

AMPAK Technology, Inc.

Parent Company Only Financial Statements for the Years Ended December 31, 2022 and 2021
and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To: AMPAK Technology, Inc.

Audit Opinion

We have duly audited the parent company only balance sheets of AMPAK Technology, Inc. as of December 31, 2022 and 2021, and its parent company only comprehensive income statement, parent company only statement of changes in equity and parent company only cash flow statement from January 1 to December 31, 2022 and 2021, as well as notes to the parent company only financial statements (including the summary of significant accounting policies).

In our opinion, the accompanying parent company only financial statements referred to above have been prepared, in all material respects, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and fairly present the parent company only financial position of AMPAK Technology, Inc. as of December 31, 2022 and 2021, and the parent company only financial performance and parent company only cash flows from January 1 to December 31, 2022 and 2021.

Basis of the Audit Opinion

We conducted the audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Auditing Standards. Our responsibility under these standards will be further explained in the paragraph of our responsibility in the review of the parent company only financial statements. The staff of the firm to which we are affiliated, who are subject to the independence regulation, have maintained detached independence from AMPAK Technology, Inc. in accordance with the Code of Ethics for Accountants, and have fulfilled other responsibilities under the Code. We believe that we have obtained sufficient and appropriate audit evidence to form the basis of our audit opinion.

Key Audit Matters

A key audit matter is one that, in our professional judgment, is material to the examination of the parent company only financial statements of AMPAK Technology, Inc. for 2022. These matters have been considered in the process of examining the parent company only financial

statements taken as a whole and forming an opinion thereon, and we do not express an opinion on these matters individually.

The key audit matters of the financial statements of AMPAK Technology, Inc. for 2022 are summarized as follows:

Recognition of operating income from major customers

AMPAK Technology, Inc. had operating revenue of NT\$3,145,981 thousand in 2022, of which NT\$1,740,875 thousand came from sales to specific customers, accounting for about 55% of operating revenue. Since the amount of sales revenue from these customers is material and has increased significantly compared to 2021, operating revenue generated by these customers is listed as a key audit matter. For the accounting policy and information on revenue recognition, please refer to Notes 4 and 21.

Our major audit procedures in the course of the audit are as follows:

1. Understand and test the effectiveness of the design and implementation of the internal control system related to the authenticity of sales revenue.
2. Obtain on a sample basis the customer's transaction details, and check the relevant shipping vouchers and original orders to verify the authenticity of the sales revenue.
3. Check the subsequent items to confirm whether the customer has any major sales returns or discounts.

Responsibility of the Management and Governance Unit to Financial Statements

The responsibility of the management is to prepare parent company only financial statements that present fairly the financial position of the Company in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and to maintain such internal control relevant to the preparation of parent company only financial statements as is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, the management's responsibility also includes assessing the ability of AMPAK Technology, Inc. to continue as a going concern, the disclosure of related matters, and the adoption of the going concern basis of accounting, unless the management intends to liquidate AMPAK Technology, Inc. or to cease operations, or there is no practical alternative to liquidation or cessation of operations.

The governance units (including the Audit Committee) of AMPAK Technology, Inc. are responsible for overseeing the financial reporting process.

Responsibility of the Independent Auditor in Auditing the Parent company only Financial Statements

The purpose of our audit is to obtain reasonable assurance about whether the parent company only financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue a report thereon. Reasonable assurance means high assurance. However, an audit performed in accordance with Auditing Standards does not provide assurance that material misstatements in the parent company only financial statements will be detected. Misrepresentation may be the result of fraud or error. Individual amounts or aggregates that are not true are considered material if they could reasonably be expected to affect the economic decisions made by users of the parent company only financial statements.

We conducted our audit in accordance with Auditing Standards, exercising our professional judgment and maintaining our professional skepticism. We also perform the following tasks:

1. Identify and assess the risks of material misstatement of the parent company only financial statements arising from fraud or error, design and implement appropriate responses to the risks assessed, and obtain sufficient and appropriate evidence to provide a basis for the audit opinion. Because fraud may involve conspiracy, forgery, intentional omission, misrepresentation or a breach of internal control, the risk of not detecting material misstatement due to fraud is higher than that due to error.
2. Obtain an understanding of the internal control relevant to our 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 internal control of AMPAK Technology, Inc.
3. Evaluate the appropriateness of the accounting policies used by the management and the reasonableness of the accounting estimates, and related disclosures made by the management.
4. Based on the evidence obtained, we have made a conclusion on the appropriateness of management's adoption of the going concern basis of accounting and whether there is any material uncertainty about the events or circumstances that may cast significant doubt on the ability of AMPAK Technology, Inc. to continue as a going concern. If we believe that there is a material uncertainty about such events or conditions, we should draw the attention of users of the parent company only financial statements to the relevant disclosures in the audit report or revise our audit opinion if such disclosures are inappropriate. Our conclusion is based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances may cause AMPAK Technology, Inc. to cease to have the ability to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the related notes, and whether the parent company only financial statements present fairly the related transactions and events.
6. We obtained sufficient and appropriate audit evidence on the financial information of the constituent entities of AMPAK Technology, Inc. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and execution of the audit, and for forming an audit opinion on AMPAK Technology, Inc.

Our communication with the governance unit covered the scope and timing of the planned audit and significant audit findings (including significant deficiencies in internal control identified during the audit).

We also provided the governance unit with a statement that the independence-regulated personnel of the firm to which we are affiliated has complied with the Code of Ethics for Accountants with respect to independence, and communicated with the governance unit about all relationships and other matters (including related safeguards) that may be considered to affect the accountant's independence.

From the matters communicated with the governance unit, we decided the key audit matters for the audit of the parent company only financial statements of AMPAK Technology, Inc. for 2022. In the audit report, we stated these matters; unless laws and regulations do not allow public disclosure of specific matters, or in rare cases, we decided not to communicate specific matters in the audit report, because it can be reasonably expected that the negative impact of such communication would be greater than the public interest.

