

**PLANET TECHNOLOGY CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
AND INDEPENDENT AUDITORS' REPORT**

**Address: 8F, No. 96, Minquan Rd., Xindian Dist., New Taipei City,
Taiwan, R.O.C.**

Phone : (886-2) 2219-9518

REPRESENTATION LETTER

The Companies that are required to be included in the consolidated financial statements of affiliates of Planet Technology Corporation 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 the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Planet Technology Corporation and Subsidiaries do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

PLANET TECHNOLOGY CORPORATION

By CHING-KANG, CHEN

Chairman

February 23 , 2023

INDEPENDENT AUDITORS' REPORT

NO.10711110CEA

To PLANET Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Planet Technology Corporation and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and the 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 Company 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 the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Revenue recognition

Refer to Note 4(14) “for accounting policies on recognition of operating revenue” to the consolidated financial statements.

The sales revenue of the Group is mainly from exports, accounting for more than 97% of the total revenue. The Group recognizes performance obligations according to transaction conditions, and recognizes the sales revenue at the time the control of goods is transferred to the buyer. Therefore, the timing of revenue recognition has a significant impact on the financial statements, and the revenue is an important indicator reflecting the Group's operating conditions. As the recognition of export revenues involves contract review and complex operations, the certified public accountant considers that the cut-off time for the audit of export revenues of the Group is one of the most important items in this year's audit.

The certified public accountant's main responding procedures for the key audit matters above are as follows:

1. Confirm the appropriateness of the timing for revenue recognition and the integrity of relevant internal control of the Group by testing the control points of internal control for sales revenue.
2. Identify performance obligations according to customer contracts, and perform cut-off tests for sales revenue before and after the balance sheet date, including checking shipping documents and actual status of goods, checking the customs declaration system and confirming transaction conditions, so as to evaluate the correctness of revenue recognition timing.
3. In addition, carry out detailed tests and confirmation analysis procedures for the sales to key customers, in order to verify the recognition of revenue.

Valuation of Inventories

Refer to Note 4 (10) Inventory of the consolidated financial statements for details of the accounting policy concerning inventory evaluation, Note 5 (2) of the consolidated financial statements for uncertainties in the inventory valuation, and Note 9 amount of allowance for inventory valuation loss to the consolidated financial statements.

Inventory is measured by the lower of cost and net realizable value. When the net realizable value of inventory is lower than the cost, it is necessary to list the inventory price decline and the sluggish loss of goods. As the evaluation involves the management's major judgment, and the book value of inventory is significant to the overall financial statement, the evaluation of net realizable value of inventory is a key audit matters.

The rationality of the certified public accountant's verification of the net realizable value of inventory is as follows:

1. Understand and evaluate the effectiveness of the design and implementation of the internal control system for inventory, including the correctness of inventory age.

2. Evaluate the rationality of the inventory policy and check whether it has been implemented in accordance with the established accounting policies of the Group and whether it has been adopted consistently in the years before and after.
3. Review the inventory age report, analyze the changes of inventory age in each period, and verify the appropriateness of the Group's inventory age distinction and statistics.
4. Verify the rationality of the basic assumptions and data used in calculating the net realizable value.
5. Evaluate the rationality of outdated or damaged inventory items as identified by the management as well as the relevant supporting documents, and check them against the information obtained from inventory counts.
6. Assess the appropriateness of the management's disclosure of inventory measurement.

Other Matter

We have also audited the parent company only financial statements of Planet Technology Corporation 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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, (including members of 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 auditing Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 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.

Baker Tilly Clock & Co

Yung-Chi Lai , CPA

Hsin-Liang Wu ,CPA

February 23 , 2023

Notes to Readers

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

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

PLANET TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan Dollars)

ASSETS	NOTES	December 31,2022		December 31,2021	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	4,6	\$ 1,567,809	78	\$ 1,382,085	78
Current financial assets at fair value through profit or loss	4,7	10,811	1	10,758	1
Accounts receivable, net	4,5,8	109,390	5	106,436	6
Other receivables		9,490	1	7,365	—
Inventories	4,5,9	250,257	13	206,581	12
Prepayments		8,412	—	6,777	—
Other current assets		47	—	43	—
Total current assets		1,956,216	98	1,720,045	97
NON-CURRENT ASSETS					
Property, plant and equipment	4,10	10,255	1	8,029	1
Right-of-use assets	4,11	17,139	1	30,891	2
Intangible assets	4,12	2,327	—	2,791	—
Deferred tax assets	4,21	2,606	—	5,877	—
Prepayments for business facilities		64	—	833	—
Guarantee deposits paid		6,308	—	6,136	—
Total non-current assets		38,699	2	54,557	3
TOTAL		\$ 1,994,915	100	\$ 1,774,602	100

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

PLANET TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTES	December 31,2022		December 31,2021	
		Amount	%	Amount	%
CURRENT LIABILITIES					
Current contract liabilities	17	\$ 53,648	3	\$ 33,899	2
Notes payable	13	71,367	4	60,330	3
Accounts payable	13	106,841	5	91,079	5
Other payables	14	84,507	4	67,554	4
Current tax liabilities	4	104,547	5	78,123	5
Current lease liabilities	4,11	14,366	1	18,256	1
Other current liabilities		2,091	—	1,573	—
Total current liabilities		437,367	22	350,814	20
NON-CURRENT LIABILITIES					
Deferred tax liabilities	4,21	87	—	64	—
Non-current lease liabilities	4,11	2,640	—	12,717	1
Non-current net defined benefit liability	4,15	3,775	—	5,943	—
Total non-current liabilities		6,502	—	18,724	1
Total liabilities		443,869	22	369,538	21
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT					
Share capital	16	625,010	31	625,010	35
Ordinary share		625,010	31	625,010	35
Capital surplus	16	11,202	1	11,202	1
Retained earnings	16	914,834	46	768,852	43
Legal reserve		434,450	22	402,332	23
Unappropriated retained earnings		480,384	24	366,520	20
Total equity attributable to owners of parent		1,551,046	78	1,405,064	79
Total equity		1,551,046	78	1,405,064	79
TOTAL		\$ 1,994,915	100	\$ 1,774,602	100

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

PLANET TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan Dollars, Except Earnings Per Share)

