since this kind of products whose prices have fallen drastically, suppliers will cooperate with each other in the future to actively provide solutions that utilize additional functions.

Since the increasing demand for cloud management systems, along with the development of the high speed Ethernet Switch, the management Ethernet switches are gradually popular. Because of the outbreak of new crown pneumonia in 2020, the demand for digital information exchanging is accelerating the shift to the Internet cloud. The Market predicts that by 2021 80% of enterprise will begin to use cloud-centric technology architectures and applications. The traditional basic network management is also gradually transferred to the cloud management service platform. With the dynamic information from management switch, the cloud provides safe and reliable high-performance bandwidth management and analysis then intelligently and automatically adjusts the Enterprise network management

In recent years, with the rapid development of 5G Networks, edge computing has become more important. In addition to the construction of large-scale data centers, it has driven the demand and development of enterprise-level data centers. In order to meet the huge demand of network transmission in the new generation of data centers, high-performance and high bandwidth switch have been continuously expanded to 40G, 100G, 200G and 400G to meet the strict requirement of cloud computing for high speed and stable network bandwidth. The bandwidth demand of terminal switches is expected to increase from GE to 2.5G/10G, driving replacement in the enterprise marketing.

With the trend of the cloud service development, global telecommunications equipment manufacturers, through the OCP Alliance, have decided to build data center switches with open hardware design architecture and open operating systems. global telecommunications equipment manufacturers and information vendors including Big Switch 、Broadcom 、Cumulus Networks 、Facebook 、Intel 、VMware 、Open Daylight 、Open Network Foundation (ONF) ,etc. also assist the development of software-defined networking (SDN). Data Center White box switches with SDN and open operation systems (such as SONiC proposed by Microsoft) gradually grow in data center network market. Since AT&T starts to plan new data centers using open networks, it declares that the hardware specifications in the data center are also standardized. In the 5G era, telecom companies will therefore process a large

amount of user data requiring faster data response. It is essential to actively develop relevant technical products in response to the global trends such as the high speed optical fiber generation and 5G networks in the device plan of the data center network.

② WiFi

802.11, which is IEEE standard for WiFi, series devices mainly include wireless NIC (WLAN Network Interface Card) 、AP (WLAN Access Point) and Router(WLAN Router).

According to statistics, since 2018, 802.11ac WiFi 5 has gradually replaced the traditional 802.11a/b/g/n market demand and entered a mature stage; with the gradual development of 5G, the demand for bandwidth by many applications has greatly increased, which turn drives WiFi 6 market demand, according to the research of the Institute of Industrial Intelligence (MIC) of the Information Policy Association, it is expected that in 2021, the penetration rate of WiFi 6 products will exceed 50%, becoming the mainstream of the market. 802.11ax WIFI 6 technology is a substantial upgrade of previous generations of technologies. The key technologies include OFDMA, MU-MIMO, 1024 QAM, BSS coloring, TWT, etc. It can improve the transmission speed and improve the performance of multiple terminal devices using the wireless network at the same time. It can provide a better coordination rule for the intensive use of numbers equipment, which is beneficial to the further development of the IoT industry in the future.

After the outbreak, working from home and teleconferencing drive demand for wireless demand strongly. Along with the popularity and price down of WiFi 6 wireless products, it enhanced families and companies' willing to replace WIFI products, and expecting to have another wave of growth for WiFi 6 market.

- Wide Area Network (WAN)

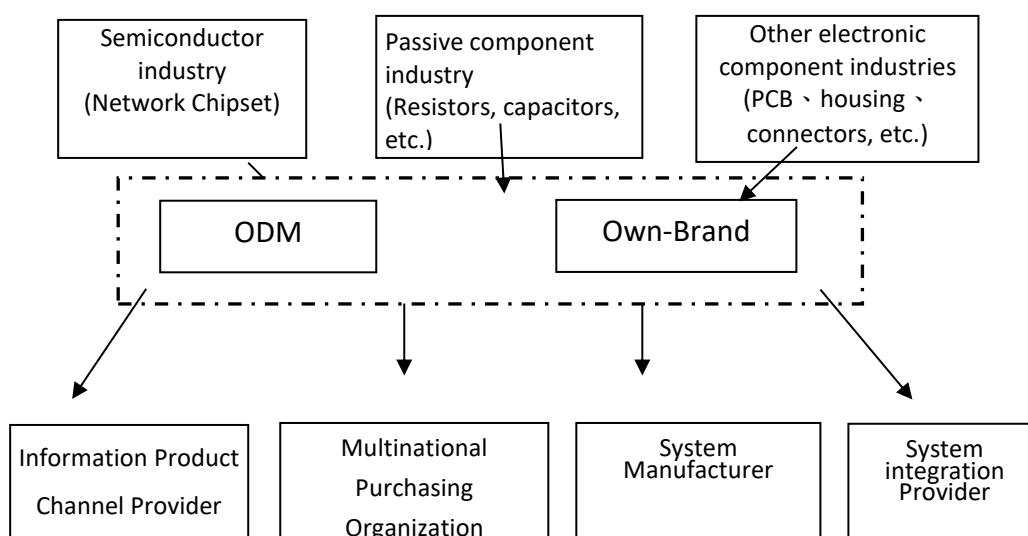
A wide area (broadband) network is a network that connects geographically users to each other through public communication equipment. The current broadband access technologies mainly include DSL 、Cable and FTTH(Fiber to the Home). In the network transmission architecture, there are network applications and technologies of mainly Core, Metro, and Access. DSL and Cable are cost-effective, easy installation, and wider network coverage, they become the most widely deployed broadband access technology currently. In recent years, 4G LTE/5G technology has continued to develop to not only replace home voice services, but also gradually to replace home broadband data networks because of its high-speed data transmission. 5G technology became popular in 2020 and It is expected that there will be further changes afterward.

2. The interrelationship among the upstream, middlestream and downstream of the network industry.

Cameo belongs to the local area network equipment industry of the computer network industry. The upstream of this industry is the semiconductor industry (network chipset), the passive component industry (resistors, capacitors, etc.), and other electronic component industries (such as PCB, housing, connectors, etc.). The downstream of this industry is communication product distributors, multinational procurement organizations (IPO), computer system manufacturers and system integrators (see the table below).

Cameo's main business is the ODM production of local area network and wide area network equipment for OEM customers.

Interrelationship among the Upstream/ Midstream /Downstream of LAN industry



3. Trend of product development

- (1) Domestic manufacturers have gradually mastered WiFi key technologies and start to develop high-end products now.

Domestic manufactures who continuously invest in researching and development with the rise of other industries fully grasp the key technologies of WiFi products. Along with WiFi 6 products getting popular, except the 2x2 11ax entry level product line, the leading chipset vendors also develop 11ax SoC chipset, 4x4 MU-MIMO high end RF chipset and also extend to WiFi 6E product segment. Besides home user marketing, system integrators also develop enterprise wireless networking aggressively. The high-end technology specification and stable performance product gain high profit for product. While 802.11be (WIFI 7) standard is finalizing, new chipset will be launched in the end of 2022, the wireless network will be announced the coming of 7th generation age.

- (2) Online interactive services and multimedia applications drive demand for broadband network

Recently, ICP, ISP and other operators have done alliances or joint ventures to provide online interactive services and audio-visual multimedia applications and expect to upgrade 4K/8K video service. The next Metaverse theme will drive AR/VR/MR/XR service applications. Under the mutual cooperation of mobile internet, fixed network or cable TV operators, it cooperates with the develop of various new technologies include 5G networking, WiFi6/7, XGS PON, 2.5G/10G Switch .etc. Broadband networks are expected to be led into another wave of growth. No matter WAN or local network equipment manufacturers, the wave of

changing new equipment and products will also be expected.

(3) School and businesses networks.

After remote learning and teleconferences become normal, Campuses and enterprise will urgently require the network to be high-bandwidth, low latency and more capacity for simultaneous accessing. Both 5G network and WiFi 6 can meet this kind of requirements and can work together for different scenario. The cloud-managed or controller-managed WiFi 6 wireless network system, with manageable switches and software-defined VPN gateways are expected to be the best choice for schools and enterprises.

(4) SOHO network products are warmed by the rise of small LAN

The demand for setting up small LAN mainly comes from the following two trends:

First, the growing trend that families own two or more personal computers at a time, and the promotion of IOT issues such as smart homes and smart home appliances, are the reason why small-size networks are more frequently built, in recent years.

Second, as small or home studio (SOHO, small office/Home office) are rapidly increasing as the popularity of e-commerce and online sales, increase of SOHO companies. In order to meet this demand, it makes SOHO network demand increase gradually. Provided a complete integration solution with software management system and artificial intelligence technology allows users to easily manage an intelligent network system.

4. Competitive Situation

From Cameo's products and business model perspective, it has become almost complete. From products perspective, it includes Ethernet SOHO/ SMB/ Enterprise/ Data Center Switch, SOHO/Enterprise WiFi AP/ Router, and Broadband Router. Cameo is one of the few that can provide customers with the service of one Stop Shopping and highly integrated products. From business model perspective, it includes original design manufacturer (ODM), hardware only original design manufacturer (HW ODM), electronics manufacturing services (EMS) and cloud management value-added services for the Cameo's related products. The evolution of network Technology is very fast. Except to double connection speed, brand new application service also requests networking quality. Providing complete networking product and ensure the features and quality of integration solution, enhance RD energy of software add-on value service can ensure Netcom sustainable business

(III) Technology and Research Overview

1 、 R&D expenditure in the last two years

Unit: NT\$ Thousands

Year	2022	2023Q1
Research and development expenses	187,365	45,020
Net Operating Revenue	3,379,117	1,070,847
Percentage (%)	5.54%	4.20%

2、Successfully developed technology or product before the date of publication of the annual report in the most recent year

Year	Development result
2022	<ul style="list-style-type: none"> ▶ Cloud Based VPN Router ▶ 24 Ports x 2.5G L3 Stacking Managed POE Switch ▶ 2.5G Dumb Switch Cloud Based WiFi6 Access Point

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

1、Short-term business development plan

(1) Marketing strategy

- For existing customers, continue to strengthen services and provide a full product line of wired and wireless products; actively develop new customers with integrated products.
- Establish after-sales service to provide customers the professional consultation and maintenance of various products.

(2) Production policy

- Enhance capacity utilization and yield rate to continuously reduce costs.
- Strengthen inventory management to optimize inventory and reduce the risk of downtime.

(3) Product development

- Expand High Ports 2.5G Smart Switch product line
- Expand WiFi 7 AP/ Router product line

(4) Operating scale

- Cooperate with suppliers with the professional technology to joint develop products for achieving Time-to-Market.
- Through market segmentation to achieve a higher market share in a specific application market for increasing purchase bargaining power and having more favorable payment time.

(5) Financial management

- Effectively manage working capital to increase interest income.
- Properly use hedging tools to reduce exchange risks and avoid exchange losses.

2、Long-term business development plan

(1) Marketing strategy

- Fully acquire professional certifications from various regions to enhance the image of the product quality.
- Actively cultivate professional sales, improve international marketing capabilities, and strive for orders from major international branding customers.

(2) Production policy

- Continuously improve producing process and professionally train operator, and establish the production operation process (SOP) in line with international major factory certification.
- Plan to purchase related machinery and equipment to enhance the automation of the production line.

(3) Product development

- Integrate our own technology and develop products with highly integrated functions.
- Develop networking products compliant with the industry standard .

(4) Operating scale

- Continue to reduce expense ratios to increase profits.
- Strengthen the relationship with customers and suppliers to establish higher barriers to entry.

(5) Financial management

- Establish diversified domestic and foreign financing channels, and improve the financial structure through the combination of financial products and reduce the cost of funds
- Strengthen financial planning capabilities to reduce operational risk and improve competitiveness.

II. Market, Production and Sales overview.

(I) Market Analysis :

1、Sales region and ratio of main products

Unit: NT\$ Thousands

Sales Regions Year		Taiwan	APAC	US	EU	Others
2022	Amount	104,129	2,125,259	578,319	543,475	27,936
	(%)	3.08%	62.89%	17.12%	16.08%	0.83%

2、The future supply and demand situation and growth of the market :

As Internet services become more widespread and the demand for social software and e-commerce is becoming more and more intense, the bandwidth and speed of network services have increased to offer the broadband service. Therefore, SOHO and home networks must also increase the speed. The demand for WIFI6 AP is becoming more and more popular. Currently, enterprises and campuses are gradually upgrading the uplink bandwidth of Ethernet switches from 1Gbps to 2.5Gbps. The 10G technology has become more sophisticated in recent years and the price of Per Port has been adjusted by price and volume factors. 10Gbps switches have been slowly showing positive growth year by year. The current demand for volume lies in the bandwidth upgrade of terminal devices, such as PCs or personal connection devices. The upgrade of the network card to 2.5G or 10G will once again trigger the fuse of the 2.5G/5G and 10G of the network equipment. According to Gartner's statistics on global Netcom market shipment information in recent years, it is also obvious that 2.5Gbps and 10Gbps products will be the key to the growth of the Ethernet market in the next three years.

In recent years the market has been affected by the Covid-19 epidemic, the SINO-US trade War, and even the shortage of parts and components, shipping congestion and other problems but this has also led the business opportunities such as teleconference, remote education and work from home. The urgent need to speed and traffic has accelerated the speed of network equipment upgrades. Making the growth of WiFi 6 wireless networks, 2.5G/10G switches better than expectation. According to MIC statistics,

WiFi 6 products will exceed 50% in 2022. Becoming the mainstream in market, and will rapidly evolve the next generation specification WiFi 6E and WiFi 7 in the future.

With the Sino-US trade war and supply chain issues, as more and more manufacturers move factories and expand production capacity, some of them also return to Taiwan to set up factories, the problem is gradually solved, and the normal supply conditions as previous years should be getting back in 2023.

Switch revenue accounts for about 75% of the company's overall revenue. Therefore, switch products will be main driving force for company's growth in the future, and with the maturity of 2.5G network technology, it will become major player in new product development and new markets, and source of funding for development.

For reacting to the future market trends, Cameo will strengthen the research and development of the products in the following figure in order to get stable and sustained growth in the future.

		Market share ratio	
		High	Low
Market growth rate	High	Stars High Ports GE Switch 2.5G Low Ports Switch 802.11ax AP/ Router	Opp. 10G Switch 2.5G High Ports Switch Data Center Switch Enterprise Switch HW ODM Enterprise AP Outdoor AP Cloud Based Switch/AP/Gateway
	Low	Cash Cows 5/8 Ports GE Switch 802.11ac AP/Router	

3 、Competitive niche

(1) Professional ODM business

Cameo focuses on professional ODM business and does not operate its own brand. Therefore, it greatly reduces marketing costs and risks, and can fully devote resources to provide best customer solutions and satisfactory after-sales service.

(2) A complete wired and wireless product line

Since Cameo engages the retail business for a long time, it has competitive advantage over the consumer network products. Because the product lines include wired, wireless and the integrated products, Cameo is an excellent strategic partner with customers and chip suppliers.

(3) Excellent R&D team

Because of the short life cycle of network products, Cameo has been accelerating to grasp the new product technology as always. Whenever customers intend to place ODM orders, Cameo can offer very short design and mass production lead time to win the orders.

(4) High cooperation with suppliers

Based on the principle of mutual benefit, Cameo has always maintained a harmonious cooperative relationship with upstream suppliers. Therefore, we have relatively stable raw material sources and processing capacity to ensure the normal product delivery and improve the capacity utilization.

4、Advantage and disadvantage factors on the development vision and the corresponding solutions:

(1) Advantage factors

- ① Product lines become more complete, helping to deepen relationships with customers and suppliers. Switches, wireless access devices, VPN routers and other series of products can provide cloud management or controller management functions and have helped customers to obtain long-term use by Japanese Telecom operators which is conducive to the expansion of other related businesses.
- ② Broadband is becoming more popular and application requirements are becoming more diversified. The demand of high speed transmission for audio and visual application is gradually increasing. Cameo has invested WiFi6 AP/Router and 2.5GE/10GE switch for a long time.

(2) Disadvantage factors

- ① Although application demand continues to increase, the ratification of relevant specifications is time-consuming and rapid conversion. Therefore, when the new and legacy specifications are converted, the average sales unit price will continue to decline, and products of legacy specifications are at risk of falling prices and increasing inventory.
- ② There is shortage of network communication software engineering, and it is not easy to cultivate. Diversified develop of new applications and multiple choices make it difficult for Netcom industry to find engineer.

(3) Solutions

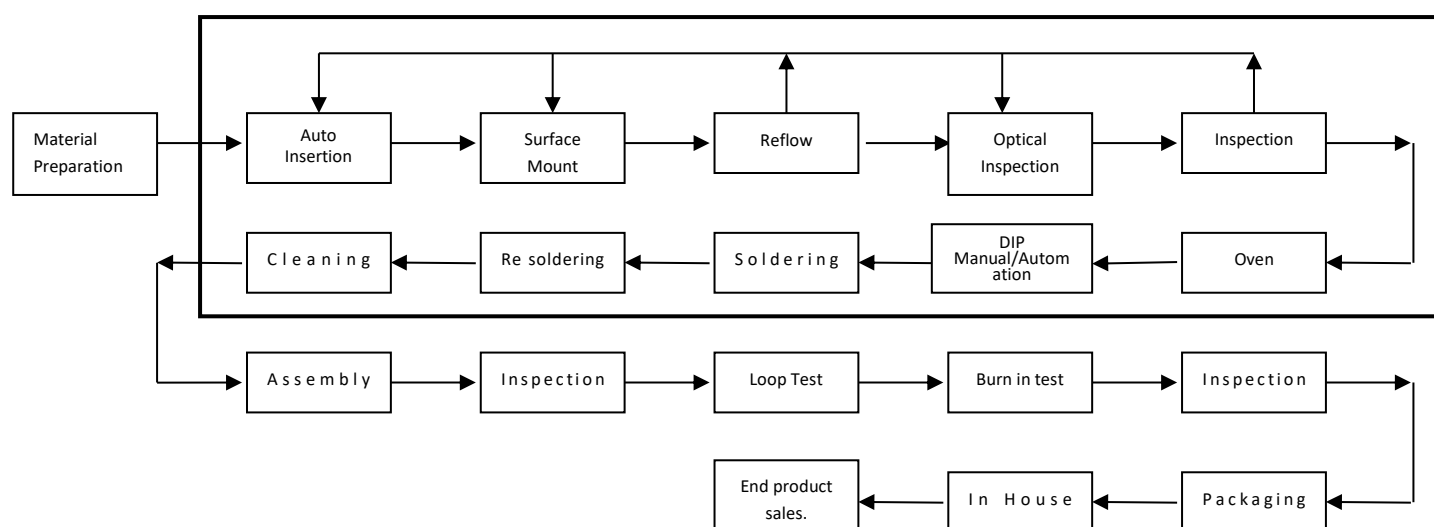
- ① Products with integrated technologies and higher prices are added to slow down the continued declination of average selling unit prices. In addition, inventory management continues to be strengthened to cope with the risk of falling prices and inventory increasing for products with legacy specifications.
- ② Add additional software functions to products and keep close to new technologies and needs of the market. Establish a good working environment and welfare encourage innovation and attract young student's interest in research and develop

(II) Key applications and production processes of the main products

1、Key applications of the main products：

Main Product Category	Application
Switch & Router	<ul style="list-style-type: none"> ▶ The main transmission equipment for data exchange ▶ Broadband network equipment that provides computer and Internet connection
WLAN Access Point & Router	<ul style="list-style-type: none"> ▶ Through wireless transmission technology to form wireless local area network (WLAN) transmission equipment.
Others	<ul style="list-style-type: none"> ▶ Various wired and wireless technology transmission interface conversion ▶ Cloud Network Management Service

2、Production process of main products



(III) Supply of primary raw materials :

The main raw materials of the company's products are POWER (power supply), IC (integrated circuits), printed circuit boards (PCB) and mechanical materials, etc. The main suppliers are specific domestic and foreign manufacturers, all of which are long-term cooperative manufacturers and the product supply was normal. However, due to the shortage of upstream supply and the impact of the COVID-19, there are still some shortages of materials or prolonged delivery.

(IV) Information on major suppliers and clients :

1. Information of important suppliers and clients in the most recent two years:

Unit: NT\$ Thousands

Item	2021				2022				Up to 2023.3.31			
	Name	Amount	%	Relation to Cameo	Name	Amount	%	Relation to Cameo	Name	Amount	%	Relation to Cameo
1	D-Link	1,042,856	42	Affiliated companies of the Company	D-Link	1,628,510	48	Affiliated companies of the Company	D-Link	666,946	62	Affiliated companies of the Company
2	AV.	604,980	24	-	AV.	531,185	16	-	AL	126,008	12	-
3	AL	304,909	12	-	AL	488,622	14	-	AT	114,875	11	-
					AT	341,697	10	-				
	Others	539,162	22		Others	389,103	12		Others	163,018	15	
	Net Sales	2,491,907	100		Net Sales	3,379,117	100		Net Sales	1,070,847	100	

Analysis of changes: The major clients for the two periods did not change much, so analysis is not conducted.

2、Major purchasers in the last two years

Unit: NT\$ Thousands

Item	2021				2022				Up to 2023.3.31			
	Name	Amount	%	Relation to Cameo	Name	Amount	%	Relation to Cameo	Name	Amount	%	Relation to Cameo
1	MT009	211,025	10	-	FV002	301,065	10	-	FV002	89,100	13	-
	Others	1,884,085	90		Others	2,622,297	90		MS015	76,273	11	-
									Others	520,326	76	
	Net Purchase	2,095,110	100		Net Purchase	2,923,362	100		Net Purchase	685,699	100	

Analysis of changes: Depending on the company's customer demand for products, the materials supply will change accordingly.

(V) Production in the Last Two Years

Unit: NT\$ thousands

Production volume and value Major Products	Year	2021			2022		
		Capacity	Quantity	Value	Capacity	Quantity	Value
Wired communication products		1,016	1,016	1,285,445	1,777	1,777	2,304,619
Wireless communication products		705	705	747,606	441	441	653,053
Others		183	183	21,056	0	0	848
Total		1,904	1,904	2,054,107	2,218	2,218	2,958,521

(VI) Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Sales volume and value Major Products	Year	2021				2022			
		Local		Export		Local		Export	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wired communication products		22	32,014	1,026	1,467,606	931	1,343,882	788	1,276,353
Wireless communication products		1	1,375	704	791,783	51	104,334	363	584,458
Others		598	33,116	10,498	166,013	16,962	51,323	142	18,768
Total		621	66,505	12,228	2,425,402	17,944	1,499,539	1,293	1,879,579

III.Human Resource

Ratio of Employees in the Last Two Years up to the Printing Date of this Annual Report.

Year		2021	2022	Up to 2023.3.31
Number of employees	Direct Labor	310	349	370
	Indirect Labor	278	264	257
	Total	588	613	627
Average age		38.42	38.55	38.33
Average year of service (years)		5.3	5.0	4.9
Education distribution ratio (%)	Ph.D.	0.17%	0.16%	0.16%
	Master	6.63%	6.04%	5.74%
	Bachelor	64.12%	58.40%	56.78%
	High school	27.21%	31.81%	33.01%
	Below high school	1.87%	3.59%	4.31%

IV.Environmental Protection Expenditures

The total amount of losses (including compensation) and penalties caused environment pollution in the most recent year up to the printing date of this annual report: None.

V. Labor Relations Management

(I)Welfare Measures for Employees

1. In addition to providing various benefits and insurance in accordance with the Labor Standards Act, each department purchases books and periodicals as needed, and handles various education training for employees to enrich themselves and specifies the rate of distribution of remuneration for employees in the articles of association.

Implement the ideals of employees as shareholders, encourage participation in opinions, unity and cooperation, and enter the company's business through joint operations.

When the company issues new shares, a certain percentage of shares shall be reserved by employees in accordance with the provisions of the Company Act 2. The company established the Employee Welfare Committee in accordance with the law to select welfare committee members to handle employee welfare matters. The source of the welfare funds is 1.5% of the capital allocated at the time of establishment and capital increase, and 0.1% of the monthly turnover.

The welfare committee sets the annual plan and budget, and regularly holds welfare committee meetings to discuss, make decisions and organize various welfare activities, and announce the income and expenditure of welfare funds.

3. Colleagues will be insured for group insurance upon arrival, and family members will be allowed to add insurance at their own expense.

4. Conduct regular health checkups and arrange for physicians to provide staff consultation on the results of the health checkup.

5. Set up a nursing room for employees to use.
6. The company appoints visually impaired masseurs as regular employees and provides staff massage services, take care of disabled employee and fulfill corporate social responsibilities.

(II) Further studies and Training for Employees

In order to improve the company's operating efficiency, enhance employees' work knowledge and skills, and improve their work efficiency and quality, with a view to integrating training with training, the company has formulated training and development management measures, which are applicable to all employees in the company's formal establishment.

Employees of the company should accept various training courses arranged by the company at any time to absorb new knowledge, enhance professional capabilities, and enhance service efficiency. The attendance status of employees participating in training, the performance during training, and the effectiveness and assessment after training can be regarded as the reference basis for employee promotion, rotation and change.

(III) Retirement system and its implementation

The company has established employee retirement management measures in accordance with the Labor Standards Act, and the retirement of employees is handled in accordance with the relevant retirement regulations and the retirement management measures issued by the company.

Since July 1, 2005, the company has cooperated with the implementation of the New Labor Retirement System Labor Pension Act. The Company grants 6 % per month according to the Monthly Appropriation Scale of the Labor Pension issued by the Bureau of Labor, the Company appropriate 6% of the worker's monthly wage to his/her personal pension fund account.

The company's applicable regulations in accordance with the Labor Standards Act and Labor Pension Regulations are as follows:

1. Retirement application:

A worker may apply for voluntary retirement under any of the following conditions:

(For those who choose to apply the Labor Pension Act, follow the same Regulations and regulations)

- (1) the worker has worked for twenty-five years.
- (2) the worker attains the age of fifty-five and has worked for fifteen years.
- (3) the worker attains the age of sixty and has worked for ten years.

2. Mandatory retirement:

- (1) the worker attains the age of sixty-five.
- (2) the worker is unable to perform his/ her duties because of physical and mental disabilities.

3. Preferential retirement:

Fifth Five-Year Plan: Refers to those with a total of 55 years of service and age (only applicable to employees who worked before 2005/6/30, and the base calculation basis is the old service years of the Labor Standards Act.)

(IV) Agreements between labor and management and various employee rights protection measures:

In accordance with the Regulations for Implementing Labor-Management Meeting, the company elected five labor-management representatives at the labor-management conference on October 16, 2000, and appointed five management representatives. The labor-management Meeting was established on November 3 of the same year as a channel for coordination and communication between labor and management to promote interaction and harmony between labor and management.

(V) In the most recent year and as of the publication date of the annual report, the losses suffered due to labor disputes, and the estimated amount and corresponding measures that may occur at present and in the future are disclosed: The Company has no major dispute on labor relation or labor agreement in the latest year and up to the printing date of this Annual Report.

VI.Important Contracts: None.