Deloitte Taiwan

Alice Fang, CPA

ChingTing Yang, CPA

Financial Supervisory Commission
approval No.
No. 1090347472

Securities and Futures Commission
approval No.
No. 0930128050

March 15, 2023

AMPAK Technology, Inc.
Parent company only balance sheets
December 31, 2022 and 2021

Unit: NT\$ thousand

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (notes 4 and 6)	\$ 747,810	24	\$ 735,529	29
1110	Financial assets at fair value through profit or loss - current (notes 4 and 7)	-	-	758	-
1140	Financial assets at amortized cost - current (notes 4 and 9)	30,282	1	5,560	-
1170	Accounts receivable, net (notes 4, 10 and 21)	340,343	11	620,714	24
1180	Accounts receivable due from related parties, net (notes 4, 10, 21 and 28)	5,389	-	6,883	1
1210	Other receivables due from related parties (notes 4 and 28)	503	-	3,275	-
130X	Inventories (notes 4 and 11)	1,078,301	34	649,559	25
1470	Other current assets (notes 4 and 16)	35,194	1	28,753	1
11XX	Total Current Assets	<u>2,237,822</u>	<u>71</u>	<u>2,051,031</u>	<u>80</u>
	Non-current Assets				
1517	Financial assets at fair value through other comprehensive income - non-current (notes 4 and 8)	32,668	1	41,886	2
1535	Financial assets at amortized cost - non-current (notes 4, 9 and 29)	4,430	-	29,008	1
1550	Investments accounted for using equity method (notes 4 and 12)	426,568	13	401,035	16
1600	Property, plant and equipment (notes 4 and 13)	432,807	14	12,920	-
1755	Right-of-use assets (notes 4, 14 and 28)	1,041	-	1,413	-
1780	Other intangible assets (notes 4 and 15)	1,056	-	1,722	-
1840	Deferred income tax assets (notes 4 and 23)	28,627	1	28,322	1
1990	Other non-current assets (notes 4, 16 and 19)	8,706	-	9,411	-
15XX	Total Non-current Assets	<u>935,903</u>	<u>29</u>	<u>525,717</u>	<u>20</u>
1XXX	Total Assets	<u>\$ 3,173,725</u>	<u>100</u>	<u>\$ 2,576,748</u>	<u>100</u>
	Liabilities and Owner's Equity				
	Current Liabilities				
2130	Contractual liabilities (note 4 and 21)	\$ 8,798	-	\$ 8,163	1
2170	Accounts payable	545,852	17	780,389	30
2180	Accounts payable to related parties (note 28)	35,022	1	80,088	3
2200	Other payables (notes 18 and 28)	142,731	5	110,543	4
2230	Current income tax liabilities (notes 4 and 23)	45,091	2	69,862	3
2280	Lease liabilities - current (notes 4, 14 and 28)	1,043	-	1,416	-
2320	Long-term liabilities within one year or one business cycle (notes 4 and 17)	12,500	-	-	-
2300	Other current liabilities (notes 18 and 28)	18,791	1	127,468	5
21XX	Total Current Liabilities	<u>809,828</u>	<u>26</u>	<u>1,177,929</u>	<u>46</u>
	Non-current Liabilities				
2540	Long-term loans(notes 4 and 17)	237,500	8	-	-
2570	Deferred income tax liabilities (notes 4 and 23)	3,521	-	890	-
2600	Other non-current liabilities (note 18)	14,587	-	13,148	-
25XX	Total Non-current Liabilities	<u>255,608</u>	<u>8</u>	<u>14,038</u>	<u>-</u>
2XXX	Total Liabilities	<u>1,065,436</u>	<u>34</u>	<u>1,191,967</u>	<u>46</u>
	Owner's Equity (notes 4 and 20)				
	Share capital				
3110	Common shares	662,269	21	602,329	23
3200	Capital reserve	807,634	25	272,165	11
	Retained earnings				
3310	Legal reserve	106,493	3	65,655	3
3320	Special reserve	48,440	2	19,230	1
3350	Undistributed earnings	539,837	17	473,842	18
3300	Total retained earnings	694,770	22	558,727	22
3490	Other Equity	(56,384)	(2)	(48,440)	(2)
3XXX	Total Owner's Equity	<u>2,108,289</u>	<u>66</u>	<u>1,384,781</u>	<u>54</u>
	Total Liabilities and Owner's Equity	<u>\$ 3,173,725</u>	<u>100</u>	<u>\$ 2,576,748</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

AMPAK Technology, Inc.
Parent company only Comprehensive Income Statement
January 1 to December 31, 2022 and 2021

Unit: NT\$ thousand, but NT\$ for earnings per share

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (notes 4, 21 and 28)	\$ 3,145,981	100	\$ 3,104,597	100
5000	Operating costs (notes 11, 19, 22 and 28)	(2,536,843)	(81)	(2,508,713)	(81)
5900	Gross profit from operations	609,138	19	595,884	19
	Operating costs (notes 4, 10, 19, 22 and 28)				
6100	Marketing expenses	(27,808)	(1)	(24,798)	(1)
6200	Administrative expenses	(55,300)	(1)	(50,317)	(2)
6300	Research and development expenses	(119,663)	(4)	(112,371)	(3)
6450	Reversal of impairment loss determined in accordance with IFRS 9	-	-	1,724	-
6000	Total operating expenses	(202,771)	(6)	(185,762)	(6)
6900	Net operating income	406,367	13	410,122	13
	Non-operating income and expenses (notes 4, 12, 22 and 28)				
7100	Interest income	8,966	-	1,639	-
7010	Other income	11,297	-	20,961	1
7020	Other gains and losses	44,931	2	4,794	-
7050	Financial cost	(1,034)	-	(1,291)	-
7070	Share of profits and losses of subsidiaries and affiliated enterprises recognized by equity method	105,365	3	63,658	2
7000	Total non-operating income and expenses	169,525	5	89,761	3