Items	NOTES	2022		2021	
		Amount	%	Amount	%
OPERATING REVENUE	4,17	\$ 1,720,031	100	\$ 1,427,097	100
OPERATING COSTS	9	(994,453)	(58)	(857,807)	(60)
GROSS PROFIT		725,578	42	569,290	40
OPERATING EXPENSES					
Selling expenses		(73,929)	(4)	(64,901)	(4)
Administrative expenses		(50,582)	(3)	(41,951)	(3)
Research and development expenses		(87,513)	(5)	(79,629)	(6)
Total operating expenses		(212,024)	(12)	(186,481)	(13)
NET OPERATING INCOME		513,554	30	382,809	27
NON-OPERATING INCOME AND EXPENSES					
Interest income	18	10,594	1	5,405	—
Other income	19	6,540	—	8,180	1
Other gains and losses	20	6,504	—	(3,101)	—
Finance costs		(381)	—	(645)	—
Total non-operating income and expenses		23,257	1	9,839	1
PROFIT BEFORE TAX		536,811	31	392,648	28
TAX EXPENSE	4,21	(98,548)	(5)	(71,498)	(5)
PFOFIT		438,263	26	321,150	23
OTHER COMPREHENSIVE INCOME					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains on remeasurement of defined benefit plans	15	1,842	—	35	—
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	21	(368)	—	(7)	—
Other comprehensive income, net		1,474	—	28	—
TOTAL COMPREHENSIVE INCOME		\$ 439,737	26	\$ 321,178	23
PROFIT ATTRIBUTABLE TO :					
Owners of parent		\$ 438,263	26	\$ 321,150	23
Non-controlling interests		—	—	—	—
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :					
Owners of parent		\$ 439,737	26	\$ 321,178	23
Non-controlling interests		—	—	—	—
EARNINGS PER SHARE (in dollars)					
Basic earnings per share	22	\$ 7.01		\$ 5.14	
Diluted earnings per share	22	\$ 6.96		\$ 5.10	

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

PLANET TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Capital Stock	Capital surplus	Retained earnings		Subtotal		
			Legal reserve	Unappropriated earnings			
BALANCE, JANUARY 1, 2021	\$ 625,010	\$ 11,202	\$ 375,325	\$ 322,353	\$ 1,333,890	\$ —	\$ 1,333,890
Appropriations of prior year’s earnings							
Legal reserve	—	—	27,007	(27,007)	—	—	—
Cash dividends	—	—	—	(250,004)	(250,004)	—	(250,004)
Profit	—	—	—	321,150	321,150	—	321,150
Other comprehensive income	—	—	—	28	28	—	28
Total comprehensive income	—	—	—	321,178	321,178	—	321,178
BALANCE, JANUARY 1, 2022	625,010	11,202	402,332	366,520	1,405,064	—	1,405,064
Appropriations of prior year’s earnings							
Legal reserve	—	—	32,118	(32,118)	—	—	—
Cash dividends	—	—	—	(293,755)	(293,755)	—	(293,755)
Profit	—	—	—	438,263	438,263	—	438,263
Other comprehensive income	—	—	—	1,474	1,474	—	1,474
Total comprehensive income	—	—	—	439,737	439,737	—	439,737
BALANCE, DECEMBER 31, 2022	\$ 625,010	\$ 11,202	\$ 434,450	\$ 480,384	\$ 1,551,046	\$ —	\$ 1,551,046

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

PLANET TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED ON DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan Dollars)

Items	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 536,811	\$ 392,648
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	24,480	23,201
Amortization expense	1,459	1,636
Expected credit losses	12	—
Net gain on financial assets at fair value through profit or loss	(53)	(18)
Interest income	(10,594)	(5,405)
Interest expense	381	645
Gain on disposal of property, plant and equipment	(401)	(388)
Changes in operating assets and liabilities		
Notes receivable	—	46
Accounts receivable	(2,966)	(16,135)
Other receivables	(1,832)	(1,333)
Inventories	(43,676)	(13,442)
Prepayments	(1,635)	(934)
Other current assets	(4)	—
Contract liabilities	19,749	11,915
Notes payable	11,037	14,442
Accounts payable	15,762	11,514
Other payables	16,986	9,842
Other current liabilities	518	210
Net defined benefit liabilities	(326)	(357)
Cash inflow generated from operations	565,708	428,087
Interest paid	(381)	(645)
Income taxes paid	(69,198)	(57,308)
Net cash flows from operating activities	496,129	370,134
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(8,188)	(4,873)
Acquisition of Intangible Assets	(995)	(1,201)
Proceeds from disposal of property, plant and equipment	520	441
Decrease (Increase) in prepayments for business facilities	769	(824)
Increase in refundable deposits	(172)	(37)
Interest received	10,301	5,381
Net cash flows from (used in) investing activities	2,235	(1,113)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(293,755)	(250,004)
Payment of lease liabilities	(18,885)	(18,584)
Net cash used in financing activities	(312,640)	(268,588)
NET INCREASE IN CASH AND CASH EQUIVALENTS	185,724	100,433
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,382,085	1,281,652
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,567,809	\$ 1,382,085

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

PLANET TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Amounts in thousands of New Taiwan dollars, unless otherwise stated)

1. GENERAL

Planet Technology Corporation (collectively as “the Company”) was established in January 1993 in accordance with the Company Act and other relevant laws and regulations. The Company is mainly engaged in the business of import and export of computers and peripheral equipment, internet equipment and software, as well as research and development, manufacturing and trading. The Company's shares were publicly issued since July 2001 under the approval of the Securities and Futures Bureau of the Financial Supervisory Commission. Besides, the company's shares were approved over-the-counter by the Securities and Futures Bureau of Financial Supervisory Commission on June 13, 2003 and shares were listed as a general stock on the Taipei Exchange on September 17, 2003.

The consolidated financial statements were included Planet Technology Corporation and its subsidiaries (collectively as “the Group”).

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollars.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on February 23 , 2023.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

Initial application of the amendments to the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, there is no significant impact on the group's financial status and operating results.

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

The IFRSs of new standards, interpretations and amendments endorsed by FSC effective from 2023 are as follows:

New, Revised or Amended Standards, and Interpretations	Effective Date Issued by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

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

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

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards, and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Statement of compliance

The group consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments at fair value through profit or loss and defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(3) Basis of Consolidation

A. The basis for the consolidated financial statements

The consolidated financial statements incorporated the financial statements of Planet Technology Co.,Ltd. and its controlled entities (the subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

B. The subsidiaries in the consolidated financial statements:

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location
Planet Technology Corporation.	PLANET INTERNATIONAL INC.	International trade business	Samoa

Name of Investee	Percentage of Ownership	
	December 31,2022	December 31,2021
PLANET INTERNATIONAL INC.	100%	100%

The data of the subsidiaries included in the consolidated financial statements in the above table are prepared based on the financial statements audited by the certified public accountant during the same period.

C. Subsidiaries excluded from consolidated financial statement: None.

(4) Classification of Current and Non-current Assets and Liabilities

Current assets include:

A. Assets held primarily for the purpose of trading.

B. Assets expected to be realized within twelve months after the reporting period.

C. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

A. Liabilities held primarily for the purpose of trading.

B. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue.