Chapter 6 Financial Highlights

I. Condensed Balance Sheet, Statement of Comprehensive Income in the Most Recent Five Years

(I) Consolidated Condensed Balance Sheet-Based on IFRS

Unit: NT\$ Thousands

Year		Most Recent Five-Year Financial Information					As of March 31, 2023
Item		2018	2019	2020	2021	2022	
Current Assets		2,637,458	2,689,327	2,599,874	3,335,854	3,871,200	3,782,187
Property, plant, and equipment		1,689,572	1,795,368	1,763,854	1,579,963	1,448,869	1,428,699
Intangible assets		23,109	22,809	24,625	17,521	11,647	12,434
Other assets		198,032	242,431	285,304	323,687	271,895	283,161
Total asset value		4,548,171	4,749,935	4,673,657	5,257,025	5,603,611	5,506,481
Current liabilities	Before distribution	1,654,901	1,727,024	1,615,539	1,023,214	1,484,128	1,388,737
	After distribution	1,654,901	1,727,024	1,615,539	1,023,214	1,484,128	Note2
Non-current liabilities		224,759	720,082	1,089,242	1,103,460	885,525	850,595
Total liabilities	Before distribution	1,879,660	2,447,106	2,704,781	2,126,674	2,369,653	2,239,332
	After distribution	1,879,660	2,447,106	2,704,781	2,126,674	2,369,653	Note2
Equity attributable to shareholders of the parent		2,668,511	2,302,829	1,968,876	3,130,351	3,233,958	3,267,149
Share capital		2,682,357	2,682,357	2,296,792	3,307,792	3,307,792	3,307,792
Capital surplus		415,638	415,638	0	0	0	0
Retained earnings	Before distribution	(232,963)	(573,913)	(229,208)	(19,789)	85,042	96,004
	After distribution	(232,963)	(573,913)	(229,208)	(19,789)	85,042	Note2
Other equity interest		(196,521)	(221,253)	(98,708)	(157,652)	(158,876)	(136,647)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	2,668,511	2,302,829	1,968,876	3,130,351	3,233,958	3,267,149
	After distribution	2,668,511	2,302,829	1,968,876	3,130,351	3,233,958	Note2

Note1: The financial information as of March 31, 2023 was reviewed by CPA.

Note2: Earnings distribution proposal for 2022 was approved by the board of directors on February 22, 2023, which has not yet been resolved at the general shareholders' meeting.

Consolidated Condensed Income Statement-Based on IFRS

Unit: NT\$ Thousands

Year Item	Most Recent Five-Year Financial Information					As of March31,2023
	2018	2019	2020	2021	2022	
Operating revenue	3,202,178	3,393,006	3,291,260	2,491,907	3,379,117	1,070,847
Gross profit	266,428	225,833	75,098	30,206	290,221	116,425
Income from operations	(318,365)	(381,431)	(503,091)	(631,517)	(89,881)	17,035
Non-operating income and expenses	98,781	42,248	68,116	1,172,332	185,042	(5,677)
Net income before tax	(219,584)	(339,183)	(434,975)	540,815	95,161	11,358
Net income from continuing operations	(220,698)	(339,135)	(434,942)	390,653	94,973	10,962
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss)	(220,698)	(339,135)	(434,942)	390,653	94,973	10,962
Other comprehensive income (loss) (net value after tax)	(5,545)	(26,547)	100,989	(57,187)	8,634	22,229
Total comprehensive income	(226,243)	(365,682)	(333,953)	333,466	103,607	33,191
Net income attributable to shareholders of the parent	(220,698)	(339,135)	(434,942)	390,653	94,973	10,962
Net income attributable to non-controlling interests	0	0	0	0	0	0
Total comprehensive income attributable to owners of the parent	(226,243)	(365,682)	(333,953)	333,466	103,607	33,191
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings per share(dollar)	(0.82)	(1.48)*	(1.89)	1.23	0.29	0.03

Note1: The financial information as of March 31, 2023 was reviewed by CPA.

*after adjustment

(II) Condensed Balance Sheet-Based on IFRS

Unit: NT\$ Thousands

Year Item		Most Recent Five-Year Financial Information				
		2018	2019	2020	2021	2022
Current Assets		1,740,724	1,920,536	1,877,436	1,693,179	3,234,157
Property, plant, and equipment		1,539,717	1,687,501	1,679,721	1,578,182	1,448,451
Intangible assets		21,627	21,337	23,913	17,250	11,647
Other assets		1,127,082	1,129,178	1,034,599	1,802,133	876,210
Total asset value		4,429,150	4,758,552	4,615,669	5,090,744	5,570,465
Current liabilities	Before distribution	1,760,639	1,735,684	1,557,594	910,763	1,461,724
	After distribution	1,760,639	1,735,684	1,557,594	910,763	1,461,724
Non-current liabilities		0	720,039	1,089,199	1,049,630	874,783
Total liabilities	Before distribution	1,760,639	2,455,723	2,646,793	1,960,393	2,336,507
	After distribution	1,760,639	2,455,723	2,646,793	1,960,393	2,336,507
Equity attributable to shareholders of the parent		2,668,511	2,302,829	1,968,876	3,130,351	3,233,958
Share capital		2,682,357	2,682,357	2,296,792	3,307,792	3,233,958
Capital surplus		415,638	415,638	0	0	0
Retained earnings	Before distribution	(232,963)	(573,913)	(229,208)	(19,789)	85,042
	After distribution	(232,963)	(573,913)	(229,208)	(19,789)	85,042
Other equity interest		(196,521)	(221,253)	(98,708)	(157,652)	(158,876)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	2,668,511	2,302,829	1,968,876	3,130,351	3,233,958
	After distribution	2,668,511	2,302,829	1,968,876	3,130,351	3,233,958

Note1: The financial information as of March 31, 2023 was reviewed by CPA.

Note2: Loss appropriation proposal for 2021 was approved by the board of directors on February 22, 2023 which has not yet been resolved at the general shareholders' meeting.

Condensed Income Statement-Based on IFRS

Unit: NT\$ Thousands

Item \ Year	Most Recent Five-Year Financial Information				
	2018	2019	2020	2021	2022
Operating revenue	3,150,077	3,362,184	3,275,514	2,479,234	3,376,432
Gross profit	256,775	115,301	128,790	67,060	287,538
Income from operations	(182,628)	(358,519)	(346,399)	(365,501)	(26,447)
Non-operating income and expenses	(38,070)	19,384	(88,543)	758,250	121,484
Net income before tax	(220,698)	(339,135)	(434,942)	392,749	95,037
Net income from continuing operations	(220,698)	(339,135)	(434,942)	392,749	95,037
Loss from discontinued operations	0	0	0	0	0
Net income (loss)	(220,698)	(339,135)	(434,942)	390,653	94,973
Other comprehensive income (loss) (net value after tax)	(5,545)	(26,547)	100,989	(57,187)	8,634
Total comprehensive income	(226,243)	(365,682)	(333,953)	333,466	103,607
Net income attributable to shareholders of the parent	(220,698)	(339,135)	(434,942)	390,653	94,973
Net income attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to owners of the parent	(226,243)	(365,682)	(333,953)	333,466	103,607
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share(NTS)	(0.82)	(1.48)*	(1.89)	1.23	0.29

*after adjustment

(III) Information on CPAs for the most recent five years and the audit opinion

Year	Name of CPA	Audit opinion
2018	Samuel Au and Michelle Wang	Unqualified opinion
2019	Samuel Au and Isabella Lou	Unqualified opinion
2020	Samuel Au and Isabella Lou	Unqualified opinion
2021	Samuel Au and Isabella Lou	Unqualified opinion
2022	Samuel Au and Yvette Chien	Unqualified opinion
2023Q1	Samuel Au and Yvette Chien	qualified review opinion

II. Financial Analyses for the Past Five Fiscal Years

Consolidated Financial Analysis – Based on IFRS

<div>Year (Note1)</div> <div>Item (Note 3)</div>		Most Recent Five-Year Financial Information					As of March31, 2023
		2018	2019	2020	2021	2022	
Financial structure %	Ratio of liabilities to assets	41.33	51.52	57.87	40.45	42.29	40.67
	Ratio of long-term capital to Property, plant, and equipment	171.24	167.25	173.37	267.97	284.32	288.22
Solvency %	Current ratio	159.37	155.72	160.93	326.02	260.84	272.35
	Quick ratio	106.84	113.50	112.44	233.76	176.37	190.18
	Times interest earned ratio	(14.14)	(19.45)	(25.36)	44.70	6.59	3.69
Operating ability	Receivables turnover rate (times)	4.60	4.04	3.77	3.54	4.40	3.97
	Average days for cash receipts	79.34	90.34	96.81	103.10	82.95	91.93
	Inventory turnover rate (times)	4.53	4.28	4.68	3.12	2.96	3.29
	Payables turnover rate (times)	3.43	3.76	4.30	3.96	3.85	3.65
	Average days for sale of goods	80.57	85.28	77.99	116.98	123.31	110.94
	Turnover rate for property, Plant, and equipment (times)	1.90	1.89	1.87	1.58	2.33	3.00
	Total assets turnover rate (times)	0.70	0.71	0.70	0.47	0.60	0.78
Profitability	Return on asset (%)	(4.66)	(7.01)	(8.95)	8.07	2.00	1.03
	Return on equity (%)	(7.93)	(13.64)	(20.36)	15.32	2.98	1.35
	Ratio of income before tax to paid-in capital (%)	(8.19)	(12.64)	(18.94)	16.35	2.88	1.37
	Net profit ratio (%)	(6.89)	(10.00)	(13.22)	15.68	2.81	1.02
	Earnings per share (NT\$)	(0.82)	(1.26)	(1.89)	1.23	0.29	0.03
Cash flow	Cash flow ratio (%)	(42.19)	(5.03)	(29.75)	(34.01)	(21.18)	(2.54)
	Cash flow adequacy ratio (%)	(28.45)	(25.18)	(40.71)	(65.59)	(89.76)	(113.65)
	Cash re-investment ratio (%)	(17.59)	(2.19)	(11.72)	(7.52)	(6.84)	(0.19)
Leverage	Operating leverage	0.61	0.37	0.54	0.60	(1.13)	4.19
	Financial leverage	0.96	0.96	0.97	0.98	0.84	1.33

Analysis of financial ratio difference for the last two years

1. Current ratio/Quick ratio/Cash flow ratio : The decrease was mainly due to the increase in current liabilities.
2. Times interest earned ratio : The decrease was mainly due to the increase in profit before tax.
3. Receivables turnover rate (times) : The increase was mainly due to the increase in operating revenue and trade receivables.
4. Average days for receipts : The decrease was mainly due to the increase in receivables turnover rate (times).
5. Turnover rate for property, plant, and equipment (times) : The increase was mainly due to the increase in operating revenue.
6. Total assets turnover rate (times) : The increase was mainly due to the increase in operating revenue and total assets.
7. Profitability : It was mainly due to the decrease in profit.
8. Cash flow adequacy ratio : It was mainly due to increase in net cash flow from operating activities for the last 5 years.
9. Operating leverage : It was mainly due to the increase in operating revenue, and the decrease in operating expense.

Note1: The financial information as of March 31, 2023 was reviewed by CPA.

Condensed Financial Analysis – Based on IFRS

Year (Note1) Item (Note 3)		Financial analysis for the past five fiscal years				
		2018	2019	2020	2021	2022
Financial structure %	Ratio of liabilities to assets	39.75	51.61	57.34	38.51	41.94
	Ratio of long-term capital to Property, plant, and equipment	173.31	177.95	182.06	264.86	283.66
Solvency %	Current ratio	98.87	110.65	120.53	185.91	221.26
	Quick ratio	82.14	84.95	81.42	82.54	135.60
	Times interest earned ratio	(54.02)	(33.01)	(27.09)	33.26	6.48
Operating ability	Receivables turnover rate (times)	4.74	4.18	3.85	3.57	4.40
	Average days for cash receipts	77.00	87.32	94.80	102.24	82.95
	Inventory turnover rate (times)	19.69	9.95	6.73	3.41	2.96
	Payables turnover rate (times)	3.13	3.25	4.00	3.79	3.85
	Average days for sale of goods	18.53	36.68	54.23	107.03	123.31
	Turnover rate for property, Plant, and equipment (times)	2.05	1.99	1.95	1.57	2.33
	Total assets turnover rate (times)	0.71	0.71	0.71	0.49	0.61
Profitability	Return on asset (%)	(5.19)	(7.21)	(9.02)	8.25	2.04
	Return on equity (%)	(7.93)	(13.64)	(20.36)	15.32	2.98
	Ratio of income before tax to paid-in capital (%)	(8.23)	(12.64)	(18.94)	11.87	2.87
	Net profit ratio (%)	(7.01)	(10.09)	(13.28)	15.76	2.81
	Earnings per share (NT\$)	(0.82)	(1.48)	(1.89)	1.23	0.29
Cash flow	Cash flow ratio (%)	(2.93)	(38.89)	(30.85)	(32.53)	5.50
	Cash flow adequacy ratio (%)	(21.72)	(32.43)	(34.15)	(69.59)	(52.67)
	Cash re-investment ratio (%)	(1.71)	(19.78)	(13.52)	(6.32)	(4.09)
Leverage	Operating leverage	0.65	0.53	0.47	0.46	(5.72)
	Financial leverage	0.98	0.97	0.96	0.97	0.60

Analysis of financial ratio difference for the last two years

1. Quick ratio : It was mainly due to the increase in current liabilities.
2. Times interest earned ratio : The decrease was mainly due to the increase in profit before tax.
3. Receivables turnover rate (times) : The increase was mainly due to the increase in operating revenue and trade receivables.
4. Property, plant, and equipment turnover ratio and total asset turnover ratio : It was mainly due to the increase in operating revenue.
5. Profitability : It was mainly due to the decrease in profit.
6. Cash flow ratio : It was mainly due to the decrease in net cash flows used in operating activities, and the increase in current liabilities.
7. Cash flow adequacy ratio/ Cash re-investment ratio : It was mainly due to the decrease in net cash flows used in operating activities.
8. Operating leverage : It was mainly due to increase in operating revenue, and the decrease in operating expense.
9. Financial leverage : It was mainly due to decrease in net operating loss.

The following calculation formulas shall be listed at the end of this Table in the annual report:

1. Financial structure

- (1) Liability to asset ratio = Total liabilities/Total assets.
- (2) Ratio of long-term capital to property, plant, and equipment = (Total net equity + Non-current liabilities)/Net property, plant, and equipment.

2. Solvency

- (1) Current ratio = Current assets/Current liabilities
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenditures)/Current liabilities.
- (3) Interest protection multiples = Income before income tax and interest expenditure/ Interest expenditures for this period.

3. Business capability

- (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales/Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
- (2) Average collection days = 365/Receivables turnover rate.
- (3) Inventory turnover = Sales expense/Average inventory value.
- (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales/Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
- (5) Average sales days = 365/Inventory turnover ratio.
- (6) Property, plant, and equipment turnover ratio = Net sale/Average net property, plant, and equipment.
- (7) Total asset turnover ratio = Net sales/Average total property, plant, and equipment.

4. Profitability

- (1) Return on assets = [Gain (Loss) after tax + Interest expenses x (1 - interest rates)]/Average total asset value.
- (2) Return on stockholders' equity = Net income (loss)/Average total equity.
- (3) Net profit rate = Net gain (loss) after tax/Net sales.
- (4) Earnings per share = (Net income (loss) attributable to owners of the parent company - preferred stock dividend)/Weighted average number of shares outstanding.

5. Cash flow volume

- (1) Cash flow ratio = Net cash from business activities/Current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow for business activities for the last 5 years/(Capital expenses + Additional inventory sum + Cash dividend) for the past 5 fiscal years.
- (3) Cash re-investment ratio = (Net cash flow from business activities - Cash dividend)/(Gross amount of property, plant, and equipment+ Long-term investments + Other non-current assets + Business capital).

6. Leverage

- (1) Operating leverage ratio= (Net operating revenue - variable operating costs and expenses)/operating income
- (2) Degree of financial leverage (DFL) = Operating profit/(Operating profit - Interest expenses).

III. Audit Committee's Audit Report on the 2022 Financial Report

Cameo Communications Inc.

Audit Committee's Review Report

The 2022 business report, financial statements, and earnings distribution proposal, which were resolved by the Board, were audited by the CPAs Samuel Au and Yvette Chien of KPMG, and a review report was issued.

These have been reviewed and determined to be correct and accurate by the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, hereby submit this Report.

Best regards

2023 General Shareholders' Meeting of Cameo Communications Inc.

Convener of the Audit Committee: Arens Chiang

February 22, 2023

IV. Financial Report for the Most Recent Year

Please refer to pages 160 to 228 of this annual report.

V. Individual Financial Report Audited by CPAs for the Most Recent Year

Please refer to pages 99 to 159 of this annual report.

VI. Impact of Financial Difficulties of the Company and Affiliated Companies on the Financial Position of the Company in the Most Recent Year, up to the Printing Date of this Annual Report: None.

Chapter 7 Financial Status, Operation Results and Risk Management

I. Financial Position- Comparison Analysis

Unit: NT\$ Thousands

Item	Year		Difference	
	2022	2021	Amount	%
Current assets	3,871,200	3,335,854	535,346	16.05%
Property, plant, and equipment	1,448,869	1,579,963	(131,094)	(8.30)%
Intangible assets	11,647	17,521	(5,874)	(33.53)%
Other assets	271,895	323,687	(51,792)	(16.00)%
Total asset value	5,603,611	5,257,025	346,586	6.59%
Current liabilities	1,484,128	1,023,214	460,914	45.05%
Non-current liabilities	885,525	1,103,177	(217,652)	(19.73)%
Other liabilities	-	283	(283)	(100.00)%
Total liabilities	2,369,653	2,126,674	242,979	11.43%
Share capital	3,307,792	3,307,792	-	-
Capital surplus	-	-	-	-
Retained earnings	85,042	(19,789)	104,831	(529.74)%
Equity-Other	(158,876)	(157,652)	(1,224)	0.78%
Total equity	3,233,958	3,130,351	103,607	3.31%

Analysis of changes in increase/decrease ratio exceeding 20%:

- (I) Increase in current liabilities : It was mainly due to the increase in trade payables and long-term borrowings, current portion.
- (II) Increase in Retained earnings : It was mainly due to the increase in profit for years 2021 and 2022.

II. Financial Performance

(I) Financial performance comparison/analysis table

Unit: NT\$ Thousands

Item \ Year	2022	2021	Increase /Decrease	Change ratio (%)
Net operating revenue	3,379,117	2,491,907	887,210	35.60%
Operating costs	3,088,896	2,461,701	627,195	25.48%
Gross profit	290,221	30,206	260,015	860.81%
Operating expenses	380,102	661,723	(281,621)	(42.56)%
Net operating income (loss)	(89,881)	(631,517)	541,636	(85.77)%
Non-operating income and expenses	185,042	1,172,332	(987,290)	(84.22)%
Net profit before tax (loss) from continuing operations	95,161	540,815	(445,654)	(82.40)%
Income tax expenses	188	150,162	(149,974)	(99.87)%
Net income (loss) in this period	94,973	390,653	(295,680)	(75.69)%

(I) Analysis of changes in increase/decrease ratio exceeding 20%

1. Increase in Net operating revenue and operating costs and gross profit : The increase was mainly due to the increase in operating revenue, and increased capacity utilization owing to the good product mix.
2. Decrease in operating expense and net operating income (loss) : It was mainly due to the increase in revenue, and in operating cost and operating expenses.
3. Decrease in Non-operating income and expenses : It was mainly due to gains on disposals of property, plant and equipment from NETTECH Electronics in 2021.
4. Decrease in Net profit before tax (loss) from continuing operations and net income (loss) in this period : It was mainly due to gains on disposals of property, plant and equipment from NETTECH Electronics in 2021.
5. Decrease in Income tax expenses : It was mainly due to gains on disposals of property, plant and equipment from NETTECH Electronics in 2021.

(II) Expected sales volume and its basis, potential impact on the Company's future financial operations, and response plans thereof: :

Please refer to "Letter to Shareholders" from pages 1 to 4.

III. Cash Flow

(I) Change in cash flow in the most recent fiscal year

Item \ Year	2022	2021	Increase (decrease) ratio %
Cash flow ratio (%)	(21.18)	(34.01)	(37.72)%
Cash flow adequacy ratio (%)	(89.76)	(65.59)	36.85%
Cash re-investment ratio (%)	(6.84)	(7.52)	(9.04)%

Analysis of changes in increase/decrease ratio exceeding 20%:

1. Cash flow ratio decreased due to the increase in current liabilities in 2022.
2. Cash flow adequacy ratio increased due to the increase in net cash flows used in operating activities during 2018 to 2022.

(II) Improvement plan for insufficient liquidity and Cash liquidity analysis for the coming year (2022)

Unit: NT\$ Thousands

Beginning Cash Balance	Cash flow from operating activities all year	Cash flow from Investing/ Financing activities all year	Cash surplus (Insufficient) amount	Measures for insufficient cash	
				Investing plan	Financing plan
1,486,260	352,127	(230,880)	1,607,507	-	-

(1) Analysis of for the coming year

operating activities : Net cash flows used in operating activities was 352,127 thousand mainly due to the decrease in trade receivables and trade payables and inventories.

Investing activities : Net cash flows used in investing activities was (35,958) thousand due to acquisition of equipment.

Financing activities : Net cash flows used in financing activities was (194,922) thousand due to repayments of long-term repayment and cash dividends paid.

(2) Improvement plan for insufficient liquidity and Cash liquidity analysis : None.

IV. Material Expenditure for the Most Recent Fiscal Year and its Impact on the Company's Finances and Operations

(I) Review and analysis of major capital expenditures and their sources of funds

The Company has no other major capital expenditures in the most recent year.

(II) Expected benefits

1. The purchase of equipment can expect increasing the production and sales, value and gross profit. The Company purchase automatic system, warehouse and testing equipment to achieve manufacturing industry 4.0.to improve efficiency and increase output to offset the impact on future increasing wages.
2. Other benefits : None

V.The Company's Investment Policy for the Most Recent Fiscal Year, and the Main Reasons for the Profits/Losses Generated Thereby, the Improvement Plan, and Investment Plans for the Coming Year

- (I)Investment policy for the Most Recent Fiscal Year : To meet requirements, The Company focuses on long-term holding
- (II)Analysis of profit by investment : The Company recognized gains on investments in the amount of NT\$22,128 thousands for the year 2022. The main reason for the gain is reconized investment income for GNT and dividend revenue for Qianjin.
- (III) Investment and improvement plans for the coming year:
 - 1 Improvement plans for deficit : NA
 - 2. Investment and improvement plans for the coming year: :

The company is committed to improving production efficiency to reduce production costs. It will help lean manufacturing and improve production competitiveness. We will establish deep relationship with suppliers to raise competitiveness of material price, invest in future product research and development, expand target markets and develop key customers in order to improve the company's operating performance.

VI.Risks that Shall be Assessed in the Most Recent Year and up to the Printing Date of this

Annual Report

- (I) Impacts of interest rate, fluctuation in exchange rate, and inflation on corporate gains and losses and future response measures:
 - Rate- Generally speaking, changes in interest rates affect the cost of capital obtained by business owners. The ratio of interest revenue and interest expense to net operating income of the company in the year of 2022 was 0.85% and 0.50%; The ratio of interest revenue and interest expense to net operating income of the company in the year of 2021 was 0.44% and 0.50%;The ratio is not high. According to the past ratio of interest revenue/ expense to net operating income, the overall impact of interest rate changes on the company's profit and loss is still limited. However, if interest expenses increase due to the need to lend funds from banks for operations, the impact of interest rate changes on the company's profit and loss will also increase. The company will continue previous financial policies, strictly control the level of liabilities, and take necessary measures (such as early repayment) to prevent changes in interest rates from adversely affecting the company's profit and loss.
 - exchange rate- The company export sales accounted for 96.92% of its net operating revenue in 2022. The rise and fall of the US dollar exchange rate will have an impact on the company's finances owing to most of the export goods are reported in US dollars price. The company has always adopted a financial policy that strictly controls the level of foreign currency. The ratio of net exchange gain to net operating revenue in 2022 was 2.98%. The ratio of net exchange losses to net operating revenue in 2021 was 0.33%. In the future, the company will also gather exchange rate information at any time to predict exchange rate trends and reduce the adverse effects of exchange rate on the company's profit and loss.
 - Inflation - According to statistics from Directorate-General of Budget Accounting and Statistics Executive Yuan, the annual increase rate of consumer prices (CPI) was 2.95% in 2022; Annual Changes in Wholesale Price Index was 12.43%. The company will continue to work on cost reduction and pay attention to changes in the

relevant economic environment and market to avoid adverse effects.

- (II) Policies on high-risk, high-leverage investments, loans to other parties, endorsements, guarantees, and derivatives trading, are the main reasons for the profits or losses generated thereby, and future response measures to be undertaken:

The company avoids investing in high-risk and high-leverage investments for pursuing stable business operation. The company has not engaged in high-risk, high-leverage investments in the most recent year. Otherwise, there was no profit and loss due to provide lending funds and endorsement guarantees to 100% holding subsidiaries.

Derivative financial transactions have been implemented in accordance with relevant laws and regulations to improve the basis of finance and operation. The company's derivative financial transactions are aimed at avoiding foreign exchange risks, and regularly report implementation and profit and loss to the board of directors. The above-mentioned relevant information is disclosed monthly on MOPS for investors' reference.

- (III) Future R&D projects and R&D expenditure to be invested:

New products (services) planned for development

- Enterprise Core Switch
- L2/L3 Stackable Management Core Switch
- Outdoor Wide Temperature Switch
- 2.5G/5G/10G RJ45 POE++ (802.3bt) Switch
- SDN Switch
- Cloud Management System
- Cloud Management Software
- Cloud Switch
- Cloud SDN Gateway
- Cloud Wireless Access Point
- AI Controller Based Management System
- AI Network Management Controller
- AI Controller Based Switch
- AI Controller Based VPN Gateway
- AI Controller Based Wireless Access Point
- The estimated R&D expenditure for 2023 is NT\$ 20 million.

- (IV) Impact of changes of important domestic and international policies and laws on the Company's finance and business, and response measures:

Industries that are easily affected by important domestic and foreign policies and legal changes include finance (affected by exchange rate and interest rate policies), petrochemicals (such as joint production reductions by oil-producing countries), raw materials (such as steel import tariffs) and textiles (such as textile import quota restrictions)) and other traditional industries. The company manufacturing communication products are less likely affected. There was no major impact of changes of important domestic and international policies and laws on the Company's finance and business in the Most Recent Year and up to the Printing Date of this Annual Report.

However, the company's products are currently mainly exported. The sales volume in the Asia-Pacific and Europe and the United States accounts for more than 90% of the net operating revenue. If the domestic export policy or law or the import policy or law of the two regions changes, may still have a certain impact on the company's finances or business. The company will continue to pay attention to important domestic and foreign policies and legal changes, and consult experts in a timely manner to control possible risks.

- (V) Impact of changes in technology and industry on the Company's finance and business, and response measures:

The company belongs to the field of network technology, and the industry dynamics

change rapidly. With rapid growth of network technology or major changes in product development, the company's finances and business may be greatly affected by the inability to grasp the technology development or product trend in real time. Therefore, the company adopts continuous investment in research and development and pays attention to the trend of the industry, and grasps them through interaction with customers. So far, technical capabilities can meet customer needs, and network technology has not seen a leaping growth in recent years. There was no major impact of changes in technology and industry on the Company's finance and business, and response measures.

(VI) Impact of changes of corporate images on crisis management and response measures:

There was no event for damaging corporate images in the Most Recent Year and up to the Printing Date of this Annual Report.