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Code		2022		2021	
		Amount	%	Amount	%
7900	Net profit before tax of continuing business units	\$ 575,892	18	\$ 499,883	16
7950	Income tax expense (notes 4 and 23)	(79,364)	(2)	(91,701)	(3)
8200	Net profit of the period	<u>496,528</u>	<u>16</u>	<u>408,182</u>	<u>13</u>
	Other comprehensive income				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains on remeasurements of defined benefit plans (note 19)	392	-	104	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(9,218)	-	(28,873)	(1)
8320	Share of other comprehensive income of subsidiaries recognized by equity method	521	-	90	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences in transactions	<u>1,274</u>	<u>-</u>	(<u>337</u>)	<u>-</u>
8300	Total other comprehensive income	(<u>7,031</u>)	<u>-</u>	(<u>29,016</u>)	(<u>1</u>)
8500	Total comprehensive income	<u>\$ 489,497</u>	<u>16</u>	<u>\$ 379,166</u>	<u>12</u>
	Earnings per share (note 24)				
9750	Basic	<u>\$ 7.77</u>		<u>\$ 6.78</u>	
9850	Diluted	<u>\$ 7.65</u>		<u>\$ 6.67</u>	

The accompanying notes are an integral part of the parent company only financial statements.

AMPAK Technology, Inc.
Parent company only Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NT\$ thousand

								Other Equity			
Code		Share capital (note 20)		Retained earnings (note 20)			Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Exchange differences in transactions	Total	Total Owner's Equity	
		Number of shares (thousand)	Amount	Capital reserve (note 20)	Legal reserve	Special reserve					Undistributed earnings
A1	Balance on January 1, 2021	60,232	602,329	272,165	36,986	23,170	331,127	(29,018)	9,788	(19,230)	1,246,547
	2020 earnings allocation and distribution										
B1	Legal reserve	-	-	-	28,669	-	(28,669)	-	-	-	-
B3	Special reserve	-	-	-	-	(3,940)	3,940	-	-	-	-
B5	Cash dividend to shareholders	-	-	-	-	-	(240,932)	-	-	-	(240,932)
	Subtotal	-	-	-	28,669	(3,940)	(265,661)	-	-	-	(240,932)
D1	2021 profit	-	-	-	-	-	408,182	-	-	-	408,182
D3	2021 other comprehensive income, net of tax	-	-	-	-	-	194	(28,873)	(337)	(29,210)	(29,016)
D5	2021 total comprehensive income	-	-	-	-	-	408,376	(28,873)	(337)	(29,210)	379,166
Z1	Balance on December 31, 2021	60,232	\$ 602,329	\$ 272,165	\$ 65,655	\$ 19,230	\$ 473,842	(\$ 57,891)	\$ 9,451	(\$ 48,440)	\$ 1,384,781
	2021 earnings allocation and distribution										
B1	Legal reserve	-	-	-	40,838	-	(40,838)	-	-	-	-
B3	Special reserve	-	-	-	-	29,210	(29,210)	-	-	-	-
B5	Cash dividend to shareholders	-	-	-	-	-	(361,398)	-	-	-	(361,398)
	Subtotal	-	-	-	40,838	29,210	(431,446)	-	-	-	(361,398)
D1	2022 profit	-	-	-	-	-	496,528	-	-	-	496,528
D3	2022 other comprehensive income, net of tax	-	-	-	-	-	913	(9,218)	1,274	(7,944)	(7,031)
D5	2022 total comprehensive income	-	-	-	-	-	497,441	(9,218)	1,274	(7,944)	489,497
N1	Share-based payments	-	-	979	-	-	-	-	-	-	979
E1	Issuance of shares	5,995	59,940	534,490	-	-	-	-	-	-	594,430
Z1	Balance on December 31, 2022	66,227	\$ 662,269	\$ 807,634	\$ 106,493	\$ 48,440	\$ 539,837	(\$ 67,109)	\$ 10,725	(\$ 56,384)	\$ 2,108,289

The accompanying notes are an integral part of the parent company only financial statements.

AMPAK Technology, Inc.
Parent company only Cash Flow Statement
January 1 to December 31, 2022 and 2021

Unit: NT\$ thousand

Code		2022	2021
	Cash flow from (used in) operating activities		
A00010	Profit before tax	\$ 575,892	\$ 499,883
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expense	8,910	8,598
A20200	Amortization expense	6,179	4,579
A20300	Impairment gain determined in accordance with IFRS 9	-	(1,724)
A20400	Gains (losses) on financial assets measured at fair value through other comprehensive income	(5,872)	(4,956)
A20900	Financial cost	1,034	1,291
A21200	Interest income	(8,966)	(1,639)
A21900	Compensation cost of share-based payments	979	-
A22300	Share of profits and losses of subsidiaries and affiliated enterprises recognized by equity method	(105,365)	(63,658)
A22500	Gain on disposal of property, plant and equipment	(5)	(24)
A23800	Inventory valuation loss and sluggish loss (recovery gain)	(8,539)	12,410
A24100	Unrealized foreign exchange gain	(19,387)	(5,096)
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets at fair value through profit or loss	6,630	4,198
A31150	Accounts receivable	283,444	(193,273)
A31160	Accounts receivable - related parties	1,199	(3,314)
A31180	Other receivables	-	800
A31190	Other receivables - related parties	2,772	(3,275)
A31200	Inventory	(420,203)	(278,404)
A31240	Other current assets	(6,441)	(11,957)
A31990	Net defined benefit asset	(40)	(18)
A32125	Contract liabilities	232	4,313
A32150	Accounts payable	(218,754)	324,739
A32160	Accounts payable - related parties	(43,755)	28,207
A32180	Other payables	32,188	47,094
A32230	Other current liabilities	(108,677)	56,963
A33000	Cash inflow (outflow) generated from operations	(26,545)	425,737