C. The Group does not have an unconditional right to defer liabilities 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 the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

(5) Foreign Currencies

The individual financial statements of each individual consolidated entity were expressed in the currency, which reflected its primary economic environment (functional currency). In the preparation of the consolidated financial statements, the operating results and financial positions of each consolidated entity are converted into the New Taiwan Dollar (the functional currency of the Company and the currency in which the consolidated statements are expressed).

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

(6) Cash equivalents

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits with original maturities of one year or less and investments with three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial Instruments

Financial assets and liabilities shall be recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are recognized initially at fair value plus or minus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

(8) Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

A. Measurement category

Financial assets are classified into the following categories: financial assets at fair value through profit or loss (“FVTPL”) and financial assets at amortized cost.

(A) Financial assets at FVTPL

Financial assets at FVTPL includes the financial assets mandatorily classified as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 25.

(B) Financial assets at amortized cost

Financial assets that meet the following two conditions are subsequently measured at amortized cost:

- a. The financial asset is held within a business model whose objective is collecting contractual cash flows.

- b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivable, bond investment without active market and guarantee deposits paid), are measured at amortized cost, which equals gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- a. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets.
- b. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime Expected Credit Losses (“ECLs”) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

C. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

(9) Financial Liabilities

A. Financial liabilities

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period. Financial liabilities measured at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Related net profits or net losses are listed in "other profits and losses" of the consolidated statement of comprehensive income.

B. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized (including any non-cash assets transferred or liabilities assumed) in profit or loss.

C. Offsetting of financial assets and liabilities

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

(10) Inventories

Inventories consist of raw materials, finished goods and work-in-process. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs. Inventories are recorded at weighted-average cost on the balance sheet date.

(11) Property, Plant, and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant item is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The estimated useful lives of the assets are as follows:

machinery and equipment: 5 year; furniture and fixtures: 5 years; other facilities : 2 to 5 years.

(12) Intangible Assets

A Intangible assets are mainly the Group's patented expertise and are amortized on a straight-line basis over the legal period of 10 to 20 years.

B. Computer software is stated initially at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

C. After that the subsequent book value is measured by cost less accumulated amortization and accumulated impairment losses. The estimated useful lives and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(13) Impairment of Non-financial Assets (Impairment of Tangible and Intangible Assets)

At each balance sheet date, the Group review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined with no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(14) Revenue recognition

The Group identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

When applying IFRS 15, the Group shall recognize revenue by applying the following steps:

- A. Identify the contract with the customer.
- B. Identify the performance obligations in the contract.
- C. Determine the transaction price.
- D. Allocate the transaction price to the performance obligations in the contract.
- E. Recognize revenue when the entity satisfies its performance obligation.

Revenue from the sale of goods

The revenue from the sale of goods comes from the sale of communication equipment products. The Group recognizes the revenue when the products are delivered to the customers' specified locations or are shipped, besides, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for resale, and bears the obsolescence risk of the goods.

(15) Leasing

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption which are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost. The cost of right-of-use assets comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Subsequent measurement is calculated as cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented separately in the consolidated only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payment, in-substance fixed payment, variable lease payments which depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, payments for the purchase or termination options that are reasonably certain to be exercised and less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in future lease payments resulting from a change in expected paid amount under the residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in an index or a rate used to those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. If the carrying amount has been reduced to zero, the remaining amount will recognize in profit and loss. Lease liabilities are presented separately in the consolidated balance sheets.

(16) Employee Benefits

A. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

B. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contribution.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

(17) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

A. Current tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the parent company only statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Income tax on unappropriated earnings is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (A) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (B) the taxing of deferred tax assets and liabilities levied by the same taxing authority; or levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

- C. Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group has considered the economic implications of COVID-19 on critical accounting estimates. Management will review continually the estimates and underlying assumptions. Revisions to accounting estimates are recognized in the current period if the revisions affect only that period. If the revisions affect both current and future periods, then revisions are recongized in two periods.

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(1) Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about the risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Please refer to Note 8 for the details of the key assumptions and inputs used. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(2) Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Group use judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid industrial changes, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

The book value of the Group's inventory is detailed in Note 9.

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 182	\$ 192
Cash in banks	1,567,627	1,381,893
Total	<u>\$ 1,567,809</u>	<u>\$ 1,382,085</u>

7. CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets mandatorily measured at fair value		
Non-derivative financial assets-Funds	<u>\$ 10,811</u>	<u>\$ 10,758</u>

8. ACCOUNTS RECEIVABLE- NET

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$ 109,498	\$ 106,532
Loss allowance	(108)	(96)
Net	<u>\$ 109,390</u>	<u>\$ 106,436</u>

(1) In principle, the payment term granted to customers is due 30 days from the invoice date, and some customers have a monthly settlement for a period of 45 to 60 days.

In order to minimize credit risk, the management of the Group has delegated a person responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected credit losses provision for all accounts receivable. The evaluation of the lifetime expected credit loss is made by considering past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions. GDP forecasts and the outlook of the industry are also considered.

(2) Aging analysis of accounts receivable

	December 31, 2022	December 31, 2021
Neither past due nor impaired	\$ 109,390	\$ 106,436
Past due but not impaired		
Less than 30 days	—	—
31 to 180 days	—	—
over 181 days	—	—
Subtotal	—	—
Total	\$ 109,390	\$ 106,436

(3) Movements of the loss allowance for accounts receivable were as follows:

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 96	\$ 96
Provision	12	—
Amount written off	—	—
Balance at December 31	\$ 108	\$ 96

The Group's recognized impairment loss of the receivables is judged on a group basis, and there is no individual judgment on the impairment loss of any individual receivable.

9. INVENTORIES

	December 31, 2022	December 31, 2021
Raw materials	\$ 72,118	\$ 63,858
Work in process	49,307	47,044
Finished goods	128,832	95,679
Total	\$ 250,257	\$ 206,581

(1) The allowance for inventory devaluation losses (including idle products) was \$3,679 thousand as of December 31, 2022 and 2021.