However, once an accident that affects the corporate image occurs, it may have a major impact on the company's financial business. Therefore, the company would continuously declare corporate governance standards, consult expert in a timely manner and follow their recommendations to reduce the probability of these risks and the impact on the company's financial business.

(VII) Projected benefits and possible risks in engaging in mergers or acquisitions and response measures:

The company has not conducted mergers and acquisitions in the most recent year and up to the Printing Date of this Annual Report. There is no acquisition of equity in the market, and no merger is under negotiation.

(VIII) Projected benefits and possible risks in expanding plants and response measures: None.

According to a resolution passed by the Company Board of Directors on December 16, 2016, the construction of the new building of the headquarter in the Tainan Technology Industrial Park was undertaken by Lee Ming Construction Co., Ltd., with a contract price totaling NT\$1,088,000 thousand (including tax), which has been reclassified to buildings and construction and depreciated since its completion in early 2019.

(IX) Risks posed by concentrated procurement and sales and response measures:

1、Purchase Risks

The purchase items include IC, PCB, finished and semi-finished wireless products and others. In addition to finished and semi-finished products, the rest are available for replacement at any time by many manufacturers. The company's supplier of finished and semi-finished products for wireless network products-Nettech Technology (Suzhou) Co., Ltd which has been entrusted to produce finished products and then repurchases through CAMEO International Ltd. since October 2011, 100% owned by the company as an affiliated company. Most of the production capacity was transferred back to the company's Tainan factory to produce. Therefore the supply of materials is stable; there should be no significant concentration risk of purchases.

2、Sales Risks

Except for D-Link Group, the sales proportions of the remaining major customers of the company in 2022 and 2021 were 16% and 24% respectively. While the proportion of sales to D-Link in 2022 and 2021 was 48% and 42% respectively. The sales clients have been scattered in Asia, America and Europe, there should be no risk of excessive concentration.

(X) The impact on the Company, and risks arising from major exchange or transfer of shares by Directors or major shareholders with over 10% of shareholdings, and the response measures:

The company's 2020 shareholders' meeting was elected for the eleventh term of directors, but the result didn't have great influence on business operation. There was no major exchange or transfer of shares by Directors or major shareholders with over 10% of shareholdings in 2022.

(XI) Effects of risks relating to and countermeasures to the changes in management rights

If the change in management right is not agreed or accepted by the original management team, it may have an impact on the company's business strategy or personnel. Although the

personnel of the company's management team has minor adjustment, but there should be no significant impact on the company's daily operations.

(XII) For litigation or non-litigation cases, major litigations, non-litigations, or administrative litigations that have been confirmed or are still in trial, in which the Company and its directors, President, substantive person in charge, major shareholders with a shareholding ratio of more than 10%, or subordinate companies are involved shall be specified. Where the results may affect the shareholders' equity, their disputed facts, the amount of the subject matter, the date of litigation, the main parties involved in the litigation, and the handling situation as of the printing date of this annual report shall be disclosed:None

(XIII) Other material risks and response measures:

1. Information Security risk

(1) Information Security Policy:

As new technology advances, it brings civilization and convenience to mankind, but also brings side effects that make information security threats pervasive. In order to maintain the sustainability of the Company's operations, we comply with relevant laws and regulations and protect our information assets (including software, hardware, personnel and services) to ensure the confidentiality, integrity and availability of information assets, and to strengthen the information and communication security system. We have established the Information Security Policy as the standard and guideline for information security management to effectively and reasonably reduce the risk of the Company's operations.

(2) The Scope of Information Security Promotion:

This policy applies to the security management of all employees and all relevant information assets of the company.

(3) Information security is based on the following measures:

- A. Education and training used by the company's various systems
- B. Daily system backup
- C. Set up the user permission table of each system
- D. Set up a firewall with Trend Micro's antivirus software to filter and defend against viruses
- E. Information Machine Room Workday Log
- F. System Recovery
- G. The company will commission an external professional audit every year

(4) Faced with ever-changing technology, we have established regular security protection technology upgrades to address new external threats and internal weaknesses, and implemented various information security education and training to reduce information security risks.

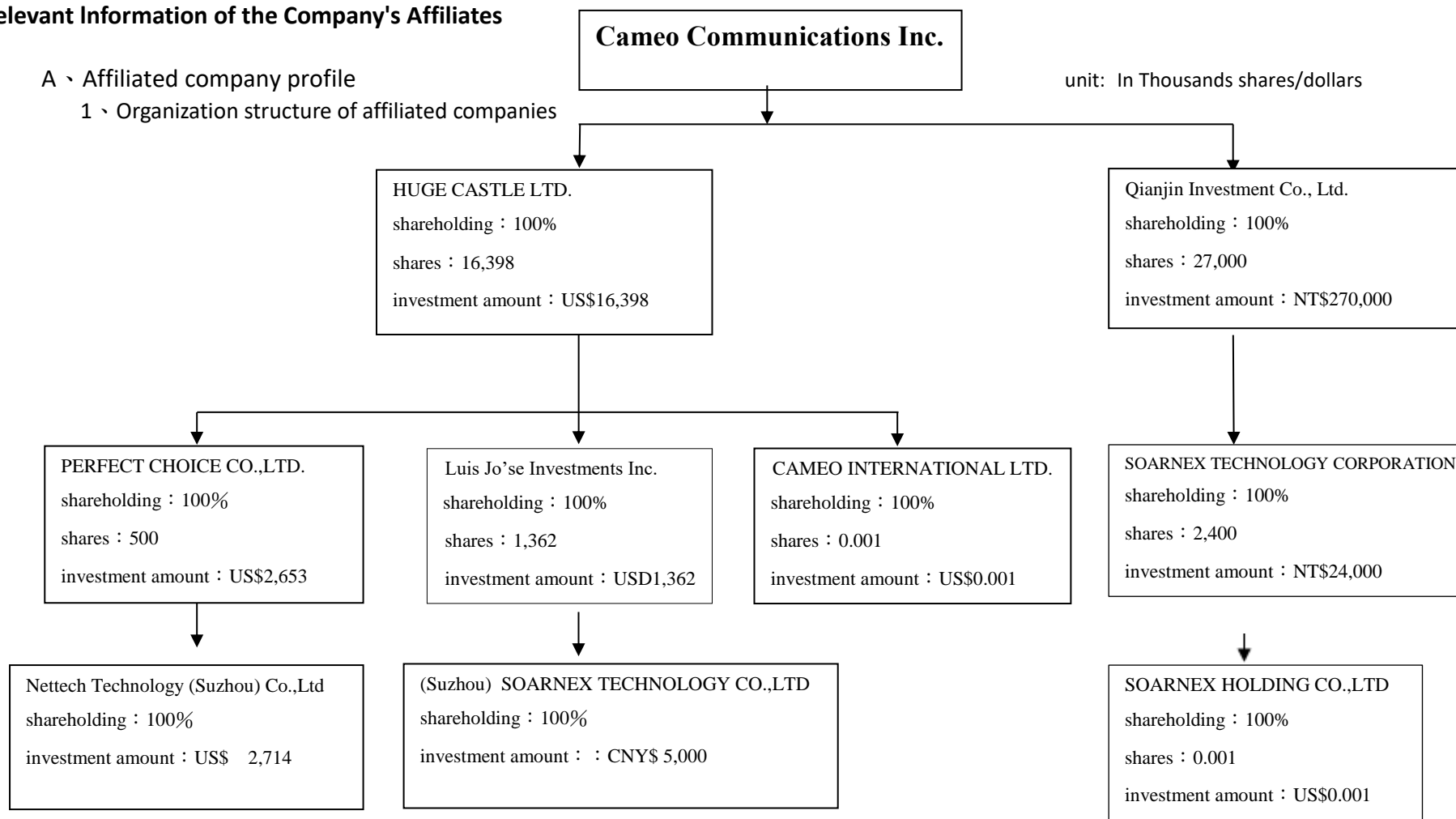
VII. Other Important Matters: None.

Chapter 8 Special Disclosure

I.Relevant Information of the Company's Affiliates

A 、Affiliated company profile

1 、Organization structure of affiliated companies



2 、 Basic Information of affiliated companies

Unit: NT\$ Thousands 2022/12/31

Name	Date of incorporation	Address	Actual paid-in capital	Primary business
Qianjin Investment Co., Ltd.	2008.02.18	5F., No. 158, Ruihu St., Neihsu Dist., Taipei City 114, Taiwan	270,000	Investment holding
HUGE CASTLE LTD.	2006.07.05	Maystar Chambers, P.O.Box 3269t, Apia, Samoa	515,592	Investment holding
CAMEO INTERNATIONAL LTD.	2011.03.18	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	0.03	Import and export trade
Cameo Technology Development (Shenzhen) Co., Ltd.	2002.08.21	West side,10F ,High-tech Industrial Development Park, Nanshan District, Shenzhen,China	- (Note1)	R&D for communications technology and products
PERFECT CHOICE CO.,LTD.	2001.01.03	Level3,Alexander House,35 Cybercity,Ebene,Mauritius	141,739	Investment holding and trading
Nettech Technology (Suzhou) Co.,Ltd	2002.03.18	Room 713, Building 3, Yangcheng Lake International Science and Technology Pioneer Park, 116 Chengyang Road	79,496	Production, processing, and sale of electronic communications equipment
Luis Jo'se Investment Inc.	2001.01.12	Coastal Building, Wickham's Cay II,P.O Box 2221,Road Town, Tortola , British Virgin Islands.	43,673	Investment holding
Wide View Technology Inc.	2004.01.09	The Second Floor of 3 Parts, NO1. Building,No.79,Aona Road,Pilot Free Trade Zone,Shanghai, China	- (Note2)	production, and sale of electronic components
SOARNEX TECHNOLOGY CORPORATION	2014.09.25	5F., No. 158, Ruihu St., Neihsu Dist., Taipei City 114, Taiwan	24,000	International trade
SOARNEX HOLDING CO.,LTD	2015.03.31	TMF Chambers, P.O. Box 3269,Apia,Samoa	0.03	Investment holding
(Suzhou) SOARNEX TECHNOLOGY CO.,LTD	2017.4.12	Room 706-707, 711-712,713, Building 3, Yangcheng Lake International Science and Technology Pioneer Park, 116 Chengyang Road	22,064	Software development and software services for computer information systems

3 、 Shareholders in common of the Company and its subsidiaries with deemed control and subordination :None.

4 、Directors, supervisors, and presidents of affiliates

Unit: shares/dollars Dec,31,2022

Name	Title	Name or representative	Shareholding	
			Shares	Percentage (%)
Qianjin Investment Co., Ltd.	Director	Jerry Chien	27,000,000	100%
HUGE CASTLE LTD.	Director	Jerry Chien	16,397,718	100%
CAMEO INTERNATIONAL LTD.	Director	Jerry Chien	1	100%
PERFECT CHOICE CO.,LTD.	Director Director Director	Jerry Chien Doris Hsieh Amy Wang	500,000	100%
Nettech Technology (Suzhou) Co.,Ltd	Director supervisor	Jerry Chien Allen Cheng	PERFECT CHOICE CO.,LTD. Contribution USD 2,653,145	100%
Luis Jo'se Investment Inc.	Director	Doris Hsieh	1,362,680	100%
SOARNEX TECHNOLOGY CORPORATION	Director Director Director supervisor	Jerry Chien Allen Cheng Doris Hsieh Amy Wang	2,400,000	100%
SOARNEX HOLDING CO.,LTD	Director	Jerry Chien	1	100%
(Suzhou) SOARNEX TECHNOLOGY CO.,LTD	Director president	Jerry Chien Allen Cheng	Luis Jo'se Investment Inc. Contribution RMB 5,000,000	100%

B 、Business operation profile :

(In Thousands of New Taiwan Dollars)

Name	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit	Net Income (after tax)	EPS
Qianjin Investment Co., Ltd.	270,000	121,244	50	121,194	0	(111)	1,665	0.06
CAMEO INTERNATIONAL LTD.	0.03	4,404	70	4,334	0	(120)	210	210
Cameo Technology Development (Shenzhen) Co., Ltd.	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
Perfect Choice Co.,Ltd	141,739	476,518	59,570	416,948	0	(62,418)	(6,400)	(12.8)
Nettech Technology (Suzhou) Co.,Ltd	79,496	387,731	5,984	381,747	3,005	(7,694)	30,136	-
HUGE CASTLE LIMITED	515,592	569,772	4,016	565,756	0	(370)	20,463	1.25
Luis Jo'se Investments Inc.	43,673	41,960	5	41,955	0	(130)	8,371	6.14
Wide View Technology Inc.	(Note2)	(Note2)	(Note2)	(Note2)	(Note2)	(Note2)	(Note2)	(Note2)
SOARNEX TECHNOLOGY CORPORATION	24,000	2,134	0	2,134	0	(2)	(106)	(0.04)
(Suzhou) SOARNEX TECHNOLOGY CO.,LTD	22,064	29,568	5,176	24,392	46,509	6,729	7,599	-

Note1 : Cameo Technolog Development (Shenzhen) Co., Ltd. completed its liquidation and in March 2012, and the payment for shares of US\$177 thousand, was refunded to Huge Castle Ltd on November 28, 2013 with the approval of the Investment Commission, Ministry of Economic Affairs.

Note2 : WIDE VIEW TECHNOLOGY INC. completed its liquidation in September 2018, and the payment for shares of US\$740 thousand, was refunded to Luis Jo'se Investment Inc. on September 4, 2018 with the approval of the Investment Commission, Ministry of Economic Affairs,

II.Consolidated financial statements of affiliated companies : Please refers to page 160 to 228.

Representation Letter

The entities that are required to be included in the combined financial statements of Cameo Communications, Inc. as of and for the year ended December 31, 2021 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 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Cameo Communications, Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Cameo Communications, Inc.

Chairman: Jerry Chien

Date: March 16, 2022

III. The relation report : N/A ◦

II. Private Placement Securities in the Most Recent Years :

Item	2020 1 st Private Placement Issue Date: April 15, 2021.(Delivery date)				
Securities under private placement	Common stock				
Date of resolution and approved quantity	Date of share meeting: September 21, 2020. The total amount of private placement of common stock is no more than 150,000,000 shares, which the board of directors authorized to be issued once within a year.				
Basis and rationale for price setting	The pricing of the private common stock is determined in accordance with the "Directions for Public Companies Conducting Private Placements of Securities". The price per share of private placement would be not lower than 80% of the reference price. The reference price shall be the higher of the following two calculations: a. The simple average closing price of the common stock of the TWSE listed or TPEX listed company for either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction. b. The simple average closing price of the common stock of the TWSE listed or TPEX listed company for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.				
Selection method of specified parties	In accordance with Article 43-6 of the Securities and Exchange Act.				
Reasons for private placement	If the funds are raised by publicly raised securities, it may not be easy to obtain the required funds in a short period of time. Taking the timeliness and convenience of raising funds into consideration, the Company conduct private placement to raise funds from specific people in order to strengthen the financial structure and enrich operations funds.				
Date of payment and completion	February 9, 2021.				
Information on contributing parties	Target	Eligibility	Quantity Purchased	Relationship with the Company	Participation in Company Operations
	D-Link Corporation	Article 43-6, paragraph 1, of the Securities And Exchange Act	97,680,000	Director	Director
	JunYang Investment Co., Ltd.	Article 43-6, paragraph 1, of the Securities and Exchange Act	3,420,000	Director	Director
Actual purchase (or conversion) price	NT\$ 8.19 per share.				
Difference between the actual purchase (or conversion) price and the reference price	The actual private placement price NT\$8.19 is 80.6% of the reference price NT\$10.23.				
Impact of private placement on shareholders' equity (ex. causing an increase in accumulated losses)	The method for setting the price of common stock of private placement is in accordance with the laws and regulations of the competent authority. In order to increase the willingness to subscribe since the closing price of common stock of the company is currently lower than the par value of the stock, the actual private placement price is lower than that of the stock to cause the company to incur cumulative losses is reasonable. The company will take capital reduction, surplus or capital reserve to make up for losses into consideration depending operations.				

Use of funds from private placement and progress of proposed plans	completed in 2021 Q4.
Effectiveness of private placement	Private placement of common stock is to enrich working capital, which is expected to strengthen financial structure and enhance operations, and have positive effect on shareholders' equity

- III. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Year : None.**
- IV. Other supplementary matters: None.**
- V. Any event that results in substantial impact upon shareholders' equity or prices of the Corporation's securities as prescribed by Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act that have occurred in the most recent year up to the publication date of this annual report: None.**

Independent Auditors' Report

To the Board of Directors of Cameo Communications, Inc.:

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(n) and Note 6(r) for accounting policy and detailed disclosure of revenue, respectively.

Description of key audit matter:

Cameo Communications, Inc. is a listed company primarily engaged in the manufacture and sale of wired and wireless communications products. As one of important items of the financial statements, the amount and movements in operating revenue may impact the understanding of the financial statements as a whole. Therefore, testing of revenue recognition has been identified as one of the key audit matters in our audit of the financial report.

How the matter was addressed in our audit:

The principal auditing procedures for the above key audit matters included the relevant controls of testing related to the sales and payment collection cycles; checking and reconciling the sales system information and the general ledger; comparing the movements of the top ten customers in the current and previous years as well as analyzing the changes in the revenue with respect to each product and the price thereof to assess if there were material anomalies; conducting a sampling of sales transactions in the periods before and after the balance sheet date and checking the relevant certificates to assess whether or not the timing and amount of the recognition of the operating revenue were in accordance with pertinent accounting standards.

2. Valuation of inventories

For the accounting policies for valuation of inventories, please refer to Note 4(g); for accounting estimates of inventory valuation, please refer to Note 5; for disclosures regarding inventories, please refer to Note 6(e).

Description of key audit matter:

The major business activities of the Company are the sale of wireless and wired communications products, with ODM, its core competitiveness, coupled with OEM, to establish a business model. Electronic products may experience price declines due to horizontal competition and advancing technology, and the amount of inventories will influence the understanding of the financial statements as a whole. Therefore, the testing of inventory valuation was determined to be one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matters above, our principal audit procedures included testing relevant controls over the operating cycle of cost, assessing whether the Company's recognition of inventory write-downs and obsolescence loss were carried out according to the Company's policies and relevant accounting standards. In addition, we assessed the reasonableness of management's estimate of allowances for inventory valuation through reviewing the inventory aging report, with a focus on inventories that had a longer inventory age, so as to understand the sales thereof subsequent and to assess the measurement basis adopted for their net realizable values.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on these financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yiu-Kwan Au and Szu-Chuan Chien.

KPMG

Taipei, Taiwan (Republic of China)
February 22, 2023

(English Translation of Financial Statements Originally Issued in Chinese)
CAMEO COMMUNICATIONS, INC.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 867,449	16	262,475	5	2100	Short-term borrowings (note 6(j))	\$ -	-	92,340	2
1170	Trade receivables, net (notes 6(c) and 6(r))	520,844	9	281,858	6	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	-	-	298	-
1180	Trade receivables due from related parties, net (notes 6(c), 6(r) and 7)	553,173	9	177,612	4	2170	Trade payables	1,085,403	19	518,799	10
1200	Other receivables (note 6(d))	38,259	1	24,499	-	2200	Other payables	157,136	3	144,980	3
1210	Other receivables due from related parties (notes 6(d) and 7)	1,889	-	4,929	-	2220	Other payables to related parties (note 7)	38,000	1	44,597	1
1220	Current tax assets	543	-	399	-	2250	Current provisions (note 6(m))	5,810	-	4,808	-
1310	Inventories, net (note 6(e))	1,211,345	22	875,115	17	2280	Current lease liabilities (note 6(l))	19,587	-	23,163	-
1470	Other current assets	40,655	1	66,292	1	2305	Other current liabilities	41,637	1	46,660	1
		3,234,157	58	1,693,179	33	2320	Long-term borrowings, current portion (note 6(k) and 8)	114,151	2	35,118	1
								1,461,724	26	910,763	18
Non-current assets:						Non-Current liabilities:					
1550	Investments accounted for using equity method (note 6(f))	686,872	12	1,584,189	31	2540	Long-term borrowings (note 6(k) and 8)	773,184	14	917,335	18
1600	Property, plant and equipment (notes 6(g) and 8)	1,448,451	26	1,578,182	31	2570	Deferred tax liabilities (note 6(o))	48,086	1	44,994	1
1755	Right-of-use assets (note 6(h))	71,971	1	110,031	2	2580	Non-current lease liabilities (note 6(l))	52,513	1	87,061	2
1780	Intangible assets (note 6(i))	11,647	-	17,250	-	2600	Other non-current liabilities	-	-	240	-
1840	Deferred tax assets (note 6(o))	49,086	1	44,994	1			874,783	16	1,049,630	21
1975	Net defined benefit assets, non-current (note 6(n))	35,732	1	26,480	1			2,336,507	42	1,960,393	39
1990	Other non-current assets (notes 6(a) and 8)	32,549	1	36,439	1		Total liabilities				
		2,336,308	42	3,397,565	67		Equity capital (note 6(p)):				
						3110	Ordinary shares	3,307,792	59	3,307,792	64
						3300	Retained earnings	85,042	2	(19,789)	-
						3400	Other equity	(158,876)	(3)	(157,652)	(3)
							Total equity	3,233,958	58	3,130,351	61
Total assets		\$ 5,570,465	100	5,090,744	100	Total liabilities and equity		\$ 5,570,465	100	5,090,744	100

CAMEO COMMUNICATIONS, INC.**Statements of Comprehensive Income****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenues (notes 6(r) and 7)	\$ 3,376,432	100	2,479,234	100
5000	Operating costs (notes 6(e), 6(g), 6(h), 6(i), 6(n), 7 and 12)	<u>3,088,894</u>	<u>91</u>	<u>2,412,174</u>	<u>97</u>
5900	Gross profit	287,538	9	67,060	3
5910	Unrealized profit from sales	<u>-</u>	<u>-</u>	<u>223</u>	<u>-</u>
	Gross profit from operations	<u>287,538</u>	<u>9</u>	<u>67,283</u>	<u>3</u>
6000	Operating expenses (notes 6(c), 6(g), 6(h), 6(i), 6(n), 7 and 12):				
6100	Selling expenses	84,536	3	114,774	5
6200	Administrative expenses	85,079	3	121,508	5
6300	Research and development expenses	<u>144,370</u>	<u>4</u>	<u>196,502</u>	<u>8</u>
	Total operating expenses	<u>313,985</u>	<u>10</u>	<u>432,784</u>	<u>18</u>
6900	Net operating loss	<u>(26,447)</u>	<u>(1)</u>	<u>(365,501)</u>	<u>(15)</u>
7000	Non-operating income and expenses (notes 6(f), 6(g), 6(h), 6(i) and 7):				
7050	Finance costs	(17,348)	(1)	(12,173)	-
7100	Interest income	5,504	-	785	-
7190	Other income	17,178	1	58,557	2
7210	Gains on disposals of property, plant and equipment	42,173	1	676	-
7230	Foreign exchange losses	52,553	2	(629)	-
7235	Gains on financial assets (liabilities) at fair value through profit or loss	228	-	(151)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	22,128	1	711,185	28
7228	Profit from lease modification	514	-	-	-
7590	Other loss	<u>(1,446)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>121,484</u>	<u>4</u>	<u>758,250</u>	<u>30</u>
7900	Profit from continuing operations before tax	95,037	3	392,749	15
7950	Less: Income tax expenses (note 6(o))	<u>64</u>	<u>-</u>	<u>2,096</u>	<u>-</u>
	Profit	<u>94,973</u>	<u>3</u>	<u>390,653</u>	<u>15</u>
8300	Other comprehensive income(loss):				
8310	Items that may not be reclassified to profit or loss (notes 6(n))				
8311	Gains on remeasurements of defined benefit plans	9,858	-	1,757	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that may not be reclassified to profit or loss	(22,551)	(1)	(61,546)	(2)
8349	Income tax related to items that may not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total items that may not be reclassified to profit or loss	<u>(12,693)</u>	<u>(1)</u>	<u>(59,789)</u>	<u>(2)</u>
8360	Items that may be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	21,327	1	2,602	-
8399	Income tax related to items that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total items that may be reclassified to profit or loss	<u>21,327</u>	<u>1</u>	<u>2,602</u>	<u>-</u>
8300	Total other comprehensive income	<u>8,634</u>	<u>-</u>	<u>(57,187)</u>	<u>(2)</u>
8500	Total comprehensive income	<u><u>\$ 103,607</u></u>	<u><u>3</u></u>	<u><u>333,466</u></u>	<u><u>13</u></u>
	Basic earnings per share (note 6(q))				
9750	Basic earnings per share	<u><u>\$ 0.29</u></u>		<u><u>1.23</u></u>	
9850	Diluted earnings per share	<u><u>\$ 0.29</u></u>		<u><u>1.23</u></u>	

(English Translation of Financial Statements Originally Issued in Chinese)

CAMEO COMMUNICATIONS, INC.

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Other equity		
	Ordinary shares	Legal reserve	Accumulated deficits	Retained Earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity
							Total equity
Balance at January 1, 2021	<u>\$ 2,296,792</u>	<u>-</u>	<u>(229,208)</u>	<u>(229,208)</u>	<u>(64,304)</u>	<u>(34,404)</u>	<u>1,968,876</u>
Profit for the year ended December 31, 2021	-	-	390,653	390,653	-	-	390,653
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	1,757	1,757	2,602	(61,546)	(57,187)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	392,410	392,410	2,602	(61,546)	333,466
Capital increase by cash	<u>1,011,000</u>	<u>-</u>	<u>(182,991)</u>	<u>(182,991)</u>	<u>-</u>	<u>-</u>	<u>828,009</u>
Balance at December 31, 2021	<u>3,307,792</u>	<u>-</u>	<u>(19,789)</u>	<u>(19,789)</u>	<u>(61,702)</u>	<u>(95,950)</u>	<u>3,130,351</u>
Profit for the year ended December 31, 2022	-	-	94,973	94,973	-	-	94,973
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	9,858	9,858	21,327	(22,551)	8,634
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	104,831	104,831	21,327	(22,551)	103,607
Balance at December 31, 2022	<u>\$ 3,307,792</u>	<u>-</u>	<u>85,042</u>	<u>85,042</u>	<u>(40,375)</u>	<u>(118,501)</u>	<u>3,233,958</u>

(English Translation of Financial Statements Originally Issued in Chinese)
CAMEO COMMUNICATIONS, INC.