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Code		2022	2021
A33100	Interest received	\$ 8,966	\$ 1,639
A33300	Interest paid	(1,034)	(1,291)
A33500	Income tax paid	(101,810)	(87,210)
AAAA	Cash flow from (used in) operating activities	(120,423)	338,875
	Cash flow from (used in) investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	-	(3,000)
B00040	Acquisition of financial assets at amortized cost	(144)	(115)
B00050	Proceeds from disposal of financial assets at amortized cost	-	93,360
B02700	Purchase of property, plant and equipment	(425,302)	(511)
B02800	Disposal of property, plant and equipment	5	39
B04500	Purchase of intangible asset	(590)	(2,752)
B06700	Increase in other non-current assets	(3,786)	(5,489)
B07600	Interest received	81,627	51,018
BBBB	Cash flows from (used in) investing activities	(348,190)	132,550
	Cash flow from (used in) financing activities		
C01600	Increase in long-term loans	250,000	-
C03000	Increase in guarantee deposits received	1,357	5,674
C04020	Payments of lease liabilities	(3,496)	(4,237)
C04500	Dividend payment	(361,398)	(240,932)
C04600	Proceeds from issuing shares	594,430	-
CCCC	Cash flows from (used in) financing activities	408,893	(239,495)
EEEE	Net increase in cash and cash equivalents	12,280	231,930
E00100	Cash and cash equivalents at beginning of the period	735,529	503,599
E00200	Cash and cash equivalents at end of the period	\$ 747,809	\$ 735,529

The accompanying notes are an integral part of the parent company only financial statements.

AMPAK Technology, Inc.
Notes to Parent company only Financial Statements
January 1 to December 31, 2022 and 2021
(unless otherwise specified, the amount is in NT\$ thousand)

I. Company history

AMPAK Technology, Inc. (hereinafter referred to as the Company), originally named Taidian Electronics Co., Ltd., is a profit-seeking enterprise established in December 2000 in accordance with the Company Act. The company name was changed to Jiacheng Technology Co., Ltd. in February 2001, and then to AMPAK Technology, Inc. in September 2009.

The Company is mainly engaged in the following business items: manufacturing, wholesale and retail of wireless communication machinery and equipment, manufacturing of electronic components, wholesale and retail of electronic materials, manufacturing of data storage and processing equipment, and manufacturing of wired communication machinery and equipment.

The Company's shares were approved for public offering from August 12, 2020, and it registered as an emerging market company on November 9, 2020; Furthermore, it listed for trading on the Taipei Exchange on May 24, 2022.

This parent company only financial report is expressed in New Taiwan dollars, the functional currency of the Company.

II. Date and procedure of adoption of the financial report

The parent company only financial report was approved by the board meeting on March 14, 2023.

III. Application of newly issued and revised standards and interpretations

(I) The first application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations (IFRIC) and Interpretations (SIC) (hereinafter referred to as "IFRSs") recognized and published by the Financial Supervisory Commission (hereinafter referred to as the "FSC").

The application of the amended IFRSs recognized and published by the FSC will not cause major changes to the accounting policies of the Company.

(II) IFRSs approved by the FSC applicable in 2022

Newly released/amended/revised standards and interpretation	The effective date of the IASB release
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (note 3)

Note 1: This amendment applies to annual reporting periods beginning after January 1, 2023.

Note 2: This amendment applies to changes in accounting estimates, and changes in accounting policies that occur in annual reporting periods beginning after January 1, 2023.

Note 3: Except for the recognition of deferred income tax on temporary differences between leases and decommissioning obligations on January 1, 2022, the amendment applies to transactions that occur after January 1, 2022.

As of the date of issuance of the financial report, the Company is still assessing the impact of the amendments to other standards and interpretations to the Company’s financial position and financial performance, and will disclose the result when the assessment is completed.

(III) IFRSs issued by the IASB but not approved and effective by the FSC

Newly released/amended/revised standards and interpretation	The effective date of the IASB release (note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Investment of Assets Between Investors and Their Affiliates or Joint Ventures”	Undetermined
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment to IFRS 17 “First Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendment 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

Note 1: Unless otherwise noted, the above-mentioned new/ amended/ revised standards or interpretations shall come into effect during the annual reporting period starting after that date.

Note 2: The seller and lessee shall apply the amendment of IFRS 16 retrospectively to sale and leaseback transactions signed after the date of initial application of IFRS 16.

As of the date of issuance of the financial report, the Company is still assessing the impact of the amendments to other standards and interpretations to the Company's financial position and financial performance, and will disclose the result when the assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Declaration of Compliance

This parent company only financial report is prepared in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of Preparation

Other than financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of plan assets, the parent company only financial statements are prepared based on historical costs.

Fair value measurement is divided into levels 1 to 3 according to the observability and importance of relevant input values:

1. Level 1 input value: refers to the quoted price (unadjusted) of the same assets or liabilities available in the active market on the measurement date.
2. Level 2 input value: refers to the direct (i.e. price) or indirect (i.e. derived from price) observable input value of assets or liabilities other than the quotation of level 1.
3. Level 3 input value: refers to the unobservable input value of assets or liabilities.

The Company adopts the equity method to deal with investment subsidiaries and associated enterprises when preparing the parent company only financial report. In order to make the profit or loss for the year, other comprehensive income and equity in the parent company only financial statements the same as the profit or loss for the year, other comprehensive income and equity attributable to the owners of the Company in

the parent company only financial statements, certain accounting differences between the individual basis and the consolidated basis are adjusted for "investments accounted for using the equity method", "share of profit or loss of subsidiaries and joint ventures accounted for using the equity method", "share of other comprehensive income of subsidiaries and joint ventures accounted for using the equity method" and related equity items. The "share of profit or loss of subsidiaries and joint ventures using the equity method" and the related equity items.

(III) Criteria for distinguishing current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for trading purposes.
2. Assets expected to be realized within 12 months of the balance sheet date; and
3. Cash and cash equivalents (other than those restricted from being exchanged or settled more than 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for trading purposes.
2. Liabilities due for settlement within 12 months of the balance sheet date, and
3. Liabilities that cannot be unconditionally deferred until at least 12 months after the balance sheet date.

Assets or liabilities that are not under current assets or liabilities above are classified as non-current assets or non-current liabilities.