(2) The cost of inventories recognized as cost of sales for the years ended December 31, 2022 and 2021 were as follows:

	For the Year Ended December 31	
	2022	2021
The cost of goods sold	\$ 994,528	\$ 857,841
Gain on physical inventory	(75)	(34)
Operating costs	\$ 994,453	\$ 857,807

10. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2022			
Item	Balance, Beginning of year	Additions	Disposals	Balance, End of year
<u>Cost</u>				
Machinery and equipment	\$ 19,218	\$ 2,893	\$ (7)	\$ 22,104
Furniture and fixtures	5,852	1,502	(54)	7,300
Other facilities	14,838	3,760	(1,077)	17,521
Subtotal	39,908	8,155	(1,138)	46,925
<u>Accumulated depreciation and impairment</u>				
Machinery and equipment	16,621	1,545	(7)	18,159
Furniture and fixtures	4,167	871	(54)	4,984
Other facilities	11,091	3,394	(958)	13,527
Subtotal	31,879	\$ 5,810	\$ (1,019)	36,670
Net	\$ 8,029			\$ 10,255

	For the Year Ended December 31, 2021			
Item	Balance, Beginning of year	Additions	Disposals	Balance, End of year
<u>Cost</u>				
Machinery and equipment	\$ 18,460	\$ 773	\$ (15)	\$ 19,218
Furniture and fixtures	5,176	719	(43)	5,852
Other facilities	11,878	3,553	(593)	14,838
Subtotal	35,514	5,045	(651)	39,908
<u>Accumulated depreciation and impairment</u>				
Machinery and equipment	15,317	1,319	(15)	16,621
Furniture and fixtures	3,496	709	(38)	4,167
Other facilities	9,103	2,533	(545)	11,091
Subtotal	27,916	\$ 4,561	\$ (598)	31,879
Net	\$ 7,598			\$ 8,029

11. Lease Agreement

(1) Right-of-use assets

For the Year Ended December 31, 2022				
Item	Balance, Beginning of year	Additions	Disposals	Balance, End of year
<u>Cost</u>				
Buildings	\$ 67,786	\$ 34	\$ —	\$ 67,820
Transportation equipment	4,443	4,929	(4,443)	4,929
Subtotal	72,229	4,963	(4,443)	72,749
<u>Accumulated depreciation and impairment</u>				
Buildings	37,759	17,166	—	54,925
Transportation equipment	3,579	1,504	(4,398)	685
Subtotal	41,338	\$ 18,670	\$ (4,398)	55,610
Net	\$ 30,891			\$ 17,139

For the Year Ended December 31, 2021				
Item	Balance, Beginning of year	Additions	Disposals	Balance, End of year
<u>Cost</u>				
Buildings	\$ 67,786	\$ —	\$ —	\$ 67,786
Transportation equipment	4,443	—	—	4,443
Subtotal	72,229	—	—	72,229
<u>Accumulated depreciation and impairment</u>				
Buildings	20,600	17,159	—	37,759
Transportation equipment	2,098	1,481	—	3,579
Subtotal	22,698	\$ 18,640	\$ —	41,338
Net	\$ 49,531			\$ 30,891

(2) Lease liabilities

	December 31, 2022	December 31, 2021
Current	\$ 14,366	\$ 18,256
Non-current	\$ 2,640	\$ 12,717

Discount rate for lease liabilities was 1.6%~2.1%.

(3) Material lease-in activities and terms

The Group leases buildings and transportations equipment for the use of offices and business. The leasing period is from 2017 to 2023 and from 2022 to 2025. The Group does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

(4) Other lease information

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
Expenses relating to short-term leases	\$ 8	\$ 8
Expenses relating to low-value asset leases	\$ 114	\$ 114
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ —	\$ —
Total cash outflow for leases	\$ (19,007)	\$ (18,706)

A. The Group applies the recognition exemption to leases of safe deposit boxes qualifying as short-term leases and certain photocopier qualifying as low-value asset leases and does not recognize right-of-use assets and lease liabilities for these leases.

B. The amount of lease commitments for short-term leases and low-value asset leases which the recognition exemption are applied as of December 31, 2022 and 2021 are \$117 thousand and \$231 thousand, respectively.

12. INTANGIBLE ASSETS

Item	For the Year Ended December 31, 2022			
	Balance, Beginning of year	Additions	Disposals	Balance, End of year
<u>Cost</u>				
Trademarks	\$ 315	\$ 364	\$ —	\$ 679
Patents	1,583	151	—	1,734
Computer software	11,559	480	(545)	11,494
Subtotal	13,457	995	(545)	13,907
<u>Accumulated amortization and impairment</u>				
Trademarks	24	52	—	76
Patents	670	234	—	904
Computer software	9,972	1,173	(545)	10,600
Subtotal	10,666	\$ 1,459	\$ (545)	11,580
Net	\$ 2,791			\$ 2,327

For the Year Ended December 31, 2021				
Item	Balance, Beginning of year	Additions	Disposals	Balance, End of year
<u>Cost</u>				
Trademarks	\$ 80	\$ 235	\$ —	\$ 315
Patents	1,231	352	—	1,583
Computer software	10,978	614	(33)	11,559
Subtotal	12,289	1,201	(33)	13,457
<u>Accumulated amortization and impairment</u>				
Trademarks	6	18	—	24
Patents	491	179	—	670
Computer software	8,566	1,439	(33)	9,972
Subtotal	9,063	\$ 1,636	\$ (33)	10,666
Net	\$ 3,226			\$ 2,791

13. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31, 2022	December 31, 2021
Notes payable	\$ 71,367	\$ 60,330
Accounts payable	106,841	91,079
Total	\$ 178,208	\$ 151,409
Current	\$ 178,208	\$ 151,409

(1) The average credit purchase period of payables is 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

(2) For the disclosure of the Group's payables exposing currency and liquidity risks and other payables, please refer to Note 25.

14. OTHER PAYABLES

	December 31, 2022	December 31, 2021
Salary and wages payable	\$ 23,887	\$ 18,148
Employee Bonus payable	34,820	25,469
Compensation due to directors	8,705	6,367
Advertising payable	4,047	3,937
Export fee payable	3,767	3,941
Other accrued expenses	6,842	6,087
Payable for annual leave	2,439	3,605
Total	\$ 84,507	\$ 67,554
Current	\$ 84,507	\$ 67,554

15. RETIRED BENEFIT PLANS

(A) Defined contribution plans

The plan under the R.O.C. Labor Pension Act (“the Act”) is deemed a defined contribution plan. Pursuant to the Act, the Company makes monthly contributions equal to 6% of each employee’s monthly salary to employees’ pension accounts. Accordingly, the Company recognized expenses of \$5,569 thousand and \$5,235 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2022 and 2021, respectively.

(B) Defined benefit plans

- (a) The Company have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees’ service years prior to the enforcement of the Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contribute monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March. The Funds are operated and managed by the government’s designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 17,077	\$ 18,343
Fair value of plan assets	(13,302)	(12,400)
Net defined benefit liability	\$ 3,775	\$ 5,943

a. 2022

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance at January 1	\$ 18,343	\$ (12,400)	\$ 5,943
Current service cost	—	—	—
Net interest expense(income)	126	(86)	40
Recognized in profit or loss	126	(86)	40
Remeasurement			
Experience adjustments	(130)	—	(130)
Changes in demographic assumptions	—	—	—
Changes in financial assumptions	(753)	—	(753)
Return on plan assets	—	(959)	(959)
Recognized in other comprehensive loss (income)	(883)	(959)	(1,842)
Contributions from the employer	—	(366)	(366)
Paid pension	(509)	509	—
Balance at December 31	\$ 17,077	\$ (13,302)	\$ 3,775

The Company's planned asset type is bank deposits.

b. 2021

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance at January 1	\$ 18,354	\$ (12,019)	\$ 6,335
Current service cost	—	—	—
Net interest expense(income)	55	(36)	19
Recognized in profit or loss	55	(36)	19
Remeasurement			
Experience adjustments	753	—	753
Changes in demographic assumptions	42	—	42
Changes in financial assumptions	(654)	—	(654)
Return on plan assets	—	(176)	(176)
Recognized in other comprehensive loss (income)	141	(176)	(35)
Contributions from the employer	—	(376)	(376)
Paid pension	(207)	207	—
Balance at December 31	\$ 18,343	\$ (12,400)	\$ 5,943

The Company's planned asset type is bank deposits.