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

	2022	2021
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ 95,037	392,749
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	132,402	145,190
Amortization expense	6,690	12,239
Net profit (loss) on financial assets or liabilities at fair value through profit or loss	(228)	151
Interest expense	17,348	12,173
Interest income	(5,504)	(785)
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	(22,128)	(711,185)
Gain (loss) from disposal of property, plant and equipment	(42,173)	(676)
Others	(490)	(235)
Total adjustments to reconcile profit (loss)	<u>85,917</u>	<u>(543,128)</u>
Changes in operating assets and liabilities:		
Decrease in on financial assets at fair value through profit or loss mandatorily measured at fair value	240	7,398
Increase (decrease) in notes and trade receivables	(238,986)	303,656
(Increase) decrease in trade receivables due from related parties	(375,561)	166,549
Increase (decrease) in other receivables	(10,495)	17,326
Increase in inventories	(336,230)	(336,460)
Decrease (increase) in net defined benefit assets	606	(5,552)
Decrease in other operating assets	25,637	4,320
Total changes in operating assets	<u>(934,789)</u>	<u>157,237</u>
Decrease in financial liabilities held for trading	(310)	(5,005)
Increase in trade payables	566,604	37,592
Decrease in trade payables to related parties	-	(272,724)
Increase (decrease) in other payables	12,420	(44,168)
Decrease in other operating liabilities	(4,021)	(5,411)
Total changes in operating liabilities	<u>574,693</u>	<u>(289,716)</u>
Total changes in operating assets and liabilities, net	<u>(360,096)</u>	<u>(132,479)</u>
Total adjustments	<u>(274,179)</u>	<u>(675,607)</u>
Cash outflow generated from operations	(179,142)	(282,858)
Interest received	5,279	812
Dividends received	271,678	-
Interest paid	(17,211)	(12,553)
Income taxes paid	(208)	(1,681)
Net cash flows used in operating activities	<u>80,396</u>	<u>(296,280)</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(7,533)	(20,300)
Proceeds from disposal of property, plant and equipment	69,224	676
Increase in refundable deposits	994	208
Acquisition of intangible assets	(1,087)	(5,576)
Decrease in other non-current assets	2,895	30,192
Proceeds from capital reduction of investments accounted for using equity method	646,555	-
Net cash flows from investing activities	<u>711,048</u>	<u>5,200</u>
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(92,340)	(320,067)
Proceeds from long-term borrowings	44,547	35,297
Repayments of long term borrowings	(109,665)	(172,043)
(Decrease) increase in other non-current liabilities	(240)	240
Decrease in other payables to related parties	(6,597)	(78,983)
Payment of lease liabilities	(22,175)	(24,867)
Capital increase by cash	-	828,009
Net cash flows from financing activities	<u>(186,470)</u>	<u>267,586</u>
Net decrease in cash and cash equivalents	604,974	(23,494)
Cash and cash equivalents at beginning of period	262,475	285,969
Cash and cash equivalents at end of period	<u>\$ 867,449</u>	<u>262,475</u>

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(English Translation of Financial Statements Originally Issued in Chinese)

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

Cameo Communications, Inc. (“the Company”) was incorporated on March 11, 1991, 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 major business activities of the Company include the manufacture and sale of networking system equipment and the components thereof, and research and development of pertinent technology.

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

The financial statements were authorized for issue by the Board of Directors on February 22, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares-e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Classification of Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its 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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(4) Summary of significant accounting policies:

The significant accounting policies applied in the preparation of these financial statements are set out as below. The following accounting policies have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit assets are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transactions

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

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

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

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(ii) Foreign operations

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

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

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

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

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

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(e) Cash and cash equivalents

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

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(f) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

2) Fair value through other comprehensive income (FVOCI)

Some trade receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company, therefore, those receivables are measured at FVOCI. However, they are included in the 'trade receivables' line item.

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivables, refundable deposits and other financial assets), debt investments measured at FVOCI and contract assets.

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

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

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

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'. 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 Company is exposed to credit risk.

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

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

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

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

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

6) Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Group will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Group will apply applied the policies on accounting for modifications to the additional changes.

(g) Inventories

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

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

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(h) Investment in subsidiaries

When preparing the financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the net income, other comprehensive income and equity attributable to shareholders of the Company in the financial statement, are equal to those in the consolidated financial statements.

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1) buildings and construction	5~50 years
2) Machinery and equipment	2~8 years
3) Office and other facilities	2~6 years
4) Lease improvements	5 years

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

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(j) Lease

(i) As a lessee

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

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

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

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

- 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 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 Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

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

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

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

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

(k) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

- | | |
|---------------------------------|------------|
| 1) Patents | 1~10 years |
| 2) Computer software and others | 1~10 years |

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

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(l) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

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

(m) Provisions

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

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(n) Revenue from contracts with customers

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

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(i) Sale of goods

Revenue is recognized when the control over a product has been transferred to the customer. The transfer of control refers to the situation where the products have been delivered to and accepted by the customer without remaining performance obligations from the Company. Delivery occurs when the customer has accepted the goods in accordance with the terms of sales, the risks of obsolescence and loss have been transferred to the customer, and the Company has objective evidence that all criteria for acceptance have been satisfied.

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

(ii) Financing components

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

(o) Government grants

The Company recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

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

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

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

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

(q) Income tax

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

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

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

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

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

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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.

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

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

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

- (s) Operating segments

The Company discloses the operating segments information in the consolidated financial statements. Therefore, the Company does not disclose the operating segments information in the financial statements.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

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

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

Management continues to monitor the accounting estimates and assumptions. Any changes in accounting estimates are recognized during the period and the impact of those changes in accounting estimates are recognized in the following period.

There were no critical judgments in applying the accounting policies that had significant effect on the amounts recognized in the financial statements.

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

(a) Valuation of inventories

As electronic products may experience price declines due to horizontal competition and advancing technology, inventories are measured at the lower of cost and net realizable value. Since the net realizable value is measured based on the estimated selling price of the Group under normal operations, there is uncertainty in valuation.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Foreign currencies on hand and petty cash	\$ 1,179	1,198
Check and demand deposits	299,146	214,201
Time deposits	517,124	19,380
Cash equivalents	<u>50,000</u>	<u>27,696</u>
	<u>\$ 867,449</u>	<u>262,475</u>

As of December 31, 2022 and 2021, the Company's restricted time deposits recognized as other non-current assets amounted to \$21,466 and \$30,000, respectively. Please refer to Note 8 for details.

Please refer to Note 6(t) for exchange rate risk, interest rate risk, and the fair value sensitivity analysis of the financial assets of the Company.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

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

- (i) Details on financial assets and liabilities at fair value through profit or loss were as follows:

	December 31, 2022	December 31, 2021
Held for trading financial liabilities:		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ -	298

Please refer to note 6(t) for exposures to credit risk and currency risk.

- (ii) Non-hedging derivative financial instruments

The Company uses derivative instruments to hedge foreign currency risk the Company is exposed to arising from its operating activities. The following derivative instruments not applied hedge accounting were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

	December 31, 2021		
	Contract amount (in thousands)	Currency	Maturity period
Derivative financial liabilities:			
Forward exchange contracts	CNY55,610/ USD2,000	NTD/USD	January 8, 2022

- (c) Notes and trade receivables (including related parties)

	December 31, 2022	December 31, 2021
Trade receivables — measured at amortized cost	\$ 1,052,883	459,470
Trade receivables — fair value through other comprehensive income	21,134	-
	\$ 1,074,017	459,470

The Company has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income.

The Company applies the simplified approach to provide for the loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as forward looking information, including overall economic environment and related industrial information. The expected credit losses on notes and trade receivables were as follows:

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,070,438	0%	-
1~30 days past due	250	0%	-
31~60 days past due	13		
61~90 days past due	613		
91~180 days past due	2,703	0%	-
	<u>\$ 1,074,017</u>		<u>-</u>

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 455,861	0%	-
1~30 days past due	2,984	0%	-
31~60 days past due	625		-
	<u>\$ 459,470</u>		<u>-</u>

As of December 31, 2022, the Company enter into trade receivable factoring agreements with banks. Under the agreements, within the limit of the Company' s credit facilities, it does need to guarantee the debtor' s solvency at the time when the claim is transferred and when the obligations are due. Upon the sale of trade receivables, the Company will be advanced an agreed percentage, and pay interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the trade receivables and recorded as other receivables.

The movement in the trade receivables were remained unchanged.

The aforementioned financial assets were not pledged as collateral.

(d) Other receivables (including related parties)

	December 31, 2022	December 31, 2021
Other receivables	\$ 53,701	42,981
Less: loss allowance	(13,553)	(13,553)
	<u>\$ 40,148</u>	<u>29,428</u>

The movement in the allowance for other receivables were remained unchanged.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(e) Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$ 701,363	628,167
Work in progress and semi-finished goods	360,593	175,163
Finished goods	149,389	71,785
	<u>\$ 1,211,345</u>	<u>875,115</u>

(i) Operating cost:

	2022	2021
Sale of inventories	\$ 2,929,301	2,196,440
Write-down of inventories	47,207	(2,486)
Loss on disposal of inventory	3,421	13,490
Loss (gain) on physical inventory	21	(210)
Unallocated production overheads	108,944	204,940
	<u>\$ 3,088,894</u>	<u>2,412,174</u>

(ii) The net realization value of inventory was lower than the cost due to the sale and disposal of inventory write-downs on 2021, resulting in a rollover to loss allowance.

(iii) As of December 31, 2022 and 2021, the Company did not provide any inventories as collateral for its loans.

(f) Investment accounted for using equity method

A summary of the Company's financial information for equity accounted investees in reporting date is as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	<u>\$ 686,872</u>	<u>1,584,189</u>

(i) Subsidiaries please refer to consolidated financial statements for the year ended December 31, 2022.

(ii) The share of loss of subsidiaries accounted for using equity method amounted \$22,128 and \$711,185 for the years ended December 31, 2022 and 2021, respectively.

(iii) In view of the increase in China's operating and production costs, in order to save expenses, and in line with the Taiwan authorities' Taiwan investment policy of Taiwan businessmen returning to Taiwan, the Group purchased land in Tainan Science and Technology Industrial Zone in May 2016 and built a factory (hereinafter referred to as Tainan factory), which was completed in 2019, and gradually transferred the production activities of NETTECH TECHNOLOGY (Suzhou) Co., Ltd. (hereinafter referred to as NETTECH Electronics), a production base in the mainland region, to the Tainan factory, and gradually produced a comprehensive production effect.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

A resolution was approved in the Board of Director's meeting held on July 30, 2020, NETTECH Electronics permanently suspended production from September, 2021 and only some of the administrative staff were left to deal with the subsequent closure of the factory. NETTECH Electronics disposed of the relevant land use rights, property, plant and equipment on October 29, 2021 and disposed of the price \$1,175,599, with a disposition benefit of \$1,115,815.

(iv) As of December 31, 2022 and 2021, the Company did not provide any investment accounted for using the equity method as collateral for its loans.

(g) Property, plant and equipment

The movements in the cost, depreciation, and impairment of the property, plant and equipment of the Company were as follows:

	Land	Buildings and construction	Machinery and equipment	Molding equipment	Office and other facilities	Lease improvements	Construction in progress and testing equipment	Total
Cost or deemed cost:								
Balance at January 1, 2022		1,149,521						
	\$ 362,839	34,055	591,445	4,896	64,578	23,921	-	2,193,200
Additions	-	3,920	2,610	121	481	-	-	7,132
Disposal and derecognition	(16,200)	(22,436)	(74,103)	-	(834)	-	-	(113,573)
Transferred into (out)	-	-	-	-	-	-	-	-
	-	-	(35)	-	-	-	-	(35)
Balance at December 31, 2022	<u>\$ 346,639</u>	<u>1,131,005</u>	<u>519,917</u>	<u>5,017</u>	<u>64,578</u>	<u>23,921</u>	<u>-</u>	<u>2,090,724</u>
Balance at January 1, 2021		1,149,132						
	\$ 362,839	34,055	596,007	3,440	57,978	23,921	-	2,193,317
Additions	-	389	10,803	1,456	6,267	-	-	18,915
Disposal and derecognition	-	-	(14,893)	-	(139)	-	-	(15,032)
Transferred into (out)	-	-	-	-	-	-	-	-
	-	-	(472)	-	472	-	-	-
Balance at December 31, 2021	<u>\$ 362,839</u>	<u>1,149,521</u>	<u>591,445</u>	<u>4,896</u>	<u>64,578</u>	<u>23,921</u>	<u>-</u>	<u>2,197,200</u>
Depreciation and impairments loss:								
Balance at January 1, 2022	\$ -	125,026	419,766	2,063	48,246	23,917	-	619,018
Depreciation	-	37,837	64,223	970	6,743	4	-	109,777
Disposal and derecognition	-	(11,585)	(74,103)	-	(834)	-	-	(86,522)
Transferred into (out)	-	-	-	-	-	-	-	-
Balance at December 31, 2022	<u>\$ -</u>	<u>151,278</u>	<u>409,886</u>	<u>3,033</u>	<u>54,155</u>	<u>23,921</u>	<u>-</u>	<u>642,273</u>
Balance at January 1, 2021	\$ -	87,118	367,053	1,059	38,091	20,275	-	513,596
Depreciation	-	37,908	67,606	1,004	10,294	3,642	-	120,454
Disposal and derecognition	-	-	(14,893)	-	(139)	-	-	(15,032)
Transferred into (out)	-	-	-	-	-	-	-	-
Balance at December 31, 2021	<u>\$ -</u>	<u>125,026</u>	<u>419,766</u>	<u>2,063</u>	<u>48,246</u>	<u>23,917</u>	<u>-</u>	<u>619,018</u>
Carrying amount:								
Balance at December 31, 2022	<u>\$ 346,639</u>	<u>979,727</u>	<u>110,031</u>	<u>1,984</u>	<u>10,070</u>	<u>-</u>	<u>-</u>	<u>1,448,451</u>
Balance at December 31, 2021	<u>\$ 362,839</u>	<u>1,024,495</u>	<u>171,679</u>	<u>2,833</u>	<u>16,332</u>	<u>4</u>	<u>-</u>	<u>1,578,182</u>

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

Balance at January 1, 2021 \$ **362,839** **1,062,014** **228,954** **2,381** **19,887** **3,646** - **1,679,721**

- (i) The Company sold the Xizhi plant to a non-related parties on April 26,2022 , and completed the transfer registration and point delivery, with a total transaction amount of 69,224 (after deducting relevant expenses), and gains on disposals of property, plant and equipment was 42,173, and the payment had been received as of December 31,2022.
 - (ii) The Company, pursuant to IAS 36 – Impairment of Assets, conducted an impairment assessment on the reporting date, and the assessment for 2021 showed indicators of impairment, for which no impairment loss was recognized after performing an impairment test. In 2022, after assessment of no signs of impairment, there is no need to perform impairment test
 - (iii) As of December 31, 2022 and 2021, the property, plant, and equipment of the Company had been pledged as collateral for long term borrowings; please refer to Note 8.
- (h) Right-of-use assets
- (i) The movements in cost and depreciation of leased land, buildings and construction, and transportation equipment of the Company were as follows:

	Buildings and construction	Transportation equipment	Total
Cost:			
Balance at January 1, 2022	\$ 117,891	-	117,891
Increase	-	1,309	1,309
Decrease	(16,744)	-	(16,744)
Balance at December 31, 2022	\$ 101,147	1,309	102,456
Balance at January 1, 2021	\$ 64,608	1,963	66,571
Increase	117,891	-	117,891
Decrease	(64,608)	(1,963)	(66,571)
Balance at December 31, 2021	\$ 117,891	-	117,891
Accumulated depreciation and impairment losses:			
Balance at January 1, 2022	\$ 7,860	-	7,860
Depreciation	22,189	436	22,625
Balance at December 31, 2022	\$ 30,049	436	30,485
Balance at January 1, 2021	\$ 48,386	1,309	49,695
Depreciation	24,082	654	24,736
Decrease	(64,608)	(1,963)	(66,571)
Balance at December 31, 2021	7,860	-	7,860
Carrying amount:			
Balance at December 31, 2022	\$ 71,098	873	71,971
Balance at December 31, 2021	\$ 110,031	-	110,031
Balance at January 1, 2021	\$ 16,222	654	16,876

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

- (ii) The original leased building of the Company was used as an office to adjust the scope of lease from September 1, 2022, resulting in a reduction in right-of-use assets and lease liabilities, resulting in a profit of 514, and the account showed the lease modification benefit under the comprehensive profit and loss statement.
- (iii) Upon expiry of the contract for the original leased building as office premises, a new lease contract was signed in 2021, for the period from September 2021 to August 2026, please refer to Note 6 (I) for the relevant lease liabilities.

(i) Intangible assets

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

		Patent	Computer software and others	Total
Cost:				
Balance at January 1, 2022	\$	5,290	184,136	189,426
Additions		733	354	1,087
Derecognition			(7,177)	(7,177)
Balance at December 31, 2022	\$	6,023	177,313	183,336
Balance at January 1, 2021	\$	4,899	183,258	188,157
Additions		391	5,185	5,576
Derecognition		-	(4,307)	(4,307)
Balance at December 31, 2021	\$	5,290	184,136	189,426
Amortization:				
Balance at January 1, 2022	\$	4,645	167,531	172,176
Amortization		624	6,066	6,690
Derecognition			(7,177)	(7,177)
Balance at December 31, 2022	\$	5,269	166,420	171,689
Balance at January 1, 2021	\$	4,127	160,117	164,244
Amortization		518	11,721	12,239
Derecognition		-	(4,307)	(4,307)
Balance at December 31, 2021	\$	4,645	167,531	172,176
Carrying amount:				
Balance at December 31, 2022	\$	754	10,893	11,647
Balance at December 31, 2021	\$	645	16,605	17,250
Balance at January 1, 2021	\$	772	23,141	23,913

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

- (i) The amortization of intangible assets for the year ended December 31, 2022 and 2021, are included in the consolidated statement of comprehensive income:

	<u>2022</u>	<u>2021</u>
Operating Cost	\$ 1,943	3,450
Operating Expenses	4,747	8,789

- (ii) As of December 31, 2022 and 2021, none of the Company's intangible assets was pledged as collateral.

- (j) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Letters of credit	\$ -	<u>92,340</u>
Unused credit lines	<u>\$ 797,980</u>	<u>505,990</u>
Range of interest rates	<u>0.898~2.243%</u>	<u>0.9%</u>

For information on the Company's interest risk, foreign currency risk, and liquidity risk, please refer to Note 6(t)

- (k) Long-term borrowings

The Company's long-term borrowings details, conditions, and provisions were as follows:

<u>December 31, 2022</u>				
	<u>Currency</u>	<u>Range of interest rates</u>	<u>Maturity year</u>	<u>Amount</u>
Secured loans	NTD	1.225%~1.985%	May 2023~ February 2035	\$ 887,335
Less: current portion				(114,151)
Total				<u>\$ 773,184</u>
Unused credit lines				<u>\$ 97,000</u>
<u>December 31, 2021</u>				
	<u>Currency</u>	<u>Range of interest rates</u>	<u>Maturity year</u>	<u>Amount</u>
Secured loans	NTD	0.85%~1.13%	July 2022~ February 2035	\$ 952,453
Less: current portion				(35,118)
Total				<u>\$ 917,335</u>
Unused credit lines				<u>\$ 44,547</u>

- (i) The proceeds from loan-term borrowings for 2022 was \$44,547; and a repayment of \$109,665 has been made.

- (ii) The proceeds from loan-term borrowings for 2021 was \$35,297; and a repayment of \$172,043 has been made.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(iii) Information about the Company's risk exposure associated with interest rate, foreign currency, and liquidity is included in Note 6(t).

(iv) Please see Note 8 for the Company's property pledged as collateral to secure the long-term bank loans.

(l) Lease liabilities

The carrying amounts of the Company's lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	<u>\$ 19,587</u>	<u>23,163</u>
Non-current	<u>\$ 52,513</u>	<u>87,061</u>

For the maturity analysis, please refer to Note 6(t).

The amounts recognized in profit or loss were as follow:

	2022	2021
Interest expense on lease liabilities	<u>\$ 1,008</u>	<u>506</u>
Expenses relating to short-term leases	<u>\$ 1,016</u>	<u>937</u>
Cost of low-value leased assets	<u>\$ 379</u>	<u>386</u>

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

	2022	2020
Total cash outflow for leases	<u>\$ 24,578</u>	<u>26,696</u>

(i) Real estate leases

The Company leases land and buildings for its plant and office space. The leases of office space typically run for 5 years, respectively. Some leases included an option to renew the lease for an additional period of the same duration at the end of the lease term.

(ii) Other leases

The Company leased transportation equipment with leased terms of three years.

The Company also leased photocopying equipment and dormitories with leased periods of three years and two to three months, respectively. These leases are short-term and leases of low value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(m) Provisions

	Warranty
Balance at January 1, 2022	\$ 4,808
Increase in provision for the current period	1,002
Reversal of provision for the current period	-
Balance at December 31, 2022	<u>\$ 5,810</u>
Balance at January 1, 2021	\$ -
Increase in provision for the current period	5,220
Reversal of provision for the current period	(412)
Balance at December 31, 2021	<u>\$ 4,808</u>

The Company's provision for warranty was for sales of products. Provision for warranty was estimated based on the historical warranty information on similar products or services. The Company expected that most of the cost would occur within 1 year after sales.

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan assets at fair value was as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ 4,112	38,954
Fair value of plan assets	(39,844)	(65,434)
Net defined benefit liabilities (Assets)	<u>\$ (35,732)</u>	<u>(26,480)</u>

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$39,844 as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

2) Movements in present value of the defined benefit obligations

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

	2022	2021
Defined benefit obligations at January 1	\$ 38,954	59,874
Current service cost and interest cost	322	447
Actuarial (gain) loss arising from financial assumptions	(4,007)	(7,798)
Gains on liquidation	690	-
Liquidation of extinction liabilities	(29,513)	-
Benefits paid	(2,334)	(13,569)
Defined benefit obligations at December 31	<u>\$ 4,112</u>	<u>38,954</u>

3) Movements in the defined benefit plan assets

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

	2022	2021
Fair value of plan assets at January 1	\$ 65,434	79,045
Interest income	406	488
Remeasurements of net defined benefit assets		
-Return on plan assets (excluding current interest)	5,851	(530)
Liquidation	(29,513)	-
Benefits paid	(2,334)	(13,569)
Fair value of plan assets at December 31	<u>\$ 39,844</u>	<u>65,434</u>

4) Expenses recognized in profit or loss

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

	2022	2021
Current service cost	\$ 81	(5,432)
Net interest of net assets for defined benefit assets	(165)	(120)
Liquidation of profit	690	-
	<u>\$ 606</u>	<u>(5,552)</u>

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
Direct labor	\$ 230	(1,721)
Operating cost	91	(777)
Selling expense	67	(777)
Administrative expenses	61	(666)
Research and development expenses	157	(1,611)
	<u>\$ 606</u>	<u>(5,552)</u>

- 5) Remeasurement values of net defined benefit liabilities (assets) recognized in other comprehensive income

The remeasurements in net defined benefit assets recognized in other comprehensive income were as follows:

	<u>2022</u>	<u>2021</u>
Cumulative amount at January 1	\$ 18,235	16,478
Recognized in current period	9,858	1,757
Cumulative amount at December 31	<u>\$ 28,093</u>	<u>18,235</u>

- 6) Actuarial assumptions

The followings are the principal actuarial assumptions at the reporting dates:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.500%	0.625%
Future salary increase rate	2.000%	2.000%

The Company has suspended the allocation of its retirement reserve from September 2022 to August 2023, with the approval from the Department of Labor, Taipei City Government.

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

The weighted-average duration of the defined benefit plan is 8.61 years.

- 7) Sensitivity analysis

As of December 31, 2022 and 2021, the changes in main actuarial assumptions might have the following impact on the present value of the defined benefit obligation:

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

	Influences of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2022		
Discount rate	\$ (89)	91
Future salary increasing rate	87	(86)
December 31, 2021		
Discount rate	\$ (1,144)	1,194
Future salary increasing rate	1,141	(1,104)

The sensitivity analysis above assumed all other assumptions remained constant during the measurement. In practice, the relevant actuarial assumptions are correlated to each other. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

(ii) Defined contribution plans

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

The Company's pension costs under the defined contribution method amounted to \$15,636 and \$20,674 for the years ended December 31, 2022 and 2021, respectively. Payment to the Bureau of Labor Insurance has been made.

(o) Income taxes

(i) Income tax expense

- 1) The components of income tax expense for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Current tax expense	\$ 64	2,096
Deferred tax expense	-	-
Income tax expense	\$ 64	2,096

- 2) The Company's income tax expense reconciled between the actual income tax expense and net loss before tax for the years ended December 31, 2022 and 2021, was as follows:

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

	2022	2021
Net loss before tax	\$ 95,037	392,749
Income tax using the Company' s domestic tax rate	19,007	78,550
Tax-exempt income	(333)	(394)
Changes in unrecognized temporary differences	8,858	(98,487)
Changes in previously unrecognized tax losses	(36,724)	18,606
Other	9,256	3,821
	<u>\$ 64</u>	<u>2,096</u>

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities: None.
- 2) Unrecognized deferred tax assets

The Company's unrecognized deferred tax assets were as follows:

	December 31, 2022	December 31, 2021
Deductible temporary difference	\$ 34,309	25,451
The carryforward of unused tax losses	162,534	199,258
	<u>\$ 196,843</u>	<u>224,709</u>

Unrecognized deductible temporary difference were mainly items such as the Company's impairment loss on financial assets and recognized loss on investments in subsidiaries, which were not recognized as deferred tax assets since they are not very likely to be realized in the foreseeable future.

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The temporary difference associated with the net losses was not recognized as deferred tax assets as the Company is not expected to have sufficient taxable income to offset against temporary difference in the foreseeable future.

As of December 31, 2022, the unused loss carryforwards and the respective expiry years were as follows:

Year of loss	Amount of loss	Deductible balance	Expiry year
2017	117,081 (amount approved)	59,635	2027
2018	144,063 (amount approved)	144,063	2028
2019	287,609 (amount approved)	287,609	2029
2020	283,079 (amount approved)	283,079	2030
2021	283,716 (amount reported)	283,716	2031
	<u>\$ 1,115,548</u>	<u>1,058,102</u>	

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

3) Recognized deferred tax assets and liabilities

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

Deferred Tax Assets:	The carryforward of unused tax losses
Balance at January 1, 2022	\$ 44,994
Recognized in profit or loss	4,092
Balance at December 31, 2022	<u>\$ 49,086</u>
Balance at January 1, 2021	\$ -
Recognized in profit or loss	44,994
Balance at December 31, 2021	<u>\$ 44,994</u>

Deferred Tax Liabilities:	Investments accounted for using equity method
Balance at January 1, 2022	\$ 44,994
Recognized in profit or loss	4,092
Balance at December 31, 2022	<u>\$ 49,086</u>
Balance at January 1, 2021	\$ -
Recognized in profit or loss	44,994
Balance at December 31, 2021	<u>\$ 44,994</u>

(iii) The Company's tax returns for the years through 2020 have been examined and approved by tax authorities.

(p) Capital and other equity

(i) Ordinary shares

As of December 31, 2022 and 2021, the Company's authorized share capital amounted to \$4,000,000, divided into 400,000 thousand shares, with a par value of \$10 per share. The aggregate amount of the aforesaid approved share capital comprised only ordinary shares, and \$200,000 thereof was retained for the execution of employee stock options, divided into 20,000 thousand shares with a par value of \$10 per share. As of December 31, 2022 and 2021, the Company has issued 330,780 thousand shares and 330,780 thousand shares, respectively, all of which have been paid up upon issuance.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

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

(Expressed in thousands of shares)	Ordinary shares	
	2022	2021
Balance at January 1	330,780	229,680
Issued for cash	-	101,100
Balance at December 31	330,780	330,780

A resolution was passed during the Company's special meeting of shareholders held on September 21, 2020 for the issuance of ordinary shares not exceeding 150,000 thousand shares under private placement within a year after the meeting. Subsequently, another resolution was approved in the Board of Director's meeting held on February 2, 2021 for the issuance of 101,100 thousand ordinary shares at a price of \$8.19 per share under private placement, with par value of \$10 per share, amounting to \$1,011,000. The date of capital injection was February 17, 2021 and relevant statutory registration procedures have been completed on March 15, 2021.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43(8) under the Securities and Exchange Act. The application of these shares to be traded on the Taiwan Stock Exchange is in accordance with the said section where the shares should be elapsed after a three year period from the delivery date of the private placement securities before applying for a public offering with the Financial Supervisory Commission.