(IV) Merger

Business mergers are handled pursuant to the Acquisition Act. Acquisition-related costs are recognized as expenses in the current period when costs are incurred and labor services are obtained.

Goodwill is measured by the total amount of the fair value of the transfer consideration, the amount of the acquiree's non-controlling interests, and the fair value of the acquirer's previously held interests in the acquiree on the acquisition date, in excess of the net amount of identifiable assets, acquired and liabilities assumed on the acquisition date.

When the consideration transferred by the merging company in a business merger includes assets or liabilities arising from contingent consideration agreements, the contingent consideration is measured at the fair value on the acquisition date, and is paid as part of the transfer consideration in exchange for the acquiree. If the change in the fair value of contingent consideration is an adjustment during the measurement

period, it is a retrospective adjustment of the acquisition cost and a relative adjustment of goodwill. The adjustment of the measurement period refers to the adjustment arising from the acquisition of additional information on the facts and circumstances existing on the acquisition date within the "measurement period" (no more than one year from the acquisition date).

The subsequent treatment of changes in the fair value of contingent consideration that is not adjusted during the measurement period will depend on the classification of contingent consideration. The contingent consideration classified as equity and included in capital reserve - stock options shall not be measured again, and the subsequent settlement is adjusted within equity and transferred to capital reserve - common stock issuance premium. Another contingent consideration is measured at fair value on subsequent balance sheet dates, and changes in fair value are recognized in profit or loss.

If the measurement of identifiable assets acquired and liabilities assumed due to the business merger has not been completed, the provisional sum was recognized on the balance sheet date, and retroactive adjustment or recognition of additional assets or liabilities shall be made during the measurement period to reflect new information about the existing facts and conditions on the acquisition date.

(V) Foreign currencies

When preparing the financial statements, if transactions are recorded in a currency other than the Company's functional currency (foreign currency), they are translated into the functional currency based on the exchange rate on the transaction date.

Monetary items denominated in foreign currencies are translated at the closing rate at each balance sheet date. Exchange differences arising from the settlement of monetary items or the translation of monetary items are recognized in profit or loss in the period in which they occur.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the exchange rates prevailing on the date when the fair value was determined, and the resulting exchange differences are recognized in profit or loss for the current period, except for those arising from changes in fair value recognized in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rates prevailing on the dates of transactions and are not retranslated.

For the purpose of preparing parent company only financial statements, the assets and liabilities of the foreign operations (including subsidiaries or joint ventures that operate in countries or currencies different from those of the Company) are translated into New Taiwan dollars at the exchange rates prevailing on each balance sheet date. Income and expense items are translated at average exchange rates for the period, with the resulting exchange differences recorded in other comprehensive income.

If the Company disposes of all the interests in a foreign operating entity, or disposes of part of the interests in a subsidiary of a foreign operating entity but loses control, or disposes of a retained interest in a foreign operating entity that is a financial asset and is accounted for under the accounting policy for financial instruments, all cumulative translation differences related to that foreign operating entity are reclassified to profit or loss.

If the partial disposal of a foreign operating subsidiary does not result in a loss of control, the cumulative translation difference is reattributed to the non-controlling interest of the subsidiary on a pro rata basis and is not recognized in profit or loss. In the case of any other partial disposal of foreign operations, the accumulated exchange differences are reclassified to profit or loss according to the proportion of disposal.

(VI) Inventories

Inventory includes raw materials, supplies, finished goods and work-in-process. Inventories are measured at the lower of cost or net realizable value. Comparisons between cost and net realizable value are made on an item-by-item basis, except for inventories of the same type. The net realizable value is the estimated selling price under normal circumstances less the estimated costs still to be invested to completion and the estimated costs required to complete the sale. The cost of inventories is calculated using the weighted-average method.

(VII) Investment in subsidiaries

The Company uses the equity method to account for its investment in subsidiaries.

A subsidiary is an entity over which the Company has control.

Under the equity method, investments are initially recognized at cost, and the book value is increased or decreased as the company's share of the subsidiaries and

other comprehensive income or loss and profit is distributed. In addition, changes in the Company's other interests in subsidiaries are recognized in proportion to the Company's shareholding.

Where the change of ownership rights of the subsidiaries of the Company does not result in a loss of control, it shall be treated as an equity transaction. The difference between the book value of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses in subsidiary equals or exceeds its interest in the subsidiary (including the book value of the subsidiary under the equity method and other long-term interests that are in substance a component of the Company's net investment in the subsidiary), the Company continues to recognize losses in proportion to its equity in the subsidiary.

The excess of the acquisition cost over the Company's share of the net fair value of the identifiable assets and liabilities of the subsidiaries constituting the business at the acquisition date is recorded as goodwill, which is included in the book value of the investment and is not amortized; the excess of the Company's share of the net fair value of the identifiable assets and liabilities of the subsidiaries constituting the business at the acquisition date over the acquisition cost is recorded as current income.

The Company assesses impairment by considering the cash-generating units as a whole and comparing their recoverable amounts with their book values in the financial statements. If the recoverable amount of an asset subsequently increases, the reversal of the impairment loss is recognized as a gain, provided that the book value of the asset after the reversal of the impairment loss does not exceed the book value that would have been determined had no impairment loss been recognized for the asset, less amortization. The loss of goodwill impairment shall not be reversed in subsequent periods.

When control over a subsidiary is lost, the Company measures its remaining investment in the former subsidiary at fair value at the date of loss of control. The difference between the fair value of the remaining investment and the carrying amount of the investment at the date of loss of control, if any, is recognized in profit or loss for the period. In addition, all amounts recognized in other comprehensive income or loss related to the subsidiary are accounted for on the same basis as if the Company had directly disposed of the related assets or liabilities.

Unrealized gains or losses on downstream transactions with subsidiaries are eliminated in the parent company only financial statements. Gains or losses resulting from counter-current and side-stream transactions with subsidiaries are recognized in the parent company only financial statements only to the extent that they are not related to the Company's interest in the subsidiary.