The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the follows categories:

	For the Year Ended December 31	
	2022	2021
Operating costs	\$ 7	\$ 3
Selling expenses	10	5
Administrative expenses	6	3
Research and development expenses	17	8
Total	\$ 40	\$ 19

(C)Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- (a) Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.
- (b) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
- (c) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

(D) The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation were as follows:

	For the Year Ended December 31	
	2022	2021
Discount rate	1.25%	0.70%
Expected rate of salary increase	3.00%	3.00%

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	For the Year Ended December 31	
	2022	2021
Discount rate		
0.25% increase	\$ (324)	\$ (395)
0.25% decrease	335	409
Expected rate of salary increase		
0.25% increase	329	399
0.25% decrease	(319)	(387)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity which may not be representative of the actual change in the defined benefit obligation and the method of calculating net pension liability in the balance sheet are the same.

(E) Expected contributions to the defined benefit pension plans of the Company within one year from December 31, 2023 are \$356 thousand.

(F) As of December 31, 2022, the weighted average duration of that retirement plan is 7 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 4,152
2 to 5 years	3,700
Over 6 years	10,963
	<u>\$ 18,815</u>

16. EQUITY

(1) Capital stock

	December 31, 2022	December 31, 2021
Shares authorized	\$ 1,000,000	\$ 1,000,000
Shares issued	\$ 625,010	\$ 625,010

A holder of issued common shares with par value of \$10 per share is entitled to vote and to receive dividends.

(2) Capital surplus

	December 31, 2022	December 31, 2021
Additional paid-in	\$ 11,022	\$ 11,022
Other	180	180
Total	\$ 11,202	\$ 11,202

Under the relevant laws, the capital surplus can only be used to offset a deficit. However, the capital surplus from donations and the excess of the issuance price over par value of capital stock (including the stock issued for new capital, mergers, convertible bonds and treasury stock transactions) may be capitalized or shall be distributed by cash, on a certain percentage of the Company's paid-in capital every year. Also, the capital surplus from long-term investments, employee share options and share options may not be used for any purpose.

(3) Retained earnings and dividend policy

(A) Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, unless the accumulated amount of the legal reserve has reached the total issued capital of the Company. The remaining balance is to be set aside or reverse or rotation as special reserve if necessary. According to the dividend policy, bonus distributed shall be proposed by the Board of Directors and resolved by the stockholders' meeting. In accordance with the provisions of Article 240, Item 5 of the Company Act, the company may explicitly stipulate to authorize the distributable dividends and bonuses in

whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

(B)The Company adopts the residual dividend policy in order to meet the growth characteristics of the industry and the capital needs of the Company's long-term financial planning and operation expansion. That is, the surplus earnings distribution is handled according to Article 20 of the Articles of Association. The shareholder dividends are based on the principle of balanced distribution between stock and cash dividends. The board of directors proposes to set aside from the distributable surplus the dividends to be distributed, with the amount of the distribution no less than 30% of the distributable surplus in the current year, and distributed according to the Company's Articles of Incorporation. Stock dividends have the priority in order to retain the required funds, and the remaining surplus is to be distributed in the form of cash dividends; however, the proportion of cash dividends shall not be less than 10% of the total dividends. In accordance with Article 241 of the Company Act, Company distributes its legal reserve and the following capital reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash, after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

(C)According to the Company Act, the appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

(D) Pursuant to existing regulations, the company is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity items (including exchange differences on translating foreign operations, unrealized gain or loss on available-for-sale financial assets, and the gain or loss on the hedging instrument relating to the effective portion of a cash flow hedge but excluding treasury stock). For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

(E) The Company's 2022 surplus earnings distribution proposal has not been approved by the board of directors as of the date of issuance of the financial statements.

(F) The Company's earnings allocation for the previous year of 2021 and 2020, were approved in the regular meeting of shareholders on May 27, 2022 and August 5, 2021. The actual allocation of earnings is the same as the proposed allocation passed by the board of directors. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends per Share(NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 32,118	\$ 27,007		
Cash dividends	293,755	250,004	4.7	4
Total	<u>\$ 325,873</u>	<u>\$ 277,011</u>		

17. OPERATING REVENUE

	For the Year Ended December 31	
	2022	2021
Net revenue from sale of goods	<u>\$ 1,720,031</u>	<u>\$ 1,427,097</u>

(1) Breakdown of revenue from contracts with customers

	For the Year Ended December 31	
	2022	2021
Europe	\$ 766,130	\$ 647,410
America	415,029	351,463
Asia	313,288	256,818
Others	225,584	171,406
Total	<u>\$ 1,720,031</u>	<u>\$ 1,427,097</u>

(2) Contract liabilities

	For the Year Ended December 31	
	2022	2021
Contract liabilities-current	\$ 53,648	\$ 33,899

For the year ended December 31, 2022 and 2021, the Company recognized \$25,891 thousand and \$14,121 thousand in revenue from the beginning balance of contract liability, respectively.

18. INTEREST INCOME

	For the Year Ended December 31	
	2022	2021
Interest income from bank deposits	\$ 10,594	\$ 5,405

19. OTHER INCOME

	For the Year Ended December 31	
	2022	2021
Rent income	\$ 86	\$ 86
Other income, others	6,454	8,094
Total	\$ 6,540	\$ 8,180

20. OTHER GAINS AND LOSSES

	For the Year Ended December 31	
	2022	2021
Gains on disposal of property, plant and equipment	\$ 401	\$ 388
Foreign exchange gains (losses)	6,050	(3,507)
Gains on financial assets at fair value through profit or loss	53	18
Total	\$ 6,504	\$ (3,101)

21. INCOME TAX

(1) Income tax recognized in profit or loss

(A) A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 107,362	\$ 78,529
Effect from items disallowed by tax regulation	(374)	189
Change in deferred income tax	—	—
Effect from investment tax credits	(7,217)	(4,744)
Tax on undistributed earnings	—	—
Tax expenses	\$ 99,771	\$ 73,974

(B) Income tax expense consisted of the following:

	For the Year Ended December 31	
	2022	2021
Tax expenses	\$ 99,771	\$ 73,974
Net change in deferred income tax	2,926	364
Adjustments for prior year's income tax	(4,149)	(2,840)
Income tax expense recognized in profit or loss	\$ 98,548	\$ 71,498

(2) Income tax expense (benefit) recognized in other comprehensive income

Deferred tax

	For the Year Ended December 31	
	2022	2021
Remeasurements of defined benefit obligations	\$ (368)	\$ (7)

(3) Deferred tax

(A)The analysis of deferred income tax in the consolidated balance sheets was as follows:

	December 31, 2022	December 31, 2021
Deferred tax assets		
Defined benefit liabilities	\$ 387	\$ 1,181
Advertisement expense	809	788
Unrealized investment loss	—	2,265
Unrealized impairment loss	186	186
Inventory valuation losses	736	736
Unrealized employee vacation payable	488	721
Total	\$ 2,606	\$ 5,877
Deferred tax liabilities		
Unrealized exchange gain	\$ 87	\$ 64

For the Year Ended December 31, 2022

	Balance, Beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effect of exchange rate changes	Balance, End of year
Deferred tax assets					
Defined benefit liabilities	\$ 1,181	\$ (433)	\$ (361)	\$ —	\$ 387
Advertisement expense	788	21	—	—	809
Unrealized investment loss	2,265	(2,265)	—	—	—
Unrealized impairment loss	186	—	—	—	186
Inventory valuation losses	736	—	—	—	736
Unrealized employee vacation payable	721	(233)	—	—	488
Total	\$ 5,877	\$ (2,910)	\$ (361)	\$ —	\$ 2,606
Deferred tax liabilities					
Unrealized exchange gain	\$ (64)	\$ (23)	\$ —	\$ —	\$ (87)

For the Year Ended December 31, 2021					
	Balance, Beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effect of exchange rate changes	Balance, End of year
Deferred tax assets					
Defined benefit liabilities	\$ 1,792	\$ (604)	\$ (7)	\$ —	\$ 1,181
Advertisement expense	617	171	—	—	788
Unrealized investment loss	2,265	—	—	—	2,265
Unrealized impairment loss	186	—	—	—	186
Inventory valuation losses	736	—	—	—	736
Unrealized employee vacation payable	625	96	—	—	721
Total	<u>\$ 6,221</u>	<u>\$ (337)</u>	<u>\$ (7)</u>	<u>\$ —</u>	<u>\$ 5,877</u>
Deferred tax liabilities					
Unrealized exchange gain	\$ (37)	\$ (27)	\$ —	\$ —	\$ (64)

(B) Items for which deferred tax assets haven't been recognized: None.

(4) Unappropriated retained earnings:

	December 31,2022	December 31,2021
1998 to 2009	\$ 32,002	\$ 32,002
after 2010	448,382	334,518
Total	<u>\$ 480,384</u>	<u>\$ 366,520</u>

(5) Income tax assessments

The Company's income tax returns through 2020 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

For the Year Ended December 31		
	2022	2021
Basic EPS(NT\$)	<u>\$ 7.01</u>	<u>\$ 5.14</u>
Diluted EPS(NT\$)	<u>\$ 6.96</u>	<u>\$ 5.10</u>

(1) Basic earnings per share

Used to calculate the basic earnings per share and the weighted average number of ordinary shares as follow:

	For the Year Ended December 31	
	2022	2021
Profit attributable to ordinary shareholders of the parent (in thousand)	\$ 438,263	\$ 321,150
Weighted average number of ordinary shares outstanding (in thousand shares)	62,501	62,501
Basic EPS(NT\$)	\$ 7.01	\$ 5.14

(2) Diluted earnings per share

Used to calculate the diluted earnings per share and the weighted average number of ordinary shares (thousand shares) as follow:

	For the Year Ended December 31	
	2022	2021
Profit attributable to ordinary shareholders of the parent (in thousand)	\$ 438,263	\$ 321,150
Weighted average number of ordinary shares outstanding (in thousand shares)	62,501	62,501
Effect of potentially dilutive ordinary shares- Employees' remuneration (in thousand shares)	440	437
Weighted average number of dilutive ordinary shares outstanding (in thousand shares)	62,941	62,938
Diluted EPS(NT\$)	\$ 6.96	\$ 5.10

Due to the employee remuneration may be paid in the form of company shares, it is assumed that the employee's remuneration will be issued by means of shares when calculating the earnings per share. When the potential ordinary shares have a dilution effect, they are included in the weighted average number of outstanding shares to calculate the diluted earnings per share. When the shareholders' meeting decides the number of shares in the employee's remuneration for the previous year by calculating the basic earnings per share, the number of shares will be included in the weighted average number of outstanding shares in the resolution of the shareholder's meeting. Moreover, since the capital increase from employee remuneration is no longer a free share allotment, no retroactive adjustment is required for the calculation of the basic and diluted earnings per share.

23. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

The followings were the summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2022 and 2021:

	For the Year Ended December 31, 2022			For the Year Ended December 31, 2021		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits	\$ 31,388	\$ 144,562	\$ 175,950	\$ 27,668	\$ 127,024	\$ 154,692
Payroll expense	26,625	126,534	153,159	23,148	110,332	133,480
Insurance expense	2,461	9,489	11,950	2,296	8,700	10,996
Pension	1,093	4,516	5,609	1,057	4,197	5,254
Others	1,209	4,023	5,232	1,167	3,795	4,962
Depreciation	5,306	19,174	24,480	5,031	18,170	23,201
Amortization	—	1,459	1,459	—	1,636	1,636

(1) As of December 31, 2022 and 2021, the Group had 160 and 155 employees, respectively, including 4 non-employee directors for both years.

(2) According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 2% for directors' remuneration.

The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period. 6% is applied to employees' compensation, and 1.5% is applied to director's remuneration that were expensed under operating costs or operating expenses during 2022 and 2021.

The estimated amounts are as follows:

	For the Year Ended December 31	
	2022	2021
Employees' compensation	\$ 34,820	\$ 25,469
Remuneration to directors	8,705	6,367

If there is a change in the proposed amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate. If the board of directors decides to pay the employee remuneration in the form of company shares, the number of dividend shares is determined by dividing the amount of the dividend by the fair value of the share. The fair value of the share is based on the closing price of the day before the resolution date of the shareholders' meeting, with the ex-dividend impact considered.

The 2021 and 2020 employee's compensation and director's remuneration were respectively resolved in the board meeting on February 24, 2022 and March 11, 2021 as follows:

	For the Year Ended December 31	
	2021	2020
Employees' compensation	\$ 25,469	\$ 21,298
Remuneration to directors	6,367	5,324

There is no difference between the 2021 and 2020 employee's compensation and director's remuneration and the Company's 2021 and 2020 recognized fee estimates.