(ii) Capital surplus

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

(iii) Retained earnings

1) Legal reserve

According to the R.O.C. Company Act, 10 percent of the net profit shall be allocated as legal reserve until the accumulated legal reserve equals the paid-in capital. When a company incurs no loss and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may, pursuant to a resolution reached in a shareholders' meeting, be used to increase the common stock or be distributed as cash dividends.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

2) Special reserve

In accordance with the FSC, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity shall be appropriated from current and prior-year earnings. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the IFRS first time adoption. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distribution.

3) Distribution of earnings and dividend policy

In accordance with the Company's articles of incorporation, if there are earnings at year end, 10 percent should be set aside as legal reserve and special earnings reserve or reversal according to the Securities and Exchange Act and the Company's operations after the payment of income tax and offsetting accumulated losses from prior years. The remaining portion will be combined with earnings from prior years, and the Board of Directors can propose methods of distribution to be approved by the shareholders' meeting. Cash dividends, however, shall account for at least 10 percent of every distribution. Cash dividends, however, shall account for at least 10 percent of every distribution.

The Company incurred loss in the years ended December 31, 2021 and 2020, hence there was no distributable earning. The related information mentioned above can be found on websites such as the Market Observation Post System.

On February 22, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	2022	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders		
Cash	\$ 0.22	<u>72,771</u>

(q) Earnings (loss) per share

(i) Basic earnings per share

The Company's basic earnings (loss) per share were calculated as follows:

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
Basic earnings (loss) per share (in New Taiwan Dollars)		
Net profit (loss) attributable to ordinary shareholders of the Company	<u>\$ 94,973</u>	<u>390,653</u>
Weighted-average number of ordinary shares outstanding (in thousand shares)	<u>330,780</u>	<u>317,762</u>
Basic earnings (loss) per share (in New Taiwan Dollars)	<u>\$ 0.29</u>	<u>1.23</u>

(ii) Diluted earnings per share

	<u>2022</u>	<u>2021</u>
Basic earnings (loss) per share (in New Taiwan Dollars)		
Net profit attributable to ordinary shareholders of the Company	<u>\$ 94,973</u>	<u>390,653</u>
Weighted-average number of ordinary shares outstanding (in thousand shares)	<u>330,780</u>	<u>317,762</u>
Effect of dilutive potential ordinary shares employees' bonuses	<u>231</u>	<u>-</u>
Weighted average number of ordinary shares outstanding (in thousand shares)	<u>331,011</u>	<u>317,762</u>
Diluted earnings per share (in New Taiwan Dollars)	<u>\$ 0.29</u>	<u>1.23</u>

During 2021, the Company was not impacted by the effects of dilutive potential ordinary shares.

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2022</u>	<u>2021</u>
Main Market:		
Asia	\$ 1,965,065	1,390,675
Europe	604,170	613,435
United States	540,851	298,762
Other	<u>266,346</u>	<u>176,362</u>
	<u>\$ 3,376,432</u>	<u>2,479,234</u>
Major product:		
Wired communication products	\$ 2,620,235	1,488,280
Wireless communication products	688,792	793,158
Repairs and maintenance revenues and others	<u>67,405</u>	<u>197,796</u>
	<u>\$ 3,376,432</u>	<u>2,479,234</u>

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(ii) Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Notes and trade receivables	\$ 1,074,017	459,470	929,675
Less: loss allowance	-	-	-
	<u>\$ 1,074,017</u>	<u>459,470</u>	<u>926,675</u>

For details on notes and trade receivables and the impairment thereof, please refer to Note 6(c).

(s) Remuneration to employees and directors

In accordance with the Articles of incorporation, the Company should contribute 3 to 10 percent of the profit as employee remuneration, and less than 2 percent as directors' remuneration when there is profit for the year. However, if the Company has accumulated losses, the profit should be reserved to offset the losses. The recipients of shares and cash may include the employees of the affiliated companies who meet certain conditions stipulated by the Board of directors.

For the years ended December 31, 2022, the Company estimated its employee remuneration amounting to 2,392, and directors' and supervisors' remuneration amounting to 1,594, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2022.

The Company incurred net loss before tax in the years ended December 31, 2021, and thus, the Company was not required to accrue any remuneration to its employees and directors.

(t) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

For the years ended December 31, 2022 and 2021, the amount of sales to customers that contributed over 10% of the Company' s operating revenue occupied 88% and 79% of the Company' s total sales revenue, respectively. As of December 31, 2022 and 2021, the notes and trade receivables due from these customers accounted for 92% and 82% of the Company' s total notes and trade receivables, respectively, exposing the Company to significant concentration of credit risk. The Company' s credit risk management policy is detailed in Note 6(u).

(ii) Liquidity risk

The followings are the contractual maturities of financial liabilities, including the impact of estimated interest payments.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year</u>	<u>1-2 years</u>	<u>Over 2 years</u>
December 31, 2022					
Non-derivative financial liabilities					
Trade payables (including related parties)	\$ 1,085,403	(1,085,403)	(1,085,403)	-	-
Other payables (including related parties)	195,136	(195,136)	(195,136)	-	-
Long-term borrowings (including current portion)	887,335	(984,072)	(129,627)	(135,785)	(718,660)
Lease liabilities (including current and non-current)	72,100	(73,535)	(20,257)	(20,257)	(33,021)
	<u>\$ 2,239,974</u>	<u>(2,338,146)</u>	<u>(1,430,423)</u>	<u>(156,042)</u>	<u>(751,681)</u>
	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year</u>	<u>1-2 years</u>	<u>Over 2 years</u>
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 92,340	(92,458)	(92,458)	-	-
Trade payables (including related parties)	518,799	(518,799)	(518,799)	-	-
Other payables (including related parties)	189,577	(189,577)	(189,577)	-	-
Long-term borrowings	952,453	(1,060,625)	(45,164)	(83,480)	(931,981)
Lease liabilities (including current and non-current)	110,224	(113,022)	(24,219)	(24,219)	(64,584)
Derivative financial liabilities					
Foreign currency forward contracts	298				
Outflow	-	(55,610)	(55,610)	-	-
Inflow	-	55,312	55,312	-	-
	<u>\$ 1,863,691</u>	<u>(1,974,779)</u>	<u>(870,515)</u>	<u>(107,699)</u>	<u>(996,565)</u>

The Company is not expecting the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(iii) Market risk

1) Currency risk

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

Unit: foreign currency in thousands

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD	\$	49,920 USD/NTD =30.665	1,530,797	25,000 USD/NTD =27.685		692,125
CNY		4,266 CNY/NTD =4.366	18,625	154 CNY/NTD =4.325		666
Financial liabilities						
Monetary items						
USD		28,403 USD/NTD =30.665	870,978	20,321 USD/NTD =27.685		562,587
CNY		19,741 USD/CNY =4.366	86,189	6,812 USD/CNY =4.325		29,462

2) Sensitivity analysis

The Company's exposure to foreign currency risk mainly arose from the translation of cash and cash equivalents, trade receivables (including related parties), other receivables, other current financial assets, long-term and short-term borrowings, trade payables, and other payables denominated in foreign currency. Depreciation or appreciation of the USD against the NTD or the CNY against NTD by 5%, as of December 31, 2022 and 2021, with all other variables remained constant, would have increased or decreased the net loss before tax for the years then ended as follows:

	2022	2021
USD (against the NTD)		
Appreciation 5%	\$ 32,991	6,477
Depreciation 5%	(32,991)	(6,477)
CNY (against the NTD)		
Appreciation 5%	\$ (3,378)	(1,440)
Depreciation 5%	3,378	1,440

(iv) Exchange gains and losses of monetary items

Since the Company has many kinds of functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed on an aggregate basis. For the years ended December 31, 2022 and 2021, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$52,553 and \$(629), respectively.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(v) Interest rate analysis

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

	Carrying amount	
	December 31, 2022	December 31, 2021
Fixed rate instruments:		
Financial assets	\$ 588,590	77,076
Variable rate instruments:		
Financial assets	\$ 297,202	212,082
Financial liabilities	(887,335)	(1,044,793)
	\$ (590,133)	(832,711)

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

If the interest rate had increased or decreased by 0.25%, with all other variable factors remaining constant, the Company's net loss would have increased or decreased by 1,475 and 2,082 for 2022 and 2021, respectively. The basis of analysis was the same for both years, mainly due to the Company's borrowings and demand deposits at variable interest rates.

(vi) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

The Company's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income were measured at fair value on a recurring basis. The carrying amount and fair value of financial assets and liabilities (including information on the fair value hierarchy, but excluding the optional information on financial instruments whose fair values approximate their carrying amounts and lease liabilities) were as follows:

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

		December 31, 2022				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets at amortized cost						
Cash and cash equivalents	\$	867,449	-	-	-	-
Trade receivables (including related parties)		1,074,017	-	-	-	-
Other receivables (including related parties)		40,148	-	-	-	-
Other non-current assets (refundable deposits)		5,445	-	-	-	-
Other non-current assets (restricted time deposits)		21,466	-	-	-	-
		<u>\$ 2,008,525</u>				
Financial liabilities at amortized cost:						
Secured bank loans		887,335	-	-	-	-
Borrowings from related parties		38,000	-	-	-	-
Trade payables		1,085,403	-	-	-	-
Other payables		195,136	-	-	-	-
Lease liabilities (including current and non-current)		72,100	-	-	-	-
		<u>\$ 2,277,974</u>				
		December 31, 2021				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets at amortized cost						
Cash and cash equivalents	\$	262,475	-	-	-	-
Trade receivables (including related parties)		459,470	-	-	-	-
Other receivables (including related parties)		29,428	-	-	-	-
Other non-current assets (restricted time deposits)		30,000	-	-	-	-
Other non-current assets (refundable deposits)		6,439	-	-	-	-
		<u>\$ 787,812</u>				

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

Financial liabilities at fair value through profit or loss

Derivative financial liabilities	\$	298	-	298	-	298
----------------------------------	----	-----	---	-----	---	-----

Financial liabilities at amortized cost:

Unsecured bank loans	92,340	-	-	-	-
Secured bank loans	952,453	-	-	-	-
Borrowings from related parties	44,597	-	-	-	-
Trade payables	518,799	-	-	-	-
Other payables	144,980	-	-	-	-
Lease liabilities (including current and non-current)	110,240	-	-	-	-
Other non-current liabilities (refundable deposits)	<u>240</u>	-	-	-	-
	<u>\$ 1,863,931</u>				

- 2) Fair value valuation technique of financial instruments not measured at fair value

The Company's management considered that the disclosed carrying amounts of financial assets and financial liabilities measured at amortized cost approximated their fair values.

- 3) Fair value valuation technique of financial instruments measured at fair value

- a) Non-derivative financial instruments

Fair value measurement of financial instruments was based on quoted market prices if these prices were available in an active market. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange was the basis of determining the fair value of the listed companies' equity instrument, and debt instrument that has the quoted price in an active market.

- b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

The fair value of derivative instruments is based on quoted prices. The fair value of derivative financial instruments is estimated using a valuation technique, with estimates and assumptions based on the quotation information obtained from financial institutions, or the binomial pricing model widely accepted by market participants.

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

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(u) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments:

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

This note expressed the information on risk exposure and objectives, policies and process of risk measurement and management of the Company. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

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

The Company's internal auditor oversaw how management monitored the risks that should have been in compliance with the Company's risk management policies and procedures, and reviewed the adequacy of the risk management framework in relation to the risks faced by the Company. Internal auditor undertook both regular and ad hoc reviews of risk management controls and procedures, and the results of which were reported to the Board of Directors.

(iii) Credit risk

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

1) Trade receivables and other receivables

Management has established a credit policy, under which each new customer would be analyzed individually for creditworthiness before the Company's standard payment, delivery terms, and conditions are offered. The Company's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, and are reviewed periodically. The limits were reviewed periodically. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

In order to reduce the credit risk for these trade receivables, the Company continues to evaluate the financial position of these customers and request for collaterals when necessary. Furthermore, the Company monitors and reviews the recoverable amount of the trade receivables and loss allowance for doubtful debts, with the amounts of loss expected by management.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

The Company has established an allowance account for bad debts that reflects its estimate on incurred losses in respect of trade receivables and other receivables. This allowance mainly comprises a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. This allowance for the loss component is determined based on historical payment statistics of similar financial assets.

2) Investments

The credit risks exposure in the bank deposits and other financial instruments were measured and monitored by the Company's finance department. Since the Company's transaction counterparties and the contractually obligated counterparties are banks and corporate organizations with good credits, there are no compliance issues, and therefore, no significant credit risk. As management actively monitors credit ratings and the Company can only invest in securities with high quality credit ratings, management does not expect any trading counterparty to be unable to fulfill its obligations.

3) Guarantees

The Company's policy is to provide financial guarantees only for subsidiaries with over 50% of their voting shares held by the Company. Please refer to note 7 for details of endorsements and guarantees provided by the Company for subsidiaries as of December 31, 2022 and 2021.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

Bank loans are an important source of liquidity for the Company. As of December 31, 2022 and 2021, the Company's unused short-term credit lines were \$797,980 and \$505,990, respectively.

(v) Market risk

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

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

1) Currency risk

The Company was exposed to currency risk on sales, purchases, and borrowings denominated in a currency other than the functional currencies of the Company. The primary functional currencies of the Company were denominated in US dollars and Renminbi, and there were also Hong Kong dollars, Euros and Yen.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates and trading derivatives when necessary, to address short-term imbalances.

2) Interest rate risk

The Company borrowed funding at variable interest rates, which gave rise to cash flow risk.

(v) Capital management

Through clear understanding and managing of significant changes in external environment, related industry characteristics, and corporate growth plan, the Company manages its capital structure to ensure it has sufficient financial resources to sustain proper liquidity, to invest in capital expenditures and research and development expenses, to repay debts and to distribute dividends in accordance to its plan. Management used the appropriate net debt/equity ratio to determine the most adequate capital structure of the Company. The Company aims to enhance the returns of its shareholders through achieving an optimized debt-to-equity ratio from time to time. The Company's liability-to-equity ratios at the end of each reporting period were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 2,336,507	1,960,393
Less: Cash and cash equivalents	867,449	262,475
Net liabilities	\$ 1,469,058	1,697,918
Total equity	\$ 3,233,958	3,130,351
Net liability-to-equity ratio	45%	54%

The net debt to equity ratio decreased as of December 31, 2022, mainly due to the increase in cash and approximate cash due to the repatriation of the earnings of the Company's subsidiaries in 2022.

(w) Investing and financial activities not affecting current cash flow

The non-cash transactions for investing and financing activities of the Company were as follows:

- (i) For right-of-use assets under leases, please refer to note 6(h).
- (ii) Reconciliation of liabilities arising from financing activities was as follows:

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

			Non-cash changes		
	January 1, 2022	Cash Flow	Increase	lease modificati on	December 31, 2022
Short-term borrowings	\$ 92,340	(92,340)	-	-	-
Long-term borrowings	952,453	(65,118)	-	-	887,335
Lease liabilities	110,224	(22,175)	1,309	(17,258)	72,100
Other non-current liabilities	240	(240)	-	-	-
Total amount of liabilities arising from financing activities	\$ 1,155,257	(179,873)	1,309	(17,258)	959,435

			Non-cash changes		
	January 1, 2021	Cash Flow	Increase		December 31, 2021
Short-term borrowings	\$ 412,407	(320,067)	-		92,340
Long-term borrowings	1,089,199	(136,746)	-		952,453
Lease liabilities	17,200	(24,867)	117,891		110,224
Other non-current liabilities	-	240	-		240
Total amount of liabilities arising from financing activities	\$ 1,518,806	(481,440)	117,891		1,155,257

(7) Related-party transactions:

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Company
Huge Castle Ltd.	Subsidiary
Qianjin Investment Co., Ltd.	"
SOARNEX Technology Corporation	"
Perfect choice Co., Ltd. (Perfect)	"
CAMEO International Ltd.	"
Nettech Technology (Suzhou) Co. Ltd.	"
Suzhou Soarnex Technology Co., Ltd	"
D-Link Corporation	An individual with significant influence on the Company
D-Link International Pte Ltd. (D-Link International)	Subsidiary of D-Link Corporation

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

Name of related party	Relationship with the Company
D-Link (Shanghai) Co., Ltd.	Subsidiary of D-Link Corporation
Amigo Technology Inc.	Other related parties
Young Syun Investment Co., Ltd.	The company director of the company
All Directors, general manager and deputy general manager	Key management personnel

(Note) D-Link Corporation was originally a legal person director of the Company, and since March 2021, D-Link corporation has owned shares The Company's shareholding in the Company was changed from 17.35% to 41.57%, and it was changed to an individual with significant influence on the group.

(b) Significant transactions with related parties

(i) Sales to related parties

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

	Sales		Trade receivables due from related parties	
	2022	2021	December 31, 2022	December 31, 2021
D-Link International	\$ 12,721	1,028,360	-	173,837
D-link Corporation	1,433,533	14,496	452,538	3,775
D-Link (Shanghai)	182,255	-	91,775	-
Amigo	44,200	-	8,860	-
	\$ 1,672,709	1,042,856	553,173	177,612

The collection period of goods sold by the Company to related parties was mainly 90 days after delivery and might be extended if necessary. For most third parties, the collection period was open account 60 days. The price for sales to the above related parties was determined by general market conditions and adjusted by considering the geographic sales area and sales volumes.

(ii) Purchases from related parties

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

	Purchase		Trade payables to related parties	
	2022	2021	December 31, 2022	December 31, 2021
CAMEO International Ltd.	\$ -	407,772	-	-

The payment period for subsidiaries were executed in accordance with the actual financial position thereof, and two to three months for other related parties, which was not significantly different from the payment to ordinary vendors. Purchasing prices were based on general market price.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

In 2021, the Company purchased a portion of raw materials, outsourced the production to subsidiaries, and then purchased the finished goods from them. The raw materials were not classified as sales in the financial statements.

(iii) Payment to related parties

Miscellaneous expenses paid to related parties and the outstanding balances were as follows:

	Miscellaneous expenses		Other payables	
	2022	2021	December 31, 2022	December 31, 2021
D-Link Corporation	\$ 803	265	-	-
Subsidiaries	-	5,834	-	-
Other related parties	-	78	-	-
	\$ 803	6,177	-	-

(iv) Received from related parties

Advances received by the Company from related parties netting to operating expense are set out below:

	Miscellaneous income		Other receivables	
	2022	2021	December 31, 2022	December 31, 2021
D-Link Corporation	\$ 8,278	15,517	1,864	4,752
D-Link International	160	4,185	25	177
Amigo	2,652	-	-	-
	\$ 11,090	19,702	1,889	4,929

(v) Borrowing from related parties

The Company's non-interest-bearing borrowing of funds from related parties in 2022 and 2021 due to capital demand was classified as other payables:

	Highest balance of financing to other parties during the period		Interest Expense	
	2022	2021	2022	2021
Perfect	\$ 301,928	96,669	-	-
Qianjin	38,000	-	322	-
Young Syun	100,000	-	480	-
	\$ 439,928	96,669	802	-

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other payable to related parties		
Subsidiary—Perfect	\$ -	44,597
Subsidiary—Qianjin	38,000	-
Other subsidiaries	-	-
	<u>\$ 38,000</u>	<u>44,597</u>

The interest rates of the year in 2022 and 2021 were 0%~1.105% and 0%, respectively, and the company did not provide collateral.

(vi) Leases

Since November 1, 2021, the Company has leased part of the Tainan plant to its related parties D-Link Corporation, and the rent has been collected monthly, and the rental income for the 2021 and 2022 is 2,371 and 375 respectively, and the relevant amounts have been recovered as of December 31, 2022.

(vii) Guarantees

As of December 31, 2022 and 2021, the Company's endorsement and guarantee amounts for subsidiaries' bank loans were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	\$ -	138,425

(c) Key management personnel transactions

Key management personnel's compensation comprised:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 16,442	29,930
Post-employment benefits	171	844
	<u>\$ 16,613</u>	<u>30,774</u>

(8) Pledged assets:

The carrying amounts of the assets which the Company pledged as collateral were as follows:

<u>Asset Name</u>	<u>Pledged to secure</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other non-current assets—			
restricted time deposits	Payment guarantee for suppliers	\$ 21,466	30,000
Property, plant, and equipment—			
land	Long-term bank loans	346,639	346,639
Property, plant, and equipment—			
buildings and construction	Long-term bank loans	960,143	991,116
		<u>\$ 1,328,248</u>	<u>1,367,755</u>

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(9) **Commitments and contingencies: None.**

(10) **Losses Due to Major Disasters: None.**

(11) **Subsequent Events: None.**

(12) **Other disclosures:**

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

By item	By function	For the years ended December 31					
		2022			2021		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		201,623	177,581	379,204	199,840	261,727	461,567
Labor and health insurance		19,350	16,165	35,515	21,471	22,556	44,027
Pension		7,939	8,303	16,242	6,138	8,984	15,122
Remuneration of directors		-	2,299	2,299	-	735	735
Others		23,170	9,079	32,249	24,866	11,095	35,961
Depreciation		100,079	32,323	132,402	105,580	39,610	145,190
Amortization		1,943	4,747	6,690	3,450	8,789	12,239

Additional information on the number of employees and employee benefit expenses for the years ended December 31, 2022 and 2021 were as follow:

	2022	2021
Number of employees	<u>598</u>	<u>761</u>
Number of directors who were not employees	<u>6</u>	<u>6</u>
The average employee benefit	<u>\$ 782</u>	<u>737</u>
The average salaries and wages	<u>\$ 641</u>	<u>611</u>
Percentage change in average salary	<u>4.91%</u>	
Compensation to the supervisory	<u>\$ -</u>	<u>-</u>

The Company's compensation policy (for directors, supervisors, executives, and employees) is as follows:

- (i) The Company's policy for director compensation is implemented pursuant to the resolution of both the Compensation Committee and the Board of Directors.
- 1) Compensation of independent directors: Independent directors are remunerated quarterly despite the profit or loss of the Company; wherein discretionary adjustments may be made by the Compensation Committee based on their respective participation and contribution.
 - 2) Compensation of directors: The Company does not provide remuneration for directors. However, profit shall be distributed as compensation pursuant to the Company's articles of Incorporation, wherein the Compensation Committee proposes the distribution scheme taking into account the overall performance of the Board and the Company, future operation, and risk appetite. The distribution proposal shall be approved by the Board of Directors and reported to the shareholders' meeting, and then be carried out according to the directors' respective participation and contribution.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

- (ii) Compensation of executives and staff: Pay adjustment shall be made based on annual performance evaluation and price level. In addition to base salary, year-end bonus and performance bonus are also included in the compensation package. In accordance with the Company's articles of Incorporation, the Company shall allocate employee compensation provided that there is profit for the year. Employees entitled to the aforementioned employee compensation, either in stock or in cash, may include affiliates' employees who meet certain conditions stipulated by the Board of Directors.

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" of the Company for the as of December 31, 2022:

- (i) Loans to other parties:

Unit: foreign currency in thousand

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 4)	Maximum limit of fund financing (Note 4)
													Item	Value		
1	Perfect choice Co., Ltd.	The Company	Other receivables	Yes	315,338	8,688	-	-	2	-	Working capital for parent	-		-	166,779	166,779
	"	Huge Castle Ltd	"	"	17,888	8,688	-	-	"	-	Working capital for parent	-		-	166,779	166,779
	"															
2	Luis Jo'se Investments Inc.	Huge Castle Ltd	"	"	8,688	8,688	-	-	"	-	Working capital for parent	-		-	16,782	16,782
3	Qianjin Investment Co., Ltd	The Company	"	"	38,000	38,000	38,000	1.105%	"	-	Working capital for parent	-		-	48,477	48,477

Note 1: The numbering is as follows:

- (i) "0" represents the Company
(ii) Subsidiaries are numbered starting from "1".

Note 2: The highest balance for the period was calculated based on the exchange rate of December 31, 2022.

Note 3: 1 represents a trading counterparty; 2 indicates the necessity of short-term financing.

Note 4: According to each subsidiary's "Procedures for Loans to Other Parties", for other companies or entities having short-term financing needs, the amount of loan to a single entity shall not exceed 40% of the net worth reported in the latest financial statements as of December 31, 2022. For subsidiaries whose voting shares are 100% owned, directly or indirectly, by the parent company, or for the loans between subsidiaries, the preceding limit does not apply; however, the total amount of loans shall not exceed 40% of the net worth reported in the latest financial statements as of December 31, 2022.

- (ii) Guarantees and endorsements for other parties:

Unit: foreign currency in thousand

No. (Note 1)	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CAMEO International Ltd.	Subsidiary	3,307,792 (Note 2)	153,323	-	-	-	-%	3,307,792	Y	N	N

Note 1: The numbering is as follows:

- (i) "0" represents the Company
(ii) Subsidiaries are numbered starting from "1".

Note 2: The Company's endorsement/guarantee provided for the affiliates shall not exceed the paid-in capital (\$3,307,792) reported in the latest financial statements as of December 31, 2022, and the endorsement/guarantee provided for an single non-affiliated entity shall not exceed one tenth of the capital (\$330,779) reported in the latest financial statements as of December 31, 2022.

Note 3: The maximum endorsement/guarantee balance for the period was calculated based on the exchange rate for December 31, 2022.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

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

Unit: thousand shares

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Harvatek Corporation	None	Financial assets at fair value through profit or loss	6,000	-	14.46%	-	(Note 1)
"	Stock-Covia Inc.	"	Financial assets at fair value through profit or loss	0.4	-	5.40%	-	(Note 2)
Qianjin Investment Co., Ltd.	D-Link CORPORATION	The company director of the Company	Financial assets at fair value through other comprehensive income	5,434	80,696	0.91%	80,696	

Note 1: Harvatek Corporation has been delisted since October 27, 2008, and the initial investment cost of it amounting to \$60,000 has been fully recognized as loss by the Company.

Note 2: The investment in Covia Inc. investment valued at impairment loss amounting to \$13,211, and the impairment loss has been fully recognized by the Company.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Trade receivables (payables)	
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/trade receivables (payables)
The Company	D Link Corporation	An individual with significant influence on the Company	Sale	(1,433,533)	(42)%	90 days after delivery	-		Trade receivables 452,538	42%
"	D-Link (ShangHai)	Subsidiary of D-link Corporation	Sale	(182,255)	(5)%	90 days after delivery	-		Trade payables 91,775	9%

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Remark
					Amount	Action taken			
The Company	D Link Corporation	An individual with significant influence on the Company	Trade receivables 452,538	4.58	-		96,730	-	(Note1)

Note 1: Information as of February 10, 2023.

- (ix) Trading in derivative instruments: Please refer to 6(b).

CAMEO COMMUNICATIONS, INC.