(VIII) Properties, plants and pieces of equipment

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

Except for self-owned land, which is not depreciated, other property, plant and equipment are depreciated separately over their useful lives on a straight-line basis for each significant component. The Company reviews the estimated useful lives, residual values and depreciation methods at least at the end of each year, and defers the effect of changes in applicable accounting estimates.

When property, plant and equipment are derecognized, the difference between the net disposal price and the book value of the assets is recognized in profit or loss.

(IX) Intangible assets

1. Individually acquired

Individually acquired intangible assets with finite useful lives are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their useful lives. The Company reviews the estimated useful lives, residual values and depreciation methods at least at the end of each year, and defers the effect of changes in applicable accounting estimates. Intangible assets with indefinite useful lives are presented at cost less accumulated impairment loss.

2. Derecognition

When intangible assets are derecognized, the difference between the net disposal price and the book value of the asset is recognized in the current profit and loss.

(X) Impairment loss of property, plant and equipment, right-of-use assets and intangible assets

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets may have been impaired. If any indication of impairment exists, the

recoverable amount of the asset is estimated. If the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher fair value fewer of the cost of sales and use value. If the recoverable amount of an asset or cash-generating unit is less than its book value, the book value of the asset or cash-generating unit is reduced to its recoverable amount, and the impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the book value of the asset or cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the book value (net of amortization or depreciation) that would have been determined if the impairment loss had not been recognized in prior years for that asset or cash-generating unit. Reversal of impairment loss is recognized in profit or loss.

(XI) Financial instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheets when the Company becomes a party to the contractual provisions of the instrument.

When initially recognizing financial assets and financial liabilities, if financial assets and financial liabilities are not recognized at fair value through profit or loss, they are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

Regular transactions of financial assets are recognized and derecognized using trade date accounting.

(1) Types of measurement

The types of financial assets held by the Company are financial assets at fair value through profit or loss, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income.

A. Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss include mandatory financial assets measured at fair value through profit or loss. Financial assets that are mandatorily measured at fair value through profit or loss include investments in equity instruments not designated by the consolidated company as measured at fair value through other comprehensive income or loss.

Financial assets measured at fair value through profit or loss are measured at fair value, and gains or losses arising from their remeasurement are recognized in profit or loss. For the determination of fair value, please refer to note 27.

B. Financial assets measured at amortized cost

The Company's investment in financial assets are classified as financial assets carried at amortized cost if both of the following two conditions are met:

- a. The financial assets are held under an operating model in which they are held for the purpose of receiving contractual cash flows, and
- b. The terms of the contract generate cash flows on specific dates that are solely for the payment of principal and interest on the outstanding principal amount.

Financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable, accounts receivable - interested parties, other receivables, other receivables - interested parties, financial assets measured at amortized cost and refundable deposits) are measured using the effective interest method to determine the amortized cost of the total book value less any impairment loss after the initial recognition, with any foreign currency exchange gain or loss recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total book value of the financial assets, except for the following two cases:

- a. Interest income on credit-impaired financial assets acquired or created is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial assets.

- b. For financial assets that are not acquired or impaired but subsequently become impaired, interest income should be computed by multiplying the effective interest rate by the amortized cost of the financial assets from the next reporting period after the impairment is applied.

Credit-impaired financial assets are those for which the issuer or the debtor has experienced significant financial difficulties, defaulted, or where it is probable that the debtor will declare bankruptcy or other financial reorganization, or where an active market for the financial assets has disappeared due to financial difficulties.

Cash equivalents include time deposits that are highly liquid, readily convertible into fixed deposits with minimal risk of changes in value within 3 months from the date of acquisition, and are used to meet short-term cash commitments.

C. Investments in equity instruments measured at fair value through other comprehensive income

At initial recognition, the Company has an irrevocable option to designate investments in equity instruments that are not held for trading and for which contingent consideration is recognized by the acquirer of the non-business combination to be measured at fair value through other comprehensive income.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, with subsequent changes in fair value reported in other comprehensive income and accumulated in other equity. Upon disposal of investments, the accumulated gains and losses are transferred directly to retained earnings and are not reclassified to profit or loss.

Dividends from investments in equity instruments measured at fair value through other comprehensive income or loss are recognized in profit or loss when the rights to receive payments from the Company are established, unless the dividends clearly represent a partial recovery of the cost of the investment.

(2) Impairment of financial assets

The Company assesses impairment losses on financial assets (including accounts receivable) measured at amortized cost based on expected credit losses at each balance sheet date.

Accounts receivable are recognized as an allowance for loss based on the expected credit loss throughout the existence. Other financial assets are first evaluated to determine whether there is a significant increase in credit risk since initial recognition. If there is no significant increase, an allowance for loss is recognized based on the expected credit loss over 12 months, and if there is a significant increase, an allowance for loss is recognized based on the expected credit loss over the remaining period.

Expected credit loss is a weighted average credit loss weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from possible defaults within 12 months after the reporting date of the financial instrument, and the ongoing expected credit loss represents the expected credit loss arising from all possible defaults during the expected life of the financial instrument.

For internal credit risk management purposes, the Company determines, without regard to the collateral held, that a default on a financial asset has occurred in the following circumstances.

- A. There is internal or external information indicating that the debtor is unlikely to be able to pay off its debts.
- B. More than 365 days past due, unless there is reasonable and supportable information indicating that the basis for delayed default is more appropriate.

The impairment loss of all financial assets is reduced by adjusting its book value through the allowance account, but the allowance loss of debt instrument investment measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce its book value.

(3) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets lapse or when the financial assets have been transferred and

The difference between the book value of the financial asset and the consideration received is recognized in profit or loss when the financial asset is derecognized as a whole at amortized cost. When the debt instrument investment measured at fair value through other comprehensive income is derecognized as a whole, the difference between its book value and the sum of the consideration received plus any accumulated profits or losses recognized in other comprehensive income is recognized in profits and losses. When investments in equity instruments measured at fair value through other comprehensive income are derecognized as a whole, the cumulative gain or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the Company are recognized at the acquisition price less direct issue costs.