The information about appropriations of the Company's employees' compensation and remuneration to directors is available on the Market Observation Post System website.

24. CAPITAL MANAGEMENT

The Group plans its working capital required for the future in accordance with the characteristics currently existing in its industry and its future development status while it also considers the changes in the external environment, so as to ensure its sustainable operations. In so doing, the Group will be able to concurrently protect the interests of its shareholders and other related parties, maintain the optimal capital structure, and elevate the stockholder value. As a whole, the Group adopts a prudent risk management strategy. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or return capital to shareholders.

25. FINANCIAL INSTRUMENTS

(1) Categories of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	\$ 10,811	\$ 10,758
Amortized cost		
Cash and cash equivalents	1,567,809	1,382,085
Notes and accounts receivable	109,390	106,436
Other receivables	9,490	7,365
Guarantee deposits paid	6,308	6,136
Total	<u>\$ 1,703,808</u>	<u>\$ 1,512,780</u>
<u>Financial liabilities</u>		
Amortized cost		
Notes and accounts payable	\$ 178,208	\$ 151,409
Other payables	84,507	67,554
Lease liabilities	17,006	30,973
Total	<u>\$ 279,721</u>	<u>\$ 249,936</u>

(2) Fair value of financial instruments

(A) Fair value of financial instruments that are not measured at fair value

Among the financial assets and financial liabilities that are not measured at fair value, the management of the Group considers that there is no significant difference between the carrying amounts and the fair values.

(B) Fair value as recognized in the balance sheet

According to IFRS, the Group's fair values of the assets or liabilities are estimated based on the fair values assessed by major market participants. Considering the fair value assumptions of market participants, the observable fair value measurements can be divided into the following three levels:

- (a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- (c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- (d) For the assets and liabilities recognized in the financial statements on a repetitive basis, the classification is re-evaluated at the end of each reporting period to determine whether there is a transfer between the levels of the fair value hierarchy.
- (e) The Group has no financial assets or liabilities that are measured at fair value on a non-repetitive basis. The financial assets and liabilities measured at fair value on a repetitive basis are presented below:

December 31, 2022				
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Funds	\$ 10,811	\$ —	\$ —	\$ 10,811
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	\$ —	\$ —	\$ —	\$ —
December 31, 2021				
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Funds	\$ 10,758	\$ —	\$ —	\$ 10,758
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	\$ —	\$ —	\$ —	\$ —

For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

There were no purchases and disposals for assets on Level 3 for the years ended December 31, 2022 and 2021, respectively.

(C) Valuation techniques and assumptions used in fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

Monetary funds are closed-end funds with standard terms and conditions; investors may request the fund management companies for redemption at any time, and the fair values are based on the net values of the funds.

(D) Financial assets and liabilities which are not measured at fair value, but the fair values need to be disclosed: None.

(3) Financial risk management objectives

The Group's objectives of financial risk management are to manage its exposure to currency risk, interest rate risk, credit risk and liquidity risk related to the operating activities. To reduce the related financial risks, the Group engages in identifying, assessing and avoiding the market uncertainties with the objective to reduce the potentially adverse effects on its financial performance by the market change.

The Group's major financial activities are reviewed by the board of directors in accordance with the related regulations and internal control system. During the financial plan execution period, the Group must comply with the financial operation procedures related to overall financial risk management and accrual basis.

(4) Market risk

The Group is exposed to the market risks arising from changes in foreign currency rates and interest rates, and not utilizes derivative financial instruments to reduce the related risks.

(A) Foreign currency risk

The Group's operating activities and investment in foreign are mainly denominated in foreign currencies and exposed to foreign currency risk.

The Group did not engage in any hedging.

The Group's sensitivity analysis to foreign currency risk mainly focuses on the net foreign currency assets and liabilities monetary items at the end of the reporting period.

The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2022				
	Foreign currencies	Exchange Rate	Book Value (NTD)	Sensitivity analysis (Variance 1%) Effect on profit or loss
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 3,999	30.71	\$ 122,962	\$ 1,230
EUR	200	32.72	6,536	65
<u>Non-monetary items</u>	—	—	—	—
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	2,201	30.71	68,497	685
<u>Non-monetary items</u>	—	—	—	—
December 31, 2021				
	Foreign currencies	Exchange Rate	Book Value (NTD)	Sensitivity analysis (Variance 1%) Effect on profit or loss
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 4,577	27.68	\$ 126,875	\$ 1,269
EUR	185	31.32	5,802	58
<u>Non-monetary items</u>	—	—	—	—
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	2,006	27.68	55,798	558
<u>Non-monetary items</u>	—	—	—	—

(B) Interest rate risk

Interest rate risk refers the risk caused by the change in the fair value of financial instruments as a result of change of the market interest rate. The interest rate risk of the Group is mainly from the floating-rate time deposit investment. As the current market interest rate is already low, it is expected that there is no significant interest rate risk, and therefore the Group is not engaged in any hedging.

Regarding the sensitivity analysis of the interest rate risk, the calculation is made according to the amount of changes in fair value of fixed income investment at the end of the report period. If the interest rate increased or decreased by 0.25%, the Group's profit or loss for the years ended December 31, 2022 and 2021 would increase or decrease \$3,835 thousand and \$3,385 thousand respectively.

(C) Other price risk

The Group is exposed to equity instrument price risk arising from financial assets at fair value through profit or loss, mandatorily measured at fair value. Except for investments made through venture capital funds, all other major equity investments are to be approved by the board of directors of the Group in advance.

The sensitivity analysis for the equity instruments is based on the change in fair value as of the reporting date. Assuming a hypothetical increase or decrease of 5% in prices of the equity investment at the end of the reporting period for the years ended December 31, 2022 and 2021, the income would have increased or decreased by \$541 thousand and \$538 thousand, respectively.

(5) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from operating activities, primarily accounts receivable, and from financing activities of fixed-income deposits investments. Credit risk is managed separately for business related and financial related exposures.

(A) Business related credit risk

In order to maintain its quality of accounts receivable, the Group has set up operation related credit risk management procedure.

The individual customer risk assessment covers the factors of an individual customer's financial status and credit rating agency's ratings, the Group's internal credit ratings and historical transaction records and current economic status, etc. which may affect customer's solvency capacity. In addition, the Group will also use some credit enhancement instruments, such as advance sales receipts and accounts receivable insurance, etc., at an appropriate time to reduce the credit risk of some specific customers. The management of the Group has delegated a person responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts.

As of December 31, 2022 and 2021, the Group's top ten customers accounted for 38.29% and 51.11% of accounts receivable, respectively. The Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

(B) Financial credit risk

The credit risk of bank deposits, fixed income investments and other financial instruments is measured and monitored by the Group's financial department. The Group's transaction counterparts and contract performance parties are the financial institutions with good credit, and the Group has diversified its risk by dealing with multiple financial institutions, so there shall be no significant credit risk caused by too much concentration on some financial institutions and no significant doubt about contract performance. As such, the Group shall have no material credit risk.