Notes to the 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):

Unit: in thousands share

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value		
The Company	Huge Castle Ltd.	Samoa	Investment holding	515,592	1,162,507	16,398	100%	565,756	20,463	20,463
"	Qianjin Investment Co., Ltd.	Taiwan	Investment holding	270,000	270,000	27,000	100%	121,194	1,665	1,665
Less: Unrealized profits (losses) of affiliates								(78)		
								686,872		22,128
Qianjin Investment Co., Ltd.	Soarnex Technology Corporation	Taiwan	International trade	24,000	24,000	2,400	100%	2,134	(106)	(106)
Soarnex Technology Corporation	Soarnex holding Co., Ltd.	Samoa	Investment holding	0.03	0.03	0.001	100%	-	-	-
Huge Castle Ltd.	Perfect Choice Co., Ltd.	Mauritius	Investment holding and trading	141,739	788,294	500	100%	416,948	(6,400)	(6,400)
"	Luis Jo'se Investments Inc.	The British Virgin Islands	Investment holding	43,673	43,673	1,362	100%	41,955	8,371	8,371
"	CAMEO International Ltd.	Samoa	Import and export trade	0.03	0.03	0.001	100%	4,334	210	210

(c) Information on investment in mainland China:

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

Unit: foreign currency in thousands

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance earnings as in current period	Note
					Outflow	Inflow							
Cameo Technology Development (Shenzhen) Co., Ltd.	R&D for communication technology and products	- (USD-)	Indirect investments in Mainland China through companies registered in a third region.	17,175 (USD500)	-	-	17,175 (USD500)	-	- %	-	(Note 3)	-	(Note 3)
NETTECH TECHNOLOGY (SUZHOU) CO., LTD	Production, processing, and sale of electronic communication equipment	79,496 (USD2,714)	"	788,294 (USD24,653)	-	646,555 (USD22,000)	141,739 (USD2,653)	30,136	100%	30,136	381,747	271,678 (USD 9,003)	(Note 2、7、8、9、10 and 11)
WIDE VIEW TECHNOLOGY INC.	R&D, production, and sale of electronic components	- (USD-)	"	20,923 (USD663)	-	-	20,923 (USD663)	N/A	- %	NA	(Note 4)	-	(Note 4)
Suzhou Soarnex Technology Co., Ltd	Software development and software services for computer information systems	22,064 (CNY5,000)	"	-	-	-	-	7,599	100%	7,599	24,392	-	(Notes 2 and 5)

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
179,837 (US\$3,816)	193,022 (US\$4,261)	1,940,375

- Note 1: The investment limit in Mainland China was calculated based on the official document 006130 announced by the MOEAIC on November 16, 2001.
- Note 2: The investment income (loss) were based on the financial statements audited by the Company's accountants and was accounted for using the equity method.
- Note 3: Cameo Technology Development (Shenzhen) Co., Ltd. completed its liquidation and in March 2012, and the payment for shares of US\$177 thousand, was refunded to Huge Castle Ltd on November 28, 2013 with the approval of the Investment Commission, Ministry of Economic Affairs.
- Note 4: WIDE VIEW TECHNOLOGY INC. completed its liquidation in September 2018, and the payment for shares of US\$740 thousand, was refunded to Luis Jo'se Investment Inc. on September 4, 2018 with the approval of the Investment Commission, Ministry of Economic Affairs,
- Note 5: It was an investment by NETTECH TECHNOLOGY (SUZHOU) CO., LTD based in Mainland China through self-funding. In August 2019, NETTECH TECHNOLOGY transferred 100% of the shareholdings to Luis Jo'se Investment.
- Note 6: A resolution was passed in NETTECH TECHNOLOGY (SUZHOU) CO., LTD 's meeting of board of Director on December 8 2020, and reduced its capital and the payment for shares of US\$25,000 thousand, with reduction ratios of 90.20%. The relevant statutory registration procedures have been completed on February 11, 2022, was repaid to Perfect Choice Co., Ltd. On February 21, 2022.
- Note 7: A resolution was passed in NETTECH TECHNOLOGY (SUZHOU) CO., LTD 's meeting of board of Director on December 8 2020, and reduced its capital and the payment for shares of US\$25,000 thousand, with reduction ratios of 90.20%. The relevant statutory registration procedures have been completed on February 11, 2022, was repaid to Perfect Choice Co., Ltd. On February 21, 2022.
- Note 8: A resolution was passed in Perfect Choice Co., Ltd. 's meeting of board of Director on April 29 2022, and reduced its capital and the payment for shares of US\$22,000 thousand, with reduction ratios of 81.48%. The base date of the capital reduction was April 29, 2022, was repaid to Huge Castle Ltd. On June 22, 2022.
- Note 9: A resolution was passed in Huge Castle Ltd. 's meeting of board of Director on March 16 2022, and reduced its capital and the payment for shares of US\$22,000 thousand, with reduction ratios of 57.30%. The base date of the capital reduction was June 8, 2022, was repaid to the Company On June 23, 2022, which was approved by the Investment Review Committee of the Ministry of Economic Affairs on July 5, 2022.
- Note 10: NETTECH TECHNOLOGY (SUZHOU) CO., LTD handled the repatriation of a surplus of US\$13,219 thousand to Perfect Choice Co., Ltd. in the third quarter of 2022; Perfect Choice Co., Ltd. repatriated a surplus of US\$13,057 to Huge Castle Ltd. in the third quarter of the 2022 ; Huge Castle Ltd. remitted a surplus of \$271,678 thousand (US\$9,003 thousand) to the Company on September 2, 2022, and the investment income repatriated to Taiwan was \$271,678 thousand (US\$9,003 thousand) in 2022.

CAMEO COMMUNICATIONS, INC.

Notes to the Financial Statements

Note 11: NETTECH TECHNOLOGY (SUZHOU) CO., LTD has been liquidated and cancelled by a resolution of the board of directors in November 2022, and the liquidation procedure has begun, and it is expected to complete the liquidation in 2023.

(iii) **Significant transactions:**

The significant inter-company transactions with investees in Mainland China for the year ended 2022, direct or indirect, are disclosed in “Information on significant transactions” .

(d) **Major shareholders:**

Unit: Share

Shareholder' s Name	Shareholding	Shares	Percentage
D-Link CORPORATION		137,532,993	41.57%

(14) Segment information:

Please refer to the consolidated financial statements for the year ended 2022.

Representation Letter

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

Company name: Cameo Communications, Inc.

Chairman: Jerry Chien

Date: February 22, 2023

Independent Auditors' Report

To the Board of Directors of Cameo Communications, Inc.:

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(n) and Note 6(r) for accounting policy and detailed disclosure of revenue, respectively.

Description of key audit matter:

Cameo Communications, Inc. is a listed company primarily engaged in the manufacture and sale of wired and wireless communications products. As one of important items of the consolidated financial statements, the amount and movements in operating revenue may impact the understanding of the consolidated financial statements as a whole. Therefore, testing of revenue recognition has been identified as one of the key audit matters in our audit of the consolidated financial report.

How the matter was addressed in our audit:

The principal auditing procedures for the above key audit matters included the relevant controls of testing related to the sales and payment collection cycles; checking and reconciling the sales system information and the general ledger; comparing the movements of the top ten customers in the current and previous years as well as analyzing the changes in the revenue with respect to each product and the price thereof to assess if there were material anomalies; conducting a sampling of sales transactions in the periods before and after the balance sheet date and checking the relevant certificates to assess whether or not the timing and amount of the recognition of the operating revenue were in accordance with pertinent accounting standards.

2. Valuation of inventories

For the accounting policies for valuation of inventories, please refer to Note 4(h); for accounting estimates of inventory valuation, please refer to Note 5; for disclosures regarding inventories, please refer to Note 6(f).

Description of key audit matter:

The major business activities of the Group are the sale of wireless and wired communications products, with ODM, its core competitiveness, coupled with OEM, to establish a business model. Electronic products may experience price declines due to horizontal competition and advancing technology, and the amounts of inventories will influence the understanding of the financial statements as a whole. Therefore, the testing of inventory valuation was determined to be one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matters above, our principal audit procedures included testing relevant controls over the operating cycle of cost, assessing whether the Group's recognition of inventory write-downs and obsolescence loss were carried out according to the Group's policies and relevant accounting standards. In addition, we assessed the reasonableness of management's estimate of allowances for inventory valuation through reviewing the inventory aging report, with a focus on inventories that had a longer inventory age, so as to understand the sales thereof subsequent and to assess the measurement basis adopted for their net realizable values.

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yiu-Kwan Au and Szu-Chuan Chien.

KPMG

Taipei, Taiwan (Republic of China)
February 22, 2023

Consolidated Balance Sheets
December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

165

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenues (notes 6(r) and 7)	\$ 3,379,117	100	2,491,907	100
5000	Operating costs (notes 6(f), 6(g), 6(h), 6(n) and 12)	3,088,896	91	2,461,701	99
5900	Gross profit	290,221	9	30,206	1
6000	Operating expenses (notes 6(g), 6(h), 6(n), 7 and 12):				
6100	Selling expenses	85,478	3	122,899	5
6200	Administrative expenses	107,259	3	288,264	12
6300	Research and development expenses	187,365	6	250,560	10
	Total operating expenses	380,102	12	661,723	27
6900	Net operating loss	(89,881)	(3)	(631,517)	(26)
7000	Non-operating income and expenses (notes 6(g), 6(h), 6(l) and 7):				
7050	Finance costs	(17,026)	-	(12,375)	(1)
7100	Interest income	28,818	1	10,944	-
7190	Other income	31,086	1	51,907	2
7210	Gains on disposals of property, plant and equipment	42,294	1	765,037	31
7228	Gains on lease modification	514	-	367,631	15
7230	Foreign exchange losses	100,794	3	(8,150)	-
7235	Gains on financial assets (liabilities) at fair value through profit or loss	228	-	(151)	-
7590	Other loss	(1,666)	-	(2,511)	-
		185,042	6	1,172,332	47
7900	Profit from continuing operations before tax	95,161	3	540,815	21
7950	Less: Income tax expenses (note 6(o))	188	-	150,162	6
	Profit	94,973	3	390,653	15
8300	Other comprehensive income:				
8310	Items that may not be reclassified to profit or loss				
8311	Gains on remeasurements of defined benefit plans	9,858	-	1,757	-
8316	Unrealized losses (gains) from investments in equity instruments measured at fair value through other comprehensive income	(22,551)	(1)	(61,546)	(2)
8349	Income tax related to items that may not be reclassified to profit or loss	-	-	-	-
	Total items that may not be reclassified to profit or loss	(12,693)	(1)	(59,789)	(2)
8360	Items that may be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	21,327	1	2,602	-
8399	Income tax related to items that may be reclassified to profit or loss	-	-	-	-
	Total items that may be reclassified to profit or loss	21,327	1	2,602	-
8300	Other comprehensive income	8,634	-	(57,187)	(2)
8500	Total comprehensive income	<u>\$ 103,607</u>	<u>3</u>	<u>333,466</u>	<u>13</u>
	Basic earnings per share (note 6(q))				
9750	Basic earnings per share	<u>\$ 0.29</u>		<u>1.23</u>	
9850	Diluted earnings per share	<u>\$ 0.29</u>		<u>1.23</u>	

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Other equity		
	Ordinary shares	Capital surplus	Legal reserve	Retained earnings		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity
				Accumulated deficits	Retained earnings			
Balance at January 1, 2021	2,296,792	-	-	(229,208)	(229,208)	(64,304)	(34,404)	(98,708)
Profit for the year ended December 31, 2021	-	-	-	390,653	390,653	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	1,757	1,757	2,602	(61,546)	(58,944)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	392,410	392,410	2,602	(61,546)	(58,944)
Capital increase by cash	1,011,000	-	-	(182,991)	(182,991)	-	-	-
Balance at December 31, 2021	3,307,792	-	-	(19,789)	(19,789)	(61,702)	(95,950)	(157,652)
Profit for the year ended December 31, 2022	-	-	-	94,973	94,973	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	9,858	9,858	21,327	(22,551)	(1,224)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	104,831	104,831	21,327	(22,551)	(1,224)
Balance at December 31, 2022	\$ 3,307,792	-	-	85,042	85,042	(40,375)	(118,501)	(158,876)
								3,233,958

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ 95,161	540,815
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	133,795	176,601
Amortization expense	6,935	12,680
Net gain on financial assets or liabilities at fair value through profit or loss	(228)	151
Interest expense	17,026	12,375
Interest income	(28,818)	(10,944)
Dividend income	(1,630)	(1,772)
Gain on disposal of property, plant and equipment	(42,294)	(765,037)
Gain on lease modification	(514)	(367,631)
Others	67	-
Total adjustments to reconcile loss (profit)	84,339	(943,577)
Changes in operating assets and liabilities:		
Decrease in on financial assets at fair value through profit or loss mandatorily measured at fair value	240	7,398
(Increase) decrease in notes and trade receivables	(237,354)	316,262
(Increase) decrease in trade receivables due from related parties	(375,561)	166,549
(Increase) decrease in other receivables	(16,418)	4,021
Decrease in other receivable due from related parties	3,040	13,301
Increase in inventories	(336,230)	(170,455)
Decrease in other current assets	26,609	9,971
Decrease (increase) in net defined benefit assets	606	(5,552)
Total changes in operating assets	(935,068)	341,495
Decrease in financial liabilities held for trading	(310)	(5,005)
Increase (decrease) in trade payables	564,606	(200,976)
Increase (decrease) in other payable	6,302	(62,599)
Decrease in other operating liabilities	(1,588)	(11,120)
Total changes in operating liabilities	569,010	(279,700)
Total changes in operating assets and liabilities, net	(366,058)	61,795
Total adjustments	(281,719)	(881,782)
Cash outflow generated from operations	(186,558)	(340,967)
Dividends received	1,630	1,772
Interest received	21,694	5,733
Interest paid	(16,949)	(13,029)
Income taxes paid	(134,134)	(1,467)
Net cash flows used in operating activities	(314,317)	(347,958)
Cash flows from (used in) investing activities:		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	4,275
Acquisition of property, plant and equipment	(7,533)	(19,312)
Proceeds from disposal of property, plant and equipment	304,465	960,283
Acquisition of intangible assets	(1,087)	(5,576)
Decrease in other financial assets	8,534	23,371
Decrease in other non-current assets	(4,009)	4,580
Net cash flows from investing activities	300,370	968,071
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(92,340)	(448,380)
Proceeds from long-term borrowings	44,547	35,297
Repayments of long-term borrowings	(109,665)	(172,043)
Payment of lease liabilities	(22,175)	(24,867)
(Decrease) increase in other non-current liabilities	(283)	240
Capital increase by cash	-	828,009
Net cash flows (used in) from financing activities	(179,916)	218,256
Effect of exchange rate changes on cash and cash equivalents	21,291	2,546
Net (decrease) increase in cash and cash equivalents	(172,572)	840,915
Cash and cash equivalents at beginning of period	1,658,832	817,917
Cash and cash equivalents at end of period	\$ 1,486,260	1,658,832

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

Cameo Communications, Inc. (“the Company”) was incorporated on March 11, 1991, 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 consolidated financial statements comprised the Company and its subsidiaries (together referred to as the “Group” and individually as the “Group entities”). The major business activities of the Group include the manufacture and sale of networking system equipment and the components thereof, and research and development of pertinent technology.

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

The consolidated financial statements were authorized for issue by the Board of Directors on February 22, 2023.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“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 issued by the FSC but not yet effective

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

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares-e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Classification of Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the 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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions

(4) Summary of significant accounting policies:

The significant accounting policies applied in the preparation of these consolidated financial statements are set out as below. The following accounting policies have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of Subsidiary	Principal activity	Shareholding		Remark
			December 31, 2022	December 31, 2021	
The Company	Qianjin Investment Co., Ltd.	Investment holding	100 %	100 %	
//	Huge Castle Ltd.	Investment holding	100 %	100 %	
Qianjin Investment Co., Ltd.	SOARNEX TECHNOLOGY CORPORATION	International trade, and wholesale of telecommunications equipment and information software	100 %	100 %	Note1
SOARNEX TECHNOLOGY CORPORATION	Soarnex Holding Co., Ltd.	Investment holding	100 %	100 %	
Huge Castle Ltd.	Perfect Choice Co., Ltd.	Investment holding and trading	100 %	100 %	
//	Luis Jo'se Investment Inc.	Investment	100 %	100 %	
//	CAMEO International Ltd.	Import and export trade	100 %	100 %	Note2
Perfect Choice Co., Ltd.	NETTECH TECHNOLOGY (SUZHOU) CO., LTD	Production, processing, and sale of electronic communications equipment	100 %	100 %	Note3
Luis Jo'se Investment Inc.	Suzhou Soarnex Technology Co., Ltd	Software development and software services on computer information systems	100 %	100 %	

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note1:SOARNEX TECHNOLOGY CORPORATION was dissolved by a resolution of the board of directors on August 9, 2022, and obtained the approval letter of the Taipei City Government on August 15, 2022, and the liquidation procedure has begun, and it is expected to complete the liquidation in 2023.

Note2:CAMEO International Ltd. has been liquidated and cancelled by a resolution of the board of directors in January 2023, and the liquidation procedure has begun, and it is expected to complete the liquidation in 2023.

Note3: NETTECH TECHNOLOGY (SUZHOU) CO., LTD has been liquidated and cancelled by a resolution of the board of directors in November 2022, and the liquidation procedure has begun, and it is expected to complete the liquidation in 2023.

(d) Foreign currencies

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

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

(f) Cash and cash equivalents

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

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

Some trade receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group, therefore, those receivables are measured at FVOCI. However, they are included in the 'trade receivables' line item.

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.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss. Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivables, refundable deposits and other financial assets), debt investments measured at FVOCI and contract assets.

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade which is considered to be BBB- or higher per Standard & Poor’ s, Baa3 or higher per Moody’ s or twA or higher per Taiwan Ratings’ .

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.

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

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

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

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

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5) Offsetting of financial assets and liabilities

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

6) Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Group will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Group will apply applied the policies on accounting for modifications to the additional changes.

(h) Inventories

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1) Buildings and construction	5~50 years
2) Machinery and equipment	2~10 years
3) Office and other facilities	1~10 years
4) Lease improvements	5 years

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

(j) Lease

(i) As a lessee

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

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

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 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 any lease modifications
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

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

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

The Group has elected not to recognize right-of-use assets and lease liabilities of dormitories and photocopying equipment that have a lease term of 12 months or less, or 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.

(k) Intangible assets

(i) Recognition and measurement

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

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

1) Patents	1~10 years
2) Computer software and others	1~10 years

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

(l) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

(m) Provisions

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

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(n) Revenue from contracts with customers

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

(i) Sale of goods

Revenue is recognized when the control over a product has been transferred to the customer. The transfer of control refers to the situation where the products have been delivered to and accepted by the customer without remaining performance obligations from the Group. Delivery occurs when the customer has accepted the goods in accordance with the terms of sales, the risks of obsolescence and loss have been transferred to the customer, and the Group has objective evidence that all criteria for acceptance have been satisfied.

Trade receivables are 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.

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(o) Government grants

The Group recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(p) Income tax

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

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

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

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

- (i) temporary, differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, 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 the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

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

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(s) 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 to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

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

Management continues to monitor the accounting estimates and assumptions. Any changes in accounting estimates are recognized during the period and the impact of those changes in accounting estimates are recognized in the following period.

There were no critical judgments in applying the accounting policies that had significant effect on the amounts recognized in the consolidated financial statements.

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(a) Valuation of inventories

As electronic products may experience price declines due to horizontal competition and advancing technology, inventories are measured at the lower of cost and net realizable value. Since the net realizable value is measured based on the estimated selling price of the Group under normal operations, there is uncertainty in valuation.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Foreign currencies on hand and petty cash	\$ 1,551	1,207
Check and demand deposits	572,671	473,074
Time deposits	862,038	1,156,855
Cash equivalents	50,000	27,696
	<u>\$ 1,486,260</u>	<u>1,658,832</u>

As of December 31, 2022 and 2021, the Group's restricted time deposits recognized as other non-current assets amounted to \$21,466 and \$30,000, respectively. Please refer to Note 8 for details.

Please refer to Note 6(t) for exchange rate risk, interest rate risk, and the fair value sensitivity analysis of the financial assets of the Group.

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

(i) Details on financial assets and liabilities at fair value through profit or loss were as follows:

	December 31, 2022	December 31, 2021
Held for trading financial liabilities:		
Derivative instruments not used for hedging		
Forward exchange contracts	<u>\$ -</u>	<u>298</u>

Please refer to note 6(t) for exposures to credit risk and currency risk.

(ii) Non-hedging derivative financial instruments

The Group uses derivative instruments to hedge foreign currency risk the Group is exposed to arising from its operating activities. The following derivative instruments not applied hedge accounting were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021		
	Contract amount (in thousands)	Currency	Maturity period
Derivative financial liabilities:			
Forward exchange contracts	TWD55,610/ USD2,000	TWD/USD	January 18, 2022

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

	December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income:		
Listed common shares of domestic company	\$ 80,696	103,247

- (i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.
- (ii) During 2022 and 2021, the Group recognized \$22,551 and \$61,546 as other comprehensive income relating to investments in equity instruments designated at fair value through other comprehensive income, respectively.
- (iii) There were no disposal of strategic investments and transfer of any cumulative gain or loss within equity relating to these investments for the year ended December 31, 2022.(iv) For the disclosure of market risk, please refer to Note 6(t).
- (vi) The aforementioned financial assets were not pledged as collateral.

- (d) Notes and trade receivables (including related parties)

	December 31, 2022	December 31, 2021
Notes receivable from operating activities	\$ -	1,637
Trade receivables — measured at amortized cost	1,053,398	460,100
Trade receivables — fair value through other comprehensive income	21,134	-
	1,074,532	461,737
Less: loss allowance	-	(120)
Notes and trade receivables, net	\$ 1,074,532	461,617

The Group applies the simplified approach to provide for the loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as forward looking information, including overall economic environment and related industrial information.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The expected credit losses on notes and trade receivables were as follows:

	December 31, 2022		
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance provision
Current	\$ 1,070,438	0%	-
1~30 days past due	250	0%	-
31~60 days past due	13	0%	-
61~90 days past due	613	0%	-
91~180 days past due	3,218	0%	-
	<u>\$ 1,074,532</u>		<u>120</u>

	December 31, 2021		
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance provision
Current	\$ 457,498	0%	-
1~30 days past due	2,984	0%	-
31~60 days past due	625	0%	-
91~180 days past due	510	0%	-
More than 181 days past due	120	100%	120
	<u>\$ 461,737</u>		<u>120</u>

The movement in the allowance for notes and trade receivables were as follows:

	2022	2021
Balance at January 1	\$ 120	120
Amounts written off	(120)	-
Balance at December 31	<u>\$ -</u>	<u>120</u>

As of December 31, 2022, the Group enter into trade receivable factoring agreements with banks. Under the agreements, within the limit of the Group' s credit facilities, it does need to guarantee the debtor' s solvency at the time when the claim is transferred and when the obligations are due. Upon the sale of trade receivables, the Group will be advanced an agreed percentage, and pay interest calculated based on the interest rates agreed for the period through the collection of the accounts receivable. The remaining amounts are received upon the collection of the trade receivables and recorded as other receivables.

The aforementioned financial assets were not pledged as collateral.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(e) Other receivables (including related parties)

	December 31, 2022	December 31, 2021
Other receivables	\$ 70,384	285,002
Less: loss allowance	(13,553)	(13,553)
	<u>\$ 56,831</u>	<u>271,449</u>

The movement in the allowance for other receivables were remained unchanged.

(f) Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$ 701,363	628,167
Work in progress and semi-finished goods	360,593	175,163
Finished goods	149,389	71,785
	<u>\$ 1,211,345</u>	<u>875,115</u>

(i) Operating cost:

	2022	2021
Sale of inventories	\$ 2,929,303	2,208,017
Write-down of inventories	47,207	(36,103)
Loss on disposal of inventory	3,421	41,787
Loss (gain) on physical inventory	21	(210)
Unallocated production overheads	108,944	248,210
	<u>\$ 3,088,896</u>	<u>2,461,701</u>

(ii) The net realization value of inventory was lower than the cost due to the sale and disposal of inventory write-downs on 2021, resulting in a rollover to loss allowance.

(iii) As of December 31, 2022 and 2021, the Group did not provide any inventories as collateral for its loans.

(g) Property, plant and equipment

The movements in the cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows :

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Molding equipment</u>	<u>Office and other facilities</u>	<u>Lease improvements</u>	<u>Construction in progress and testing equipment</u>	<u>Total</u>
Cost or deemed cost:								
Balance at January 1, 2022	\$ 362,839	1,149,521	597,871	8,616	65,644	23,921	-	2,208,412
Additions	-	3,920	2,610	121	481	-	-	7,132
Disposal and derecognition	(16,200)	(22,436)	(74,483)	(1,252)	(1,609)	-	-	(115,980)
Transferred into (out)	-	-	(35)	-	-	-	-	(35)
Effects of movements in exchange rates	-	-	68	47	18	-	-	133
Balance at December 31, 2022	<u>\$ 346,639</u>	<u>1,131,005</u>	<u>526,031</u>	<u>7,532</u>	<u>64,534</u>	<u>23,921</u>	<u>-</u>	<u>2,099,662</u>
Balance at January 1, 2021	\$ 362,839	1,683,200	785,434	46,401	103,568	23,921	-	3,005,363
Additions	-	389	7,884	3,143	6,511	-	-	17,927
Disposal and derecognition	-	(532,734)	(193,829)	(40,914)	(44,309)	-	-	(811,786)
Transferred into (out)	-	-	-	-	-	-	-	-
Effects of movements in exchange rates	-	(1,334)	(1,618)	(14)	(126)	-	-	(3,092)
Balance at December 31, 2021	<u>\$ 362,839</u>	<u>1,149,521</u>	<u>597,871</u>	<u>8,616</u>	<u>65,644</u>	<u>23,921</u>	<u>-</u>	<u>2,208,412</u>
Depreciation and impairments loss:								
Balance at January 1, 2021	\$ -	125,026	427,172	3,009	49,325	23,917	-	628,449
Depreciation	-	37,837	63,831	2,760	6,738	4	-	111,170
Disposal and derecognition	-	(11,585)	(74,483)	(1,252)	(1,609)	-	-	(88,929)
Effects of movements in exchange rates	-	-	78	7	18	-	-	103
Balance at December 31, 2021	<u>\$ -</u>	<u>151,278</u>	<u>416,598</u>	<u>4,524</u>	<u>54,472</u>	<u>23,921</u>	<u>-</u>	<u>650,793</u>
Balance at January 1, 2021	\$ -	542,800	550,377	36,106	91,950	20,276	-	1,241,509
Depreciation	-	59,038	69,330	7,248	12,273	3,461	-	151,530
Disposal and derecognition	-	(486,479)	(190,943)	(40,323)	(43,831)	-	-	(761,576)
Transferred into (out)	-	10,935	-	-	(10,935)	-	-	-
Effects of movements in exchange rates	-	(1,268)	(1,592)	(22)	(132)	-	-	(3,014)
Balance at December 31, 2021	<u>\$ -</u>	<u>125,026</u>	<u>427,172</u>	<u>3,009</u>	<u>49,325</u>	<u>23,917</u>	<u>-</u>	<u>628,449</u>
Carrying amount:								
Balance at December 31, 2022	<u>\$ 346,639</u>	<u>979,727</u>	<u>109,433</u>	<u>3,008</u>	<u>10,062</u>	<u>-</u>	<u>-</u>	<u>1,448,869</u>
Balance at December 31, 2021	<u>\$ 362,839</u>	<u>1,024,495</u>	<u>170,699</u>	<u>5,607</u>	<u>16,319</u>	<u>4</u>	<u>-</u>	<u>1,579,963</u>
Balance at January 1, 2021	<u>\$ 362,839</u>	<u>1,140,400</u>	<u>235,057</u>	<u>10,295</u>	<u>11,618</u>	<u>3,645</u>	<u>-</u>	<u>1,763,854</u>

- (i) The Company sold the Xizhi plant to a non-related person on April 26, 2022, and completed the transfer registration and point delivery, with a total transaction amount of 69,224 (after deducting relevant expenses), and gains on disposals of property, plant and equipment was 42,173, and the payment had been received as of December 31, 2022.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (ii) In view of the increase in China's operating and production costs, in order to save expenses, and in line with the Taiwan authorities' Taiwan investment policy of Taiwan businessmen returning to Taiwan, the Group purchased land in Tainan Science and Technology Industrial Zone in May 2016 and built a factory (hereinafter referred to as Tainan factory), which was completed in 2019, and gradually transferred the production activities of NETTECH TECHNOLOGY (Suzhou) Co., Ltd. (hereinafter referred to as NETTECH Electronics), a production base in the mainland region, to the Tainan factory, and gradually produced a comprehensive production effect.