The recapture of the Company's equity instruments is recognized and deducted under equity. The purchase, sale, issuance or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent measurements

Financial liabilities are measured at amortized cost using the effective interest method.

For the determination of fair value, please refer to note 27.

(2) Derecognition of financial assets

When a financial liability is derecognized, the difference between the book value and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(XII) Income recognition

The Company allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes revenue when each performance obligation is satisfied.

Revenue from product sales

The revenue from product sales is mainly derived from sales of wireless communication modules. As the wireless communication module is delivered to the place designated by the customer as agreed or actually collected, the customer has the right to set the price and use the products, and has the primary responsibility for resale and bears the risk of obsolescence of the products. The Company recognizes revenue and accounts receivable at each of the time points. Advance receipts from goods sold are recognized as contractual liabilities before the arrival of products.

In the process of material delivery for processing, the control over the ownership of the processed products has not been transferred, so the revenue is not recognized in the process of material delivery.

(XIII) Lease

The Company assesses whether a contract is (or contains) a lease at the contract inception date.

For contracts that contain leasing and non-leasing components, the Company shall apportion the consideration in the contract based on a relatively separate price and handle it separately.

1. The Company as the lessor

When the lease terms transfer almost all the risks and rewards attached to the asset ownership to the lessee, it is classified as a finance lease. All other leases are classified as operating leases.

Under an operating lease, the lease payment after deducting the lease incentives is recognized as income on a straight-line basis during the relevant lease term. The original direct costs incurred from the acquisition of an operating lease are added to the book value of the underlying assets and recognized as expenses on a straight-line basis during the lease term.

2. The Company as the lessee

Right-of-use assets and lease liabilities are recognized at the lease commencement date for all leases, except for leases of low-value underlying assets to which the recognition exemption applies and short-term leases, where lease payments are recognized as expenses on a straight-line basis over the lease term.

The right-of-use asset is measured initially at cost (consisting of the original measurement amount of the lease liability, lease payments made prior to the commencement date of the lease less lease incentives received, original direct

cost, and estimated cost of restoration of the subject asset) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, and the remeasurement of the lease liability is adjusted. Right-of-use assets are presented separately in the parent company only balance sheets.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life or the end of the lease term.

Lease liabilities are measured initially at the present value of lease payments (including fixed payments). Lease payments are discounted using the interest rate implied by the lease if it is readily recognizable. If the rate is not readily identifiable, the lessee's incremental borrowing rate is used.

Subsequently, the lease liabilities are measured at amortized cost basis using the effective interest method and interest expense is allocated over the lease term. If there is a change in future lease payments due to changes in the lease period or rates, the Company remeasures the lease liability and adjusts the right-of-use asset accordingly. However, if the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Right-of-use assets are presented separately in the parent company only balance sheet.

(XIV) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of an asset that meets the criteria are included as part of the cost of the asset until substantially all of the activities necessary to bring the asset to its intended use or sale condition have been completed.

Investment income earned from temporary investment of specific loans before the occurrence of eligible capital expenditure is deducted from the borrowing costs eligible for capitalization.

Except for the above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(XV) Government subsidies

Government subsidies are recognized only when there is reasonable assurance that the Company will comply with the conditions attached to the government subsidies and that the subsidies will be received.

Government subsidies are recognized on a systematic basis in the period in which the related costs for which they are intended to be reimbursed are recognized as expenses by the Company.

Government subsidies are recognized in profit or loss in the period in which they become receivable if they are intended to compensate for expenses or losses already incurred or to provide immediate financial support to the Company and have no future related costs.

(XVI) Employee benefits

1. Short-term employee benefits

Short-term employee benefit-related liabilities are measured at the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

The defined contribution pension plan is an expense that recognizes the amount of pension benefits to be contributed during the employees' service period.

The defined benefit cost (including service cost, net interest, and remeasurement) of the defined benefit pension plan is actuarially determined using the projected unit benefit method. Service cost (including current service cost and pre-service cost) and net interest on net defined benefit liabilities (assets) are recognized as employee benefit expense when they are incurred or when the plan is revised or downscaled. Remeasurements (including actuarial gains and losses and return on plan assets, net of interest) are recognized in other comprehensive income as incurred and included in retained earnings and are not reclassified to profit or loss in subsequent periods.

The net defined benefit liabilities (assets) represent the deficit (surplus) in the defined benefit pension plan. The net defined benefit assets shall not exceed the present value of the refunded appropriations from the plan or the future appropriations that can be reduced.

(XVII) Income tax

Income tax expense is the sum of current income tax and deferred income tax changes.

1. Income tax of the current period

Income tax on undistributed earnings calculated in accordance with the ROC Income Tax Act is recognized in the year when the shareholders resolve to retain the earnings.

Adjustments to prior years' income tax payable are to be included in the current period's income tax.

2. Deferred income tax

Deferred income tax is computed on temporary differences between the book values of assets and liabilities and the tax basis of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are recognized when it is probable that taxable income will be available for the deduction of income tax arising from deductible temporary differences, loss deduction, or purchase of machinery and equipment, research and development and personnel training.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and joint agreements, except where the Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that sufficient taxable income will be available to allow the temporary differences to be realized and to the extent that a reversal is expected in the foreseeable future.

The book value of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient tax assets will be available to allow recovery of all or part of the asset. Deferred income tax assets that have not been recognized are reviewed at each balance sheet date and the book value is increased to the extent that future taxable income will probably be available to recover all or part of the asset.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled or the asset is realized, which are based on tax rates and tax laws that have been legislated or substantively legislated at the balance sheet date. The

measurement of deferred income tax liabilities and assets reflects the tax consequences of the manner in which the Company expects to recover or settle the carrying amounts of its assets and liabilities at the balance sheet date.

3. Income tax of the current period and deferred income tax

Current and deferred income taxes are recognized in profit or loss, except for current and deferred income taxes related to items recognized in other comprehensive income or directly in equity, which are recognized in other comprehensive income or directly in equity, respectively.