(6) Liquidity risk management

The Group's goal in managing liquidity risk is to control capital expenditures and working capital.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	December 31, 2022			
	Less Than 1 year	1-5 year	Over 5 year	Total
<u>Non-derivative financial liabilities</u>				
Notes and accounts payable	\$ 178,202	\$ —	\$ 6	\$ 178,208
Other payables	84,507	—	—	84,507
Lease liabilities	14,503	2,682	—	17,185
Subtotal	277,212	2,682	6	279,900
<u>Derivative financial liabilities</u>	—	—	—	—
Total	\$ 277,212	\$ 2,682	\$ 6	\$ 279,900

	December 31, 2021			
	Less Than 1 year	1-5 year	Over 5 year	Total
<u>Non-derivative financial liabilities</u>				
Notes and accounts payable	\$ 151,403	\$ —	\$ 6	\$ 151,409
Other payables	67,554	—	—	67,554
Lease liabilities	18,597	12,784	—	31,381
Subtotal	237,554	12,784	6	250,344
<u>Derivative financial liabilities</u>	—	—	—	—
Total	\$ 237,554	\$ 12,784	\$ 6	\$ 250,344

26. RELATED PARTY TRANSACTIONS

The transaction amount and balance between the Company and its subsidiaries (the related persons of the Company) have been eliminated in the preparation of the consolidated financial statements and are not disclosed in this note.

The transaction details of the Company and other related parties are disclosed as follows:

- (1) Planet Technology Corporation is the ultimate controller of the consolidated company.

(2) Compensation of key management personnel

The compensation to directors and other key management personnel compensation comprised:

	For the Year Ended December 31	
	2022	2021
Short-term benefits	\$ 16,192	\$ 12,877
Post-employment benefits	86	112
Total	\$ 16,278	\$ 12,989

(A) The compensation to directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the standard level of the industry.

(B) The 2022 surplus earnings distribution proposal of the Company has not been approved by the board of directors as of the date of issuance of the financial statements.

(C) For more detailed information, please refer to the contents of the annual report of the shareholders' meeting.

27. PLEDGED ASSETS: None.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS: None.

29. SIGNIFICANT DISASTER LOSS: None.

30. SUBSEQUENT EVENTS: :None.

31. OTHER:

Non-cash transactions.

Investing activities with partial cash payments :

	For the Year Ended December 31	
	2022	2021
Purchase of property ,plant and equipment	\$ 8,155	\$ 5,045
Add : Beginning balance of payable for equipment	232	60
Less : Ending balance of payable for equipment	(199)	(232)
Cash paid during the period	\$ 8,188	\$ 4,873

32. ADDITIONAL DISCLOSURES

When preparing the consolidated financial statements, the major transactions between the parent and subsidiary companies and their balances have been fully eliminated.

(1) Information on significant transactions:

- (A) Financing provided to others: None;
- (B) Endorsements/guarantees provided: None;
- (C) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Please see Table 1 attached;
- (D) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
- (E) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- (F) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- (G) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
- (H) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- (I) Information about the derivative instruments transaction: None;
- (J) Other: Intercompany relationships and significant intercompany transactions: None.

(2) Information on investees:

- (A) Names, locations, and related information of investee companies: Please see Table 2 attached;
- (B) Significant transactions information: None.

(3) Information on investment in Mainland China: None.

(4) Information of major shareholders: list of all shareholders with ownership of 5% or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Please see Table 3 attached.

TABLE 1

MARKETABLE SECURITIES HELD

Amount in Thousands of New Taiwan Dollars

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Planet Technology Corporation	Money market fund Fuh Hwa Money Fund	—	Current financial assets at fair value through profit or loss	218,437.60	\$ 3,195	—	\$ 3,195	Note1
	" Yuanta Wan Tai Money Market Fund	—	"	210,029.60	3,228	—	3,228	"
	" Eastspring Investments Well Pool Money Market Fund	—	"	317,883.00	4,388	—	4,388	"
	Stock ESSENCE TECHNOLOGY SOLUTION INC.	—	Non-current financial assets at fair value through profit or loss	42,000.00	—	1.56	—	

Note1: The market price is the net value of December 31, 2022.

TABLE 2

INFORMATION ON INVESTEEES

Amount in Thousands of New Taiwan Dollars, United States Dollars

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Shares of Profits/Losses of Investee	Notes
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
Planet Technology Corporation	PLANET INTERNATIONAL INC.	Samoa	International trade business	US\$ 100,000	US\$ 100,000	100,000	100%	\$ 3,246	\$ 318	\$ 318	Notes

Notes :

1. The investment income (loss) is recognized based on the investee's financial statements that were audited and attested by parent company's CPA for the year ended December 31, 2022.
2. Merged for reversal when preparing the consolidated report.

TABLE 3

Information of major shareholders

Shareholders	Shares	Total Shares owned	Ownership Percentage
Puyan Investment Co., Ltd		16,856,237	26.97%
CHEN, CHING-KANG		4,211,978	6.74%

33. SEGMENT INFORMATION

- (1) The Group focuses on the research, development, manufacturing and sales of network equipment and peripheral equipment, and operates in only a single industry; besides, the Group's operational decision-making system assesses performance and allocates resources as a whole, and it is identified that the Group has only a single department which needs to be reported.

Items	For the Year Ended December 31, 2022		
	Single Operating Department	Adjustment and Elimination	Total
Net revenue from external customers	\$ 1,720,031	\$ —	\$ 1,720,031
Revenue from other departments within the company	—	—	—
Segment profit(Income before income tax)	536,811	—	536,811
Segment assets	1,994,915	—	1,994,915

Items	For the Year Ended December 31, 2021		
	Single Operating Department	Adjustment and Elimination	Total
Net revenue from external customers	\$ 1,427,097	\$ —	\$ 1,427,097
Revenue from other departments within the company	—	—	—
Segment profit(Income before income tax)	392,648	—	392,648
Segment assets	1,774,602	—	1,774,602

(2) Geographical information

The Group's revenue from operations from external customers by location of operations and information on its non-current assets by location of assets are shown below. The Group categorized the net revenue based on the country in which the customer is headquartered. Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other non-current assets. Excluding financial assets and deferred tax assets.

	Net Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31,	December 31,
	2022	2021	2022	2021
Europe	\$ 766,130	\$ 647,410	\$ —	\$ —
America	415,029	351,463	—	—
Asia	313,288	256,818	29,721	41,711
Others	225,584	171,406	—	—
Total	\$ 1,720,031	\$ 1,427,097	\$ 29,721	\$ 41,711

(3) Major Customers information

No single customer contributed 10% or more to the Group's revenue for both 2022 and 2021.