A resolution was approved in the Board of Director's meeting held on July 30, 2020, NETTECH Electronics permanently suspended production from September, 2021 and only some of the administrative staff were left to deal with the subsequent closure of the factory. NETTECH Electronics disposed of the relevant land use rights, property, plant and equipment on October 29, 2021 and disposed of the price \$1,175,599, with a disposition benefit of \$1,115,815, Under the consolidated statements of comprehensive income, gains on disposals of property, plant and equipment \$748,184 and profit from lease modification \$367,631, respectively.

The above affairs are dependent According to the long-term operation plan of the Group, please refer to Note 12 (b) for the relevant personnel placement.

- (iii) The Group, pursuant to IAS 36 – Impairment of Assets, conducted an impairment assessment on the reporting date, and the assessment for 2021 showed indicators of impairment, for which no impairment loss was recognized after performing an impairment test.
- (vi) As of December 31, 2022 and 2021, the property, plant, and equipment of the Group had been pledged as collateral for long-term borrowings; please refer to Note 8.
- (h) Right-of-use assets
- (i) The movements in cost and depreciation of leased land, buildings and construction, and transportation equipment of the Group were as follows:

	Land	Buildings and construction	Transportation equipment	Total
Cost:				
Balance at January 1, 2022	\$ -	117,891	-	117,891
Increase	-	-	1,309	1,309
Decrease	-	(16,744)	-	(16,744)
Effects of movements in exchange rates	-	-	-	-
Balance at December 31, 2022	<u>\$ -</u>	<u>101,147</u>	<u>1,309</u>	<u>102,456</u>
Balance at January 1, 2021	\$ 13,653	64,608	1,963	80,224
Increase	-	117,891	-	117,891
Decrease	(13,664)	(64,608)	(1,963)	(80,235)
Effects of movements in exchange rates	11	-	-	43
Balance at December 31, 2021	<u>\$ -</u>	<u>117,891</u>	<u>-</u>	<u>117,891</u>

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings and construction</u>	<u>Transportation equipment</u>	<u>Total</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2022	\$ -	7,860	-	7,860
Depreciation	-	22,189	436	22,625
Decrease	-	-	-	-
Effects of movements in exchange rates	-	-	-	-
Balance at December 31, 2022	<u>\$ -</u>	<u>30,049</u>	<u>436</u>	<u>30,485</u>
Balance at January 1, 2021	\$ 801	48,386	1,309	50,496
Depreciation	335	24,082	654	25,071
Decrease	(1,139)	(64,608)	(1,963)	(67,710)
Effects of movements in exchange rates	3	-	-	3
Balance at December 31, 2021	<u>\$ -</u>	<u>7,860</u>	<u>-</u>	<u>7,860</u>
Carrying amount:				
Balance at December 31, 2022	<u>\$ -</u>	<u>71,098</u>	<u>873</u>	<u>71,971</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>110,031</u>	<u>-</u>	<u>110,031</u>
Balance at January 1, 2021	<u>\$ 12,852</u>	<u>16,222</u>	<u>654</u>	<u>29,728</u>

- (i) The Group obtained land use rights in Mainland China, and details of which were as follows:

<u>Company name</u>	<u>Total land transfer fee</u>	<u>Term of transfer</u>
NETTECH TECHNOLOGY (SUZHOU) CO., LTD	\$ 21,926 (CNY 4,903 thousand)	October 26, 2052

NETTECH TECHNOLOGY (SUZHOU) CO., LTD disposed of the land use right on October 29, 2021. The house repurchase office took back its land use rights by Cheng Street, Xiangcheng District, Suzhou City, and the payment had been received as of December 31, 2022.

All data has been collected, please refer to Note 6(g) for relevant information.

- (ii) The original leased building of the Company was used as an office to adjust the scope of lease from September 1, 2022, resulting in a reduction in right-of-use assets and lease liabilities, resulting in a profit of 514, and the account showed the lease modification benefit under the comprehensive profit and loss statement.
- (iii) Upon expiry of the contract for the original leased building as office premises, a new lease contract was signed in 2021, for the period from September 2021 to August 2026, please refer to Note 6 (l) for the relevant lease liabilities.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Intangible assets

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

	<u>Patent</u>	<u>Computer software and others</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 5,290	188,814	194,104
Additions	733	354	1,087
Transferred into (out)	-	(7,799)	(7,799)
Effects of movements in exchange rate	-	36	36
Balance at December 31, 2022	<u><u>\$ 6,023</u></u>	<u><u>181,405</u></u>	<u><u>187,428</u></u>
Balance at January 1, 2021	\$ 4,899	188,004	192,903
Additions	391	5,185	5,576
Transferred into (out)	-	(4,307)	(4,307)
Effects of movements in exchange rate	-	(68)	(68)
Balance at December 31, 2021	<u><u>\$ 5,290</u></u>	<u><u>188,814</u></u>	<u><u>194,104</u></u>
Amortization:			
Balance at January 1, 2022	\$ 4,645	171,938	176,583
Amortization	624	6,311	6,935
Derecognition	-	(7,768)	(7,768)
Effects of movements in exchange rate	-	31	31
Balance at December 31, 2022	<u><u>\$ 5,269</u></u>	<u><u>170,512</u></u>	<u><u>175,781</u></u>
Balance at January 1, 2021	\$ 4,127	164,151	168,278
Amortization	518	12,162	12,680
Derecognition	-	(4,307)	(4,307)
Effects of movements in exchange rate	-	(68)	(68)
Balance at December 31, 2021	<u><u>\$ 4,645</u></u>	<u><u>171,938</u></u>	<u><u>176,583</u></u>
Carrying amount:			
Balance at December 31, 2022	<u><u>\$ 754</u></u>	<u><u>10,893</u></u>	<u><u>11,647</u></u>
Balance at December 31, 2021	<u><u>\$ 645</u></u>	<u><u>16,876</u></u>	<u><u>17,521</u></u>
Balance at January 1, 2021	<u><u>\$ 772</u></u>	<u><u>23,853</u></u>	<u><u>24,625</u></u>

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (i) The amortization of intangible assets for the year ended December 31, 2022 and 2021, are included in the consolidated statement of comprehensive income:

	2022	2021
Operating Cost	\$ 1,943	3,450
Operating Expenses	4,992	9,230

- (ii) As of December 31, 2022 and 2021, none of the Group's intangible assets was pledged as collateral.

- (j) Short-term borrowings

	December 31, 2022	December 31, 2021
Letters of credit	<u>\$ -</u>	<u>92,340</u>
Unused credit lines	<u>\$ 797,980</u>	<u>722,240</u>
Range of interest rates	<u>0.898%~2.243%</u>	<u>0.9%</u>

For information on the Group' s interest risk, foreign currency risk, and liquidity risk, please refer to Note 6(t)

- (k) Long-term borrowings

The Group' s long-term borrowings details, conditions, and provisions were as follows:

December 31, 2022				
	Currency	Range of interest rates	Maturity year	Amount
Secured loans	NTD	1.225%-1.985%	May 2023~ February 2035	\$ 887,335
Less: current portion				(114,151)
Total				<u>\$ 773,184</u>
Unused credit lines				<u>\$ 97,000</u>
December 31, 2021				
	Currency	Range of interest rates	Maturity year	Amount
Secured loans	NTD	0.85%-1.13%	July 2022~ February 2035	\$ 952,453
Less: current portion				(35,118)
Total				<u>\$ 917,335</u>
Unused credit lines				<u>\$ 44,537</u>

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (i) The proceeds from loan-term borrowings for 2022 was \$44,547; and a repayment of \$109,665 has been made.
- (ii) The proceeds from loan-term borrowings for 2021 was \$35,297; and a repayment of \$172,043 has been made.
- (iii) Information about the Group's risk exposure associated with interest rate, foreign currency, and liquidity is included in Note 6(t). (iv) Please see Note 8 for the Group's property pledged as collateral to secure the long-term bank loans.

(l) Lease liabilities

The carrying amounts of the Group's lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	<u>\$ 19,587</u>	<u>23,163</u>
Non-current	<u>\$ 52,513</u>	<u>87,061</u>

For the maturity analysis, please refer to Note 6(t).

The amounts recognized in profit or loss were as follow:

	2022	2021
Interest expense on lease liabilities	<u>\$ 1,008</u>	<u>506</u>
Expenses relating to short-term leases	<u>\$ 1,016</u>	<u>937</u>
Cost of low-value leased assets	<u>\$ 379</u>	<u>386</u>

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

	2022	2021
Total cash outflow for leases	<u>\$ 24,578</u>	<u>26,696</u>

(i) Real estate leases

The Group leases land and buildings for its plant and office space. The leases of land and office space typically run for 50 years and 5 years, respectively. Some leases included an option to renew the lease for an additional period of the same duration at the end of the lease term.

(ii) Other leases

The Group leased transportation equipment with leased terms of three years. In some cases, the Group has options to purchase the assets at the end of the leased period.

The Group also leased photocopying equipment and dormitories with leased periods of three to four years and four months to one year, respectively. These leases are short-term and leases of low value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(m) Provisions

	Warranty
Balance at January 1, 2022	\$ 4,808
Increase in provision for the current period	1,002
Reversal of provision for the current period	-
Balance at December 31, 2022	<u>\$ 5,810</u>
Balance at January 1, 2021	\$ 4,581
Increased provision for the current period	655
Used provision for the current period	(428)
Balance at December 31, 2021	<u>\$ 4,808</u>

The Group's provision for warranty was for sales of products. Provision for warranty was estimated based on the historical warranty information on similar products or services. The Group expected that most of the cost would occur within 1 year after sales.

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan assets at fair value was as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ 4,112	38,954
Fair value of plan assets	(39,844)	(65,434)
Net defined benefit liabilities (Assets)	<u>\$ (35,732)</u>	<u>(26,480)</u>

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

1) Composition of plan assets

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$39,844 as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	2022	2021
Defined benefit obligations at January 1	\$ 38,954	59,874
Current service cost and interest cost	322	447
Actuarial (gain) loss arising from financial assumptions	(4,007)	(7,798)
Gains on liquidation	690	
Liquidation of extinction liabilities	(29,513)	
Benefits paid	(2,334)	(13,569)
Defined benefit obligations at December 31	<u>\$ 4,112</u>	<u>38,954</u>

3) Movements in the defined benefit plan assets

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

	2022	2021
Fair value of plan assets at January 1	\$ 65,434	79,045
Interest income	406	488
Remeasurements of net defined benefit assets		
-Return on plan assets (excluding current interest)	5,851	(530)
Liquidation	(29,513)	
Benefits paid	(2,334)	(13,569)
Fair value of plan assets at December 31	<u>\$ 39,844</u>	<u>65,434</u>

4) Expenses recognized in profit or loss

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>2022</u>	<u>2021</u>
Current service cost	\$ (5,432)	(5,432)
Net interest of net assets for defined benefit assets	(165)	(120)
Liquidation of profit	690	-
	<u>\$ 606</u>	<u>(5,552)</u>
Direct labor	\$ 230	(1,721)
Operating cost	91	(777)
Selling expense	67	(777)
Administrative expenses	61	(666)
Research and development expenses	157	(1,611)
	<u>\$ 606</u>	<u>(5,552)</u>

- 5) Remeasurement values of net defined benefit liabilities (assets) recognized in other comprehensive income

The remeasurements in net defined benefit assets recognized in other comprehensive income were as follows:

	<u>2022</u>	<u>2021</u>
Cumulative amount at January 1	\$ 18,235	16,478
Recognized in current period	9,858	1,757
Cumulative amount at December 31	<u>\$ 28,093</u>	<u>18,235</u>

- 6) Actuarial assumptions

The followings are the principal actuarial assumptions at the reporting dates:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.500%	0.625%
Future salary increase rate	2.000%	2.000%

The Group has suspended the allocation of its retirement reserve from September 2022 to August 2023, with the approval from the Department of Labor, Taipei City Government.

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

The weighted-average duration of the defined benefit plan is 8.61 years.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

7) Sensitivity analysis

As of December 31, 2022 and 2021, the changes in main actuarial assumptions might have the following impact on the present value of the defined benefit obligation:

	Influences of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2022		
Discount rate	\$ (89)	91
Future salary increasing rate	87	(86)
December 31, 2021		
Discount rate	(1,144)	1,194
Future salary increasing rate	1,141	(1,104)

The sensitivity analysis above assumed all other assumptions remained constant during the measurement. In practice, the relevant actuarial assumptions are correlated to each other. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

(ii) Defined contribution plans

The continuing operations allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates the labor pension at a specific percentage to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Group's pension costs under the defined contribution method amounted to \$15,636 and \$20,674 for the years ended December 31, 2022 and 2021, respectively. Payment to the Bureau of Labor Insurance has been made.

Subsidiaries in China shall comply with the regulations stipulated by the Mainland China Government to contribute monthly retirement annuity funds, based on a specific percentage of authorized employees' payroll. For the years ended December 31, 2022 and 2021, the retirement annuity funds amounted to \$4,159 and \$9,421, respectively.

(o) Income taxes

(i) Income tax expense (benefit)

- 1) The components of income tax expense for the years ended December 31, 2022 and 2021 were as follows:

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>2022</u>	<u>2021</u>
Current tax expense (benefit)	\$ 35,049	96,375
Deferred tax expense (income)	(34,861)	53,787
Income tax expense (benefit)	<u>\$ 188</u>	<u>150,162</u>

- 2) The Group's income tax expense (benefit) reconciled between the actual income tax expense (benefit) and net loss before tax for the years ended December 31, 2022 and 2021, was as follows:

	<u>2022</u>	<u>2021</u>
Net loss before tax	\$ 95,161	540,815
Income tax using the Company' s domestic tax rate	19,032	108,163
Effect of tax rates in foreign jurisdiction (not applicable for separate financial statements)	9,415	119,285
Tax-exempt income	(326)	(358)
Changes in unrecognized temporary differences	9,778	(99,407)
Changes in unrecognized tax losses	(36,702)	18,606
Other	(1,009)	3,873
	<u>\$ 188</u>	<u>150,162</u>

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities: None.
- 2) Unrecognized deferred tax assets

The Group's unrecognized deferred tax assets were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary difference	\$ 34,309	24,531
The carryforward of unused tax losses	166,905	203,607
	<u>\$ 201,214</u>	<u>228,138</u>

Unrecognized deductible temporary difference were mainly items such as the Group's impairment loss on financial assets and recognized loss on investments in subsidiaries, which were not recognized as deferred tax assets since they are not very likely to be realized in the foreseeable future.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The temporary difference associated with the net losses was not recognized as deferred tax assets as the Group is not expected to have sufficient taxable income to offset against temporary difference in the foreseeable future.

As of December 31, 2022, the unused loss carryforwards and the respective expiry years were as follows:

<u>Year of loss</u>	<u>Amount of loss</u>	<u>Deductible balance</u>	<u>Expiry year</u>
The Company			
2017	117,081 (amount approved)	117,081	2027
2018	144,063 (amount approved)	144,063	2028
2019	287,609 (amount approved)	287,609	2029
2020	283,079 (amount approved)	283,079	2030
2021	283,716 (amount reported)	283,716	2031
	<u>\$ 1,115,548</u>	<u>1,058,102</u>	
SOARNEX TECHNOLOGY CORPORATION			
2014	\$ 435 (amount approved)	435	2024
2015	3,972 (amount approved)	3,972	2025
2016	5,901 (amount approved)	5,901	2026
2017	4,415 (amount approved)	4,415	2027
2018	3,992 (amount approved)	3,992	2028
2019	2,918 (amount approved)	2,918	2029
2020	105 (amount approved)	105	2030
2021	10 (amount recognized)	10	2031
2022	106 (amount recognized)	106	2032
	<u>21,854</u>	<u>21,854</u>	
	<u>\$ 1,137,402</u>	<u>1,079,956</u>	

3) Recognized deferred tax assets and liabilities

The Group's recognized deferred tax assets were as follows:

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Deferred Tax Assets:	The carryforward of unused tax losses
Balance at January 1, 2022	\$ 44,994
Recognized in profit or loss	4,092
Balance at December 31, 2022	<u>\$ 49,086</u>
Balance at January 1, 2021	\$ -
Recognized in profit or loss	44,994
Balance at December 31, 2021	<u>\$ 44,994</u>

Deferred Tax Liabilities:	Investments accounted for using equity method
Balance at January 1, 2022	\$ 98,781
Recognized in profit or loss	(38,953)
Balance at December 31, 2022	<u>\$ 59,828</u>
Balance at January 1, 2021	\$ -
Recognized in profit or loss	98,781
Balance at December 31, 2021	<u>\$ 98,781</u>

(iii) The Company's tax returns for the years through 2020 have been examined and approved by tax authorities. The income tax returns of the Company's subsidiaries, Qianjin Investment Co., Ltd. and SOARNEX TECHNOLOGY CORPORATION for the years through 2020, have been examined and approved by tax authorities.

(p) Capital and other equity

(i) Ordinary shares

As of December 31, 2022 and 2021, the Company's authorized share capital amounted to \$4,000,000, divided into 400,000 thousand shares, with a par value of \$10 per share. The aggregate amount of the aforesaid approved share capital comprised only ordinary shares, and \$200,000 thereof was retained for the execution of employee stock options, divided into 20,000 thousand shares with a par value of \$10 per share. As of December 31, 2022 and 2021, the Company has issued 330,780 thousand shares and 330,780 thousand shares, respectively, all of which have been paid up upon issuance.

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Expressed in thousands of shares)	Ordinary shares	
	2022	2021
Balance at January 1	330,780	229,680
Issued for cash	-	101,100
Balance at December 31	330,780	330,780

A resolution was passed during the Company's special meeting of shareholders held on September 21, 2020 for the issuance of ordinary shares not exceeding 150,000 thousand shares under private placement within a year after the meeting. Subsequently, another resolution was approved in the Board of Director's meeting held on February 2, 2021 for the issuance of 101,100 thousand ordinary shares at a price of \$8.19 per share under private placement, with par value of \$10 per share, amounting to \$1,011,000. The date of capital injection was February 17, 2021 and relevant statutory registration procedures have been completed on March 15, 2021.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43(8) under the Securities and Exchange Act. The application of these shares to be traded on the Taiwan Stock Exchange is in accordance with the said section where the shares should be elapsed after a three year period from the delivery date of the private placement securities before applying for a public offering with the Financial Supervisory Commission.

(ii) Capital surplus

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding. The capital reserve transferred from the paid-in capital in excess of par value shall be capitalized in the subsequent year after such capital reserve has been authorized for registration by the regulator.

(iii) Retained earnings

1) Legal reserve

According to the R.O.C. Company Act, 10 percent of the net profit shall be allocated as legal reserve until the accumulated legal reserve equals the paid-in capital. When a company incurs no loss and the legal reserve has exceeded 25% of the Company paid-in capital, the excess may, pursuant to a resolution reached in a shareholders' meeting, be used to increase the common stock or be distributed as cash dividends.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Special reserve

In accordance with Rule 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 appropriated from current and prior-year earnings. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the IFRS first time adoption. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distribution.

The Company chose to apply the exemption under IFRS 1 at its initial adoption of IFRSs. Any unrealized revaluation surplus, accumulated translation adjustment, and increasing amount incurred from adopting the fair value as cost for the assets classified as investment property at the transition date, are classified to retained earnings at the amount of \$XXX. The Company shall allocate the same amount in special reserve in accordance with the requirements issued by the Financial Supervisory Commission. When there is any subsequent use, disposal, or reclassification of the relevant assets, the Company may reverse and proportionately appropriate the earnings distribution originally allocated to special reserve.

3) Distribution of earnings and dividend policy

In accordance with the Company articles of incorporation, if there are earnings at year end, 10 percent should be set aside as legal reserve and special earnings reserve or reversal according to the Securities and Exchange Act and the Company operations after the payment of income tax and offsetting accumulated losses from prior years. The remaining portion will be combined with earnings from prior years, and the Board of Directors can propose methods of distribution to be approved by the shareholders' meeting.

Cash dividends, however, shall account for at least 10 percent of every distribution. Cash dividends, however, shall account for at least 10 percent of every distribution.

The Company incurred loss in the years ended December, 31, 2021 and 2020, hence there was no distributable earning. The related information mentioned above can be found on websites such as the Market Observation Post System.

On February 22, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	2022	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders		
Cash	\$ 0.22	<u>72,771</u>

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(q) Earnings (loss) per share

(i) Basic earnings per share

The Company's basic earnings (loss) per share were calculated as follows:

	<u>2022</u>	<u>2021</u>
Basic earnings (loss) per share (in New Taiwan Dollars)		
Net profit (loss) attributable to ordinary shareholders of the Company	<u>\$ 94,973</u>	<u>390,653</u>
Weighted-average number of ordinary shares outstanding (in thousand shares)	<u>330,780</u>	<u>317,762</u>
Basic earnings (loss) per share (in New Taiwan Dollars)	<u>\$ 0.29</u>	<u>1.23</u>

(ii) Diluted earnings per share

	<u>2022</u>	<u>2021</u>
Basic earnings (loss) per share (in New Taiwan Dollars)		
Net profit attributable to ordinary shareholders of the Company	<u>\$ 94,973</u>	<u>390,653</u>
Weighted-average number of ordinary shares outstanding (in thousand shares)	<u>330,780</u>	<u>317,762</u>
Effect of dilutive potential ordinary shares employees' bonuses	<u>231</u>	<u>-</u>
Weighted average number of ordinary shares outstanding (in thousand shares)	<u>331,011</u>	<u>317,762</u>
Diluted earnings per share (in New Taiwan Dollars)	<u>\$ 0.29</u>	<u>1.23</u>

During 2022, the Company was not impacted by the effects of dilutive potential ordinary shares.

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2022</u>	<u>2021</u>
Main Market:		
Asia	\$ 1,967,751	1,403,348
Europe	604,170	613,435
United States	540,851	298,762
Other	266,345	176,362
	<u>\$ 3,379,117</u>	<u>2,491,907</u>

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>2022</u>	<u>2021</u>
Major product:		
Wired communication products	\$ 2,620,235	1,499,620
Wireless communication products	688,792	793,158
Repairs and maintenance revenues and others	70,090	199,129
	<u>\$ 3,379,117</u>	<u>2,491,907</u>

(ii) Contract balance

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Notes and trade receivables	\$ 1,074,532	461,737	944,548
Less: loss allowance	-	(120)	(120)
	<u>\$ 1,074,532</u>	<u>461,617</u>	<u>944,428</u>

For details on notes and trade receivables and the impairment thereof, please refer to Note 6(d).

(s) Remuneration to employees and directors

In accordance with the Articles of incorporation, the Company should contribute 3 to 10 percent of the profit as employee remuneration, and less than 2 percent as directors' remuneration when there is profit for the year. However, if the Company has accumulated losses, the profit should be reserved to offset the losses. The recipients of shares and cash may include the employees of the affiliated companies who meet certain conditions stipulated by the Board of directors.

The Company incurred net loss before tax in the years ended December 31, 2021, and thus, the Company was not required to accrue any remuneration to its employees and directors.

(t) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

For the years ended December 31, 2022 and 2021, the amount of sales to customers that contributed over 10% of the Group's operating revenue occupied 88% and 78% of the Group's total sales revenue, respectively. As of December 31, 2022 and 2021, the notes and trade receivables due from these customers accounted for 92% and 82% of the Group's total notes and trade receivables, respectively, exposing the Group to significant concentration of credit risk. The Group's credit risk management policy is detailed in Note 6(u).

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The followings are the contractual maturities of financial liabilities, excluding the impact of estimated interest payments.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year</u>	<u>1-2 years</u>	<u>Over 2 years</u>
December 31, 2022					
Non-derivative financial liabilities					
Trade payables	\$ 1,085,405	(1,085,405)	(1,085,405)	-	-
Other payables	213,200	(213,200)	(213,200)	-	-
Long-term borrowings	887,335	(984,072)	(129,627)	(135,785)	(718,660)
Lease liabilities (including current and non-current)	72,100	(73,535)	(20,257)	(20,257)	(33,021)
	<u>\$ 2,258,040</u>	<u>(2,356,212)</u>	<u>(1,448,489)</u>	<u>(156,042)</u>	<u>(751,681)</u>
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 92,340	(92,458)	(92,458)	-	-
Trade payables	520,799	(520,799)	(520,799)	-	-
Other payables	207,222	(207,222)	(207,222)	-	-
Long-term borrowings	952,453	(1,060,625)	(45,164)	(83,480)	(931,981)
Lease liabilities (including current and non-current)	110,224	(113,022)	(24,219)	(24,219)	(64,584)
Derivative financial liabilities					
Foreign currency forward contracts	298				
Outflow	-	(55,610)	(55,610)	-	-
Inflow	-	55,312	55,312	-	-
	<u>\$ 1,883,236</u>	<u>(1,994,424)</u>	<u>(890,160)</u>	<u>(107,699)</u>	<u>(996,565)</u>

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

(iii) Market risk

1) Currency risk

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

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Unit: foreign currency in thousands

			December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	NTD			Foreign currency	Exchange rate	NTD
Financial assets								
Monetary items								
USD	\$	49,920 USD/NTD =30.665	1,530,797			25,013 USD/NTD =27.685		692,485
USD		7,170 USD/CNY =6.9637	217,992			8,707 USD/CNY =6.372		239,955
CNY		4,268 CNY/NTD =4.366	18,634			156 CNY/NTD =4.325		675
Financial liabilities								
Monetary items								
USD		28,403 USD/NTD =30.665	870,978			20,321 USD/NTD =27.685		562,587
USD		178 USD/CNY =6.9637	5,412			437 USD/CNY =6.372		12,043
CNY		19,741 CNY/NTD =4.366	86,189			6,812 CNY/NTD =4.325		29,462

The Group's exposure to foreign currency risk mainly arose from the translation of cash and cash equivalents, trade receivables (including related parties), other receivables, other current financial assets, long-term and short-term borrowings, trade payables (including related parties), and other payables denominated in foreign currency. Depreciation or appreciation of the USD against the NTD or the USD against CNY by 5%, as of December 31, 2022 and 2021, with all other variables remained constant, would have increased or decreased the net loss before tax for the years then ended as follows:

Unit: foreign currency in thousands

	2022	2021
USD (against the NTD)		
Appreciation 5%	\$ 32,991	6,495
Depreciation 5%	(32,991)	(6,495)
USD (against the CNY)		
Appreciation 5%	10,629	11,396
Depreciation 5%	(10,629)	(11,396)
CNY (against the NTD)		
Appreciation 5%	(3,378)	(1,439)
Depreciation 5%	3,378	1,439

Since the Group uses multiple functional currencies, the amounts for foreign currency gain or loss are consolidated for presentation. For years 2022 and 2021, the foreign currency gain (loss), including realized and unrealized, amounted to \$100,794 and \$(8,150), respectively.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Interest rate analysis

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

	<u>Carrying amount</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fixed rate instruments:		
Financial assets	<u>\$ 933,504</u>	<u>1,214,551</u>
Variable rate instruments:		
Financial assets	\$ 570,727	470,955
Financial liabilities	(887,335)	(1,044,793)
	<u>\$ (316,608)</u>	<u>(573,838)</u>

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

If the interest rate had increased or decreased by 0.25%, with all other variable factors remaining constant, the Group's net loss would have increased or decreased by \$792 and \$1,435 for 2022 and 2021, respectively. The basis of analysis was the same for both years, mainly due to the Group's borrowings and demand deposits at variable interest rates.

3) Other price risk

The sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the other comprehensive income as illustrated below:

	<u>2022</u>		<u>2021</u>	
	<u>Other comprehensive income, before tax</u>	<u>Profit or loss before tax</u>	<u>Other comprehensive income, before tax</u>	<u>Profit or loss before tax</u>
5% increase	<u>\$ 4,035</u>	-	<u>5,162</u>	-
5% decrease	<u>\$ (4,035)</u>	-	<u>(5,162)</u>	-

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

The Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income were measured at fair value on a recurring basis. The carrying amount and fair value of financial assets and liabilities (including information on the fair value hierarchy, but excluding the optional information on financial instruments whose fair values approximate their carrying amounts and lease liabilities) were as follows:

	December 31, 2022				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Domestic listed stocks	\$ 80,696	80,696	-	-	80,696
Financial assets at amortized cost					
Cash and cash equivalents	1,486,260	-	-	-	-
Notes and trade receivables (including related parties)	1,074,532	-	-	-	-
Other receivables (including related parties)	56,831	-	-	-	-
Refundable deposits	5,757	-	-	-	-
Other non-current assets (restricted time deposits)	21,466	-	-	-	-
Subtotal	2,644,846				
	<u>\$ 2,725,542</u>				
Financial liabilities at amortized cost:					
Secured bank loans	\$ 887,335	-	-	-	-
Trade payables	1,085,405	-	-	-	-
Other payables	213,200	-	-	-	-
Lease liabilities (including current and non-current)	72,100	-	-	-	-
	<u>\$ 2,258,040</u>				

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Carrying amount	December 31, 2021			
		Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Domestic listed stocks	\$ 103,247	103,247	-	-	103,247
Financial assets at amortized cost					
Cash and cash equivalents	1,658,832	-	-	-	-
Notes and trade receivables (including related parties)	461,617	-	-	-	-
Other receivables (including related parties)	271,449	-	-	-	-
Refundable deposits	6,599	-	-	-	-
Other non-current assets (restricted time deposits)	30,000	-	-	-	-
Subtotal	2,428,497				
	<u><u>\$ 2,531,744</u></u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	\$ 298	-	298	-	298
Financial liabilities at amortized cost:					
Unsecured bank loans	\$ 92,340	-	-	-	-
Secured bank loans	952,453	-	-	-	-
Trade payables	520,799	-	-	-	-
Other payables	207,222	-	-	-	-
Lease liabilities (including current and non-current)	110,224	-	-	-	-
Other non-current liabilities (refundable deposits)	283	-	-	-	-
	<u><u>\$ 1,883,619</u></u>				

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 2) Fair value valuation technique of financial instruments not measured at fair value

The Group's management considered that the disclosed carrying amounts of financial assets and financial liabilities measured at amortized cost approximated their fair values.

- 3) Fair value valuation technique of financial instruments measured at fair value

- a) Non-derivative financial instruments

Fair value measurement of financial instruments was based on quoted market prices if these prices were available in an active market. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange was the basis of determining the fair value of the listed companies' equity instrument, and debt instrument that has the quoted price in an active market.

- b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

The fair value of derivative instruments is based on quoted prices. The fair value of derivative financial instruments is estimated using a valuation technique, with estimates and assumptions based on the quotation information obtained from financial institutions, or the binomial pricing model widely accepted by market participants.

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

(u) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

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

This note expressed the information on risk exposure and objectives, policies and process of risk measurement and management of the Group. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Structure of risk management

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

The Group's internal auditor oversaw how management monitored the risks that should have been in compliance with the Group's risk management policies and procedures, and reviewed the adequacy of the risk management framework in relation to the risks faced by the Group. Internal auditor undertook both regular and ad hoc reviews of risk management controls and procedures, and the results of which were reported to the Board of Directors.

(iii) Credit risk

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

1) Trade receivables and other receivables

Management has established a credit policy, under which each new customer would be analyzed individually for creditworthiness before the Group's standard payment, delivery terms, and conditions are offered. The Group's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, and are reviewed periodically. The limits were reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

In order to reduce the credit risk for these Trade receivables, the Group continues to evaluate the financial position of these customers and request for collaterals when necessary. Furthermore, the Group monitors and reviews the recoverable amount of the trade receivables and loss allowance for doubtful debts, with the amounts of loss expected by management.

The Group has established an allowance account for bad debts that reflects its estimate on incurred losses in respect of trade receivables and other receivables. This allowance mainly comprises a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. This allowance for the loss component is determined based on historical payment statistics of similar financial assets.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Investments

The credit risks exposure in the bank deposits and other financial instruments were measured and monitored by the Group's finance department. Since the Group's transaction counterparties and the contractually obligated counterparties are banks and corporate organizations with good credits, there are no compliance issues, and therefore, no significant credit risk. As management actively monitors credit ratings and the Group can only invest in securities with high quality credit ratings, management does not expect any trading counterparty to be unable to fulfill its obligations.

3) Guarantees

The Group's policy is to provide financial guarantees only for subsidiaries with over 50% of their voting shares held by the Group. Please refer to Note 13(a) for details of endorsements and guarantees provided by the Group for subsidiaries as of December 31, 2022 and 2021.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

Bank loans are an important source of liquidity for the Group. As of December 31, 2022 and 2021, the Group's unused short-term credit lines were \$797,980 and \$722,240, respectively.

(v) Market risk

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

1) Currency risk

The Group is exposed to currency risk for sales, purchases, and borrowings denominated in a currency other than the functional currencies of the Group entities. The primary functional currencies of the Group entities are denominated in NT dollars, and there is also Renminbi.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates and trading derivatives when necessary, to address short-term imbalances.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Interest rate risk

The Group borrowed funding at variable interest rates, which gave rise to cash flow risk.

3) Other market price risks

The Group is exposed to equity price risk due to the investments in listed equity securities.

(v) Capital management

Through clear understanding and managing of significant changes in external environment, related industry characteristics, and corporate growth plan, the Group manages its capital structure to ensure it has sufficient financial resources to sustain proper liquidity, to invest in capital expenditures and research and development expenses, to repay debts and to distribute dividends in accordance to its plan. Management used the appropriate net debt/equity ratio to determine the most adequate capital structure of the Group. The Group aims to enhance the returns of its shareholders through achieving an optimized debt-to-equity ratio from time to time. The Group's liability-to-equity ratios at the end of each reporting period were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 2,369,653	2,126,674
Less: Cash and cash equivalents	1,486,260	1,658,832
Net liabilities (assets)	<u>\$ 883,393</u>	<u>467,842</u>
Total equity	<u>\$ 3,233,958</u>	<u>3,130,351</u>
Net liability-to-equity ratio	<u>27%</u>	<u>15%</u>

The net debt-to-equity ratio increased as of December 31, 2022, mainly due to the increase in accounts payable due to the end of the year with customer orders, adding materials, and the period of use.

(w) Investing and financial activities not affecting current cash flow

The non-cash transactions for investing and financing activities of the Group were as follows:

(i) For right-of-use assets under leases, please refer to note 6(h).

(ii) Reconciliation of liabilities arising from financing activities was as follows:

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	January 1, 2022	Cash Flow	Non-cash changes Increase	Non-cash changes lease modification	December 31, 2022
Short-term borrowings	\$ 92,340	(92,340)	-	-	-
Long-term borrowings	952,453	(65,118)	-	-	887,335
Lease liabilities	110,224	(22,175)	1,309	(17,258)	72,100
Other non-current liabilities	283	(283)	-	-	-
Total amount of liabilities arising from financing activities	<u>\$ 1,155,300</u>	<u>(179,916)</u>	<u>1,309</u>	<u>(17,258)</u>	<u>959,435</u>

	January 1, 2021	Cash Flow	Non-cash changes Lease modifications	December 31, 2021
Short-term borrowings	\$ 540,720	(448,380)	-	92,340
Long-term borrowings	1,089,199	(136,746)	-	952,453
Lease liabilities	17,200	(24,867)	117,891	110,224
Other non-current liabilities	43	240	-	283
Total amount of liabilities arising from financing activities	<u>\$ 1,647,162</u>	<u>(609,753)</u>	<u>117,891</u>	<u>1,155,300</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Company
D-Link Corporation	An individual with significant influence on the Company
D-Link International Pte Ltd. (D-Link International)	Subsidiary of D-Link Corporation
TeamF1 Networks Private Limited (TeamF1 India)	Subsidiary of D-Link Corporation
D-Link (Shanghai) Co., Ltd.	Subsidiary of D-Link Corporation
Amigo Technology Inc.	Other related parties
Young Syun Investment Co., Ltd.	The company director of the company
All Directors, general manager, and deputy general manager	Key management personnel

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Note) D-Link Corporation was originally a legal person director of the Company, and since March 2021, D-Link Corporation has owned shares The Company's shareholding in the Company was changed from 17.35% to 41.57%, and it was changed to an individual with significant influence on the group.

(b) Significant transactions with related parties

(i) Sales to related parties

The amounts of significant sales by the Group to related parties and the outstanding balances are as follows:

	Sales		Trade receivables due from related parties	
	2022	2021	December 31, 2022	December 31, 2021
D-Link International	\$ 12,721	1,028,360	-	173,837
D-link Corporation	1,433,533	14,496	452,538	3,775
D-Link (Shanghai)	182,255	-	91,775	-
Amigo	44,200	-	8,860	-
	<u>\$ 1,672,709</u>	<u>1,042,856</u>	<u>553,173</u>	<u>177,612</u>

The collection period of goods sold by the Group to related parties was mainly 90 days after delivery and might be extended if necessary. For most third parties, the collection period was open account 60 days. The price for sales to the above related parties was determined by general market conditions and adjusted by considering the geographic sales area and sales volumes.

(ii) Payment to related parties

Miscellaneous expenses paid to related parties and the outstanding balances were as follows:

	Miscellaneous expenses		Other payables	
	2022	2021	December 31, 2022	December 31, 2021
D-Link Corporation	\$ 803	265	-	-
Other related parties	-	78	-	-
TeamF1 India	12,316	-	908	-
	<u>\$ 13,119</u>	<u>343</u>	<u>908</u>	<u>-</u>

(iii) Received from related parties

Advances received by the Group from related parties netting to operation expense are set out below:

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Miscellaneous income		Other receivables	
	2022	2021	December 31, 2022	December 31, 2021
D-Link Corporation	\$ 8,278	15,517	1,864	4,752
D-Link International	160	4,185	25	177
Amigo	2,652	-	-	-
	\$ 11,090	19,702	1,889	4,929

(iv) Borrowings from Related Parties

The Company's non-interest-bearing borrowing of funds from related parties in 2022 and 2021,

	Highest balance of financing to other parties during the period December 31, 2022	Interest Expense 2022
Young Syun	\$ 100,000	480

The interest rate of capital financing interconnection is 1%, and the consolidated company does not provide collateral, as of December 31, 2022, it has been fully repaid, and has not borrowed money from related persons in 2021.

(v) Leases

Since November 1, 2021, the Company has leased part of the Tainan plant to its related parties D-Link Corporation, and the rent has been collected monthly, and the rental income for the 2021 and 2022 is 2,371 and 375 respectively, and the relevant amounts have been recovered as of December 31, 2022.

(vi) Guarantees

As of December 31, 2022 and 2021, the Group's endorsement and guarantee amounts for subsidiaries' bank loans were as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	\$ -	138,425

(c) Key management personnel transactions

Key management personnel's compensation comprised:

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 16,560	30,397
Post-employment benefits	171	844
	<u>\$ 16,731</u>	<u>31,241</u>

(8) Pledged assets:

The carrying amounts of the assets which the Group pledged as collateral were as follows:

<u>Asset Name</u>	<u>Pledged to secure</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other non-current assets —			
restricted time deposits	Payment guarantee for suppliers	\$ 21,466	30,000
Property, plant, and equipment —			
land	Long-term bank loans	346,639	346,639
Property, plant, and equipment —			
buildings and construction	Long-term bank loans	960,143	991,116
		<u>\$ 1,328,248</u>	<u>1,367,755</u>

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other:

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

	By function	For the years ended December 31					
		2022			2021		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
By item							
Employee benefits							
Salary		201,623	217,191	418,814	245,435	429,494	674,929
Labor and health insurance		19,350	18,094	37,444	24,130	24,829	48,959
Pension		7,939	12,462	20,401	11,250	13,293	24,543
Others		23,170	11,662	34,832	30,465	17,085	47,550
Depreciation		101,206	32,589	133,795	123,640	52,961	176,601
Amortization		1,943	4,992	6,935	3,450	9,230	12,680

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (b) On July 30, 2021, by resolution of the Board of Directors of the Company's subsidiaries, NETTECH TECHNOLOGY (SUZHOU) CO., LTD permanently suspended production from September, 2021 and only some of the administrative staff were left to deal with the subsequent closure of the factory, and the same day published an announcement to employees on the termination of production and operation and the anticipated layoff of employee relocation, and the related severance pay and social security expenditures were about 95,518 (CNY 22,239 thousand). Under the accounting for administrative expenses, it is expected that related personnel expenses will be saved and operational performance will be improved in the future. Please refer to Note 6(g) for details.

(13) Other disclosures:

- (a) Information on significant transactions:

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

- (i) Loans to other parties:

Units: foreign currency in thousands

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 4)	Maximum limit of fund financing (Note 4)
													Item	Value		
1	Perfect choice Co., Ltd.	The Company	Other receivables	Yes	315,338	8,688	-	-	2	-	Working capital for parent	-		-	166,779	166,779
	"	Huge Castle Ltd	"	"	17,888	8,688	-	-	"	-	Working capital for parent	-		-	166,779	166,779
2	Luis Jo'se Investment s Inc.	Huge Castle Ltd	"	"	8,688	8,688	-	-	"	-	Working capital for parent	-		-	16,782	16,782
3	Qianjin Investment Co., Ltd	The Company	"	"	38,000	38,000	38,000	1.105%	"	-	Working capital for parent	-		-	48,477	48,477

Note 1: The numbering is as follows:

- (i) "0" represents the Company
(ii) Subsidiaries are numbered starting from "1".

Note 2: The highest balance for the period was calculated based on the exchange rate of December 31, 2022.

Note 3: 1 represents a trading counterparty; 2 indicates the necessity of short-term financing.

Note 4: According to each subsidiary's "Procedures for Loans to Other Parties", for other companies or entities having short-term financing needs, the amount of loan to a single entity shall not exceed 40% of the net worth reported in the latest financial statements as of December 31, 2022. For subsidiaries whose voting shares are 100% owned, directly or indirectly, by the parent company, or for the loans between subsidiaries, the preceding limit does not apply; however, the total amount of loans shall not exceed 40% of the net worth reported in the latest financial statements as of December 31, 2022.

- (ii) Guarantees and endorsements for other parties:

Units: foreign currency in thousands

No. (Note 1)	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CAMEO International Ltd.	Subsidiary	3,307,792 (Note 2)	153,325	-	-	-	%	3,307,792	Y	N	N

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 1: The numbering is as follows:

(i) "0" represents the Company

(ii) Subsidiaries are numbered starting from "1" .

Note 2: The Company's endorsement/guarantee provided for the affiliates shall not exceed the paid-in capital (\$3,307,792) reported in the latest financial statements as of December 31, 2022, and the endorsement/guarantee provided for a single non-affiliated entity shall not exceed one tenth of the capital (\$330,779) reported in the latest financial statements as of December 31, 2022.

Note 3: The maximum endorsement/guarantee balance for the period was calculated based on the exchange rate for December 31, 2022.

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

Units: in thousands shares

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Harvatek Corporation	None	Financial assets at fair value through profit or loss	6,000	-	14.46%	-	14.46%	(Note 1)
"	Stock-Covia Inc.	"	Financial assets at fair value through profit or loss	0.4	-	5.40%	-	5.40%	(Note 2)
Qianjin Investment Co., Ltd.	D-Link Corporation	The company director of the Company	Financial assets at fair value through other comprehensive income	5,434	80,696	0.91%	80,696	0.91%	

Note 1: Harvatek Corporation has been delisted since October 27, 2008, and the initial investment cost of it amounting to \$60,000 has been fully recognized as loss by the Company.

Note 2: The investment in Covia Inc. investment valued at impairment loss amounting to \$13,211, and the impairment loss has been fully recognized by the Company.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Trade receivables (payables)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/trade receivables (payables)	
The Company	D Link Corporation	An individual with significant influence on the Company	Sale	(1,443,533)	(42)%	90 days after delivery	Note1	Note1	Trade receivables 452,538	42%	
"	D-Link Shiang-Hai	Subsidiary of D-link Corporation	Sale	(182,255)	(5)%	90 days after delivery	-		Trade payables 91,775	9%	

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note1: The collection period of goods sold by the Group to related parties was mainly 90 days after delivery and might be extended if necessary. For most third parties, the collection period was open account 60 days. The price for sales to the above related parties was determined by general market conditions and adjusted by considering the geographic sales area and sales volumes.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Units: in thousands shares

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Remark
					Amount	Action taken			
The Company	D Link Corporation	An individual with significant influence on the Company	Trade receivables 452,538	4.58	-		96,730	-	

Note 1: Information as of February 13, 2023.

- (ix) Trading in derivative instruments: Please refer to 6(b).

- (x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Qianjin Investment Co., Ltd	1	Other payables	38,000	Within one year subject to availability of funds	1%
1	Perfect Choice Co Ltd.	Suzhou Soarnex Technology Co., Ltd	3	Research and development expenses	46,829 (CNY10,649)	Not significantly different from the payment to ordinary vendors	1.00%
2	Qianjin Investment Co., Ltd	The Company	2	Other receivables	38,000	Within one year subject to availability of funds	1.00%
3	Suzhou Soarnex Technology Co., Ltd	Perfect Choice Co Ltd.	3	Sales	46,829 (CNY10,649)	Not significantly different from the payment to ordinary customers	1%

Note 1: Parties to the intercompany transactions are identified and numbered as follows:

- (i) "0" represents the Company
(ii) Subsidiaries are numbered starting from "1" .

Note 2: Categories of relationship are as below:

- 1 represents parent to subsidiary
2 represents subsidiary to parent
3 represents subsidiary to subsidiary

Note 3: The aforementioned intercompany transactions have been eliminated in the consolidated financial statements.

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Information on investees:

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

Unit: in thousands shares

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Huge Castle Ltd.	Samoa	Investment holding	515,592	1,162,507	16,398	100.00%	565,756	100.00%	20,463	20,463	Note1
"	Qianjin Investment Co., Ltd.	Taiwan	Investment holding	270,000	270,000	27,000	100.00%	121,194	100.00%	1,665	1,665	"
Less: Unrealized profits (losses) of affiliates								(78)				
								686,872			22,128	

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value				
Qianjin Investment Co., Ltd.	Soarnex Holding Co., Ltd.	Taiwan	International trade	24,000	24,000	2,400	100.00%	2,134	100.00%	(106)	(106)	Note2
Soarnex Technology Corporation	Soarnex holding Co., Ltd.	Samoa	Investment holding	0.03	0.03	0.001	100.00%	-	100.00%	-	-	Note1
Huge Castle Ltd.	Perfect Choice Co., Ltd.	Mauritius	Investment holding and trading	141,739	788,294	500	100.00%	416,948	100.00%	(6,400)	(6,400)	"
"	Luis Jo'se Investments Inc.	The British Virgin Islands	Investment holding	43,673	43,673	1,362	100.00%	41,955	100.00%	8,371	8,371	"
"	CAMEO International Ltd.	Samoa	Import and export trade	0.03	0.03	0.001	100.00%	4,334	100.00%	210	210	Note1 and 3

Note1 : The transactions on the left has already been eliminated in the consolidated financial statements.

Note2:SOARNEX TECHNOLOGY CORPORATION was dissolved by a resolution of the board of directors on August 9, 2022, and obtained the approval letter of the Taipei City Government on August 15, 2022, and has begun the liquidation procedure. The liquidation procedure was completed in 2023.

Note3:CAMEO International Ltd. has been liquidated and cancelled by a resolution of the board of directors in January 2023, and the liquidation procedure has begun, and it is expected to complete the liquidation in 2023.

(c) Information on investment in mainland China:

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

Unit: foreign currency in thousands

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Accumulated remittance earnings as in current period	Note
					Outflow	Inflow								
Cameo Technology Development and (Shenzhen) Co., Ltd.	R&D for communication technology products	- (USD-)	Indirect investments in Mainland China through companies registered in a third region.	17,175 (USD500)	-	-	17,175 (USD500)	-	-	-%	NA	(Note 3)	-	(Note 3)
NETTECH TECHNOLOGY (SUZHOU) CO., LTD	Production, processing, and sale of electronic communication equipment	79,496 (USD2,714)	"	788,294 (USD24,653)	-	646,555 (USD22,000)	141,739 (USD2,653)	30,136	100	100%	30,136	381,747	271,678 (USD9,003)	(Notes 2、7、8、9、10 and 11)
WIDE VIEW TECHNOLOGY INC.	R&D, production, and sale of electronic components	- (USD-)	"	20,923 (USD663)	-	-	20,923 (USD663)	N/A	-	-%	NA	(Note 4)	-	(Note 4)
Suzhou Soarnex Technology Co., Ltd	Software development and software services for computer information systems	22,064 (CNY5,000)	"	-	-	-	-	7,599	100	100%	7,599	24,392	-	(Notes 2 and 5)

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
179,837 (US\$3,816)	193,022 (US\$4,261)	1,940,375

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Note 1: The investment limit in Mainland China was calculated based on the official document No.006130 announced by the MOEAIC on November 16, 2001.
- Note 2: The investment income (loss) were based on the financial statements audited by the Company's accountants and was accounted for using the equity method.
- Note 3: Cameo Technolog Developement (Shenzhen) Co., Ltd. completed its liquidation and in March 2012, and the payment for shares of US\$177 thousand, was refunded to Huge Castle Ltd on November 28, 2013 with the approval of the Investment Commission, Ministry of Economic Affairs.
- Note 4: WIDE VIEW TECHNOLOGY INC. completed its liquidation in September 2018, and the payment for shares of US\$740 thousand, was refunded to Luis Jo'se Investment Inc. on September 4, 2018 with the approval of the Investment Commission, Ministry of Economic Affairs.
- Note 5: It was an investment by NETTECH TECHNOLOGY (SUZHOU) CO., LTD based in Mainland China through self-funding. In August 2019, NETTECH TECHNOLOGY transferred 100% of the shareholdings to Luis Jo'se Investment.
- Note 6: The transaction on the left has already been eliminated in the consolidated financial statements.
- Note 7: A resolution was passed in NETTECH TECHNOLOGY (SUZHOU) CO., LTD 's meeting of board of Director on December 8 2020, and reduced its capital and the payment for shares of US\$25,000 thousand, with reduction ratios of 90.20%. The relevant statutory registration procedures have been completed on February 11, 2022, was repaid to Perfect Choice Co., Ltd. On February 21, 2022.
- Note 8: A resolution was passed in Perfect Choice Co., Ltd. 's meeting of board of Director on April 29 2022, and reduced its capital and the payment for shares of US\$22,000 thousand, with reduction ratios of 81.48%. The base date of the capital reduction was April 29, 2022, was repaid to Huge Castle Ltd. On June 22, 2022.
- Note 9: A resolution was passed in Huge Castle Ltd. 's meeting of board of Director on March 16 2022, and reduced its capital and the payment for shares of US\$22,000 thousand, with reduction ratios of 57.30%. The base date of the capital reduction was June 8, 2022, was repaid to the Company On June 23, 2022, which was approved by the Investment Review Committee of the Ministry of Economic Affairs on July 5, 2022.
- Note 10: NETTECH TECHNOLOGY (SUZHOU) CO., LTD handled the repatriation of a surplus of US\$13,219 thousand to Perfect Choice Co., Ltd. in the third quarter of 2022; Perfect Choice Co., Ltd. repatriated a surplus of US\$13,057 to Huge Castle Ltd. in the third quarter of the 2022 ; Huge Castle Ltd. remitted a surplus of \$271,678 thousand (US\$9,003 thousand) to the Company on September 2, 2022, and the investment income repatriated to Taiwan was \$271,678 thousand (US\$9,003 thousand) in 2022.
- Note 11: NETTECH TECHNOLOGY (SUZHOU) CO., LTD has been liquidated and cancelled by a resolution of the board of directors in November 2022, and the liquidation procedure has begun, and it is expected to complete the liquidation in 2023.

(iii) Significant transactions:

The significant inter-company transactions with investees in Mainland China for the year ended 2022, direct or indirect, are disclosed in "Information on significant transactions" .

CAMEO COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Major shareholders:

Unit: Share

Shareholder' s Name	Shareholding	Shares	Percentage
D-Link Corporation		137,532,993	41.57%

(14) Segment information:

(a) General information

The Group allocates resources, and measures operating performance based on regular reviews made by chief operating decision makers. The Group is a single operating segment primarily engaged in the manufacture, processing, and trading of network system equipment and the components thereof. The disclosure of income (loss), assets, and liabilities is consistent with the preparation of the consolidated financial statements. Accounting policies for the operating segments correspond to those stated in Note 4.

(b) Information on products and services

Item	2022	2021
Wired communications products	\$ 2,620,235	1,499,620
Wireless communications products	688,792	793,158
Repairs and maintenance revenues and others	70,090	199,129
	\$ 3,379,117	2,491,907

(c) Geographic information

Segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Geographic information	2022	2021
Asia	\$ 1,967,751	1,405,774
Europe	604,170	613,435
United States	540,851	298,762
Other	266,345	173,936
	\$ 3,379,117	2,491,907

Non-current assets:

Geographic information	2022	2021
Taiwan	\$ 1,543,153	1,711,902
Mainland China	2,278	4,548
	\$ 1,545,431	1,716,450

Non-current assets include property, plant and equipment, intangible assets, other non-current assets, and refundable deposits paid, excluding financial instruments, net defined benefit assets, and deferred tax assets.

(d) Major customers

	2022		2021	
	Amount	Percentage of total consolidated revenue(%)	Amount	Percentage of total consolidated revenue(%)
KK	\$ 1,628,510	48	1,042,856	42
EE	531,185	16	604,980	24
PP	488,622	14	304,909	12
TR	341,697	10	218,873	8
	<u>\$ 2,990,014</u>	<u>88</u>	<u>1,952,745</u>	<u>86</u>