V. Main sources of uncertainty in significant accounting judgments, estimates, and assumptions

In adopting accounting policies, the Company's management is required to make judgments, estimates, and assumptions that are based on historical experience, and other relevant factors when relevant information is not readily available from other sources. Actual results may differ from estimates.

The management of the Company will review estimates, and underlying assumptions on an ongoing basis. If a revision of an estimate affects only the current period, it is recognized in the period in which it is revised. If a revision of an accounting estimate affects both the current and future periods, it is recognized in the period in which it is revised and in the future period.

VI. Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and working capital	\$ 146	\$ 146
Bank checking accounts and demand deposit accounts	667,664	251,623
Cash equivalents		
Bank term deposits with an original maturity in 3 months	<u>80,000</u>	<u>483,760</u>
	<u>\$ 747,810</u>	<u>\$ 735,529</u>

The interest rate ranges of demand deposits and time deposits on the balance sheet date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank deposits	0.05%~4%	0.01%~0.35%

VII. Financial instruments measured at fair value through profit and loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets - current</u>		
Financial assets are mandatorily		

measured at fair value through
profit or loss

Derivatives (not for specified
hedging)

- Foreign exchange forward
contracts

\$ -

\$ 758

On the balance sheet date, the foreign exchange forward contracts not covered by
hedge accounting and not yet due are as follows:

	Currency	Maturity date	Contract amount (NT\$ thousand)
December 31, 2021			
Foreign exchange put contracts	USD vs NT\$	December 7, 2021, to February 11, 2022	USD 10,000/NTD 275,840

The purpose of the Company's forward foreign exchange transactions is mainly
to avoid risks arising from foreign currency assets and liabilities due to exchange rate
fluctuations.

VIII. Financial assets measured at fair value through other comprehensive income

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Domestic investments		
Unlisted stocks	\$ 22,022	\$ 25,906
Foreign investments		
Unlisted stocks	<u>10,646</u>	<u>15,980</u>
	<u>\$ 32,668</u>	<u>\$ 41,886</u>

The Company invests in the stocks above based on its medium and long term
strategy, and expects to make profits through long-term investment. In the opinion of
the management of the Company, if the short-term fair value fluctuation of such
investment is included in the income, it is not consistent with the aforesaid long-term
investment plan, so they chose to designate such investment as measured at fair value
through other comprehensive income.

IX. Financial assets measured at amortized cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Time deposits with an original maturity exceeding 3 months	<u>\$ 30,282</u>	<u>\$ 5,560</u>
<u>Non-current</u>		
Time deposits with an original maturity exceeding 3 months	<u>\$ 4,430</u>	<u>\$ 29,008</u>
Interest rate range	0.355%~2.32%	0.18%~2.30%

For information about pledged financial assets at amortized cost, please refer to note 29.

X. Accounts receivable (including related parties)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Accounts receivable</u>		
Total book value measured at cost after amortization	<u>\$ 340,343</u>	<u>\$ 620,714</u>
<u>Accounts receivable - related parties</u>		
Total book value measured at cost after amortization	<u>\$ 5,389</u>	<u>\$ 6,883</u>

Total book value measured at cost after amortization

The average credit period of the Company for commodity sales is 45~90 days, and the accounts receivable are not subject to interest. The impairment assessment of accounts receivable is based on individual assessment, aging analysis, historical experience, and analysis of the current financial situation of customers to estimate the amount that cannot be recovered.

The Company recognizes the loss allowance of accounts receivable according to the expected credit loss during the period of existence. The expected credit loss during the existence period is calculated by the preparation matrix, which considers the past default records of customers and their current financial situation, and the industrial economic situation. As the historical experience of credit loss of the Company shows that there is no significant difference in the loss pattern of different customer groups, the preparation matrix does not further distinguish customer groups, and only uses the overdue days of accounts receivable to determine the expected credit loss rate.

If there is evidence that the counterparty is facing serious financial difficulties and the Company cannot reasonably expect the recoverable amount, for example, if the transaction counterparty is in liquidation, the Company will directly write off the relevant receivables but will continue the recourse activities, and the amount recovered due to recourse will be recognized as income.

The Company measures the provision for loss of accounts receivable according to the preparation matrix as follows:

December 31, 2022

	<u>Not overdue</u>	<u>1~60 days overdue</u>	<u>61~120 days overdue</u>	<u>121~365 days overdue</u>	<u>More than 365 days overdue</u>	<u>Total</u>
Expected credit impairment rate	-	-	-	-	-	-
Total book value	\$ 331,904	\$ 13,826	\$ 2	\$ -	\$ -	\$ 345,732
Loss allowance (expected credit impairment during the existence period)	-	-	-	-	-	-
Amortized cost	<u>\$ 331,904</u>	<u>\$ 13,826</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 345,732</u>

December 31, 2021

	<u>Not overdue</u>	<u>1~60 days overdue</u>	<u>61~120 days overdue</u>	<u>121~365 days overdue</u>	<u>More than 365 days overdue</u>	<u>Total</u>
Expected credit impairment rate	-	-	-	-	-	-
Total book value	\$ 600,585	\$ 27,012	\$ -	\$ -	\$ -	\$ 627,597
Loss allowance (expected credit impairment during the existence period)	-	-	-	-	-	-
Amortized cost	<u>\$ 600,585</u>	<u>\$ 27,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 627,597</u>

Information on changes in the loss allowance of accounts receivable is as follows:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ -	\$ 1,724
Less: Reversal of impairment loss in the current period	-	(1,724)
Ending balance	<u>\$ -</u>	<u>\$ -</u>

XI. Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$ 922,807	\$ 549,991
Work in progress	4,419	6,899
Finished products and commodities	<u>151,075</u>	<u>92,669</u>
	<u>\$1,078,301</u>	<u>\$ 649,559</u>

The cost of goods sold related to inventories in 2022 and 2021 was NT\$2,536,843 thousand and NT\$2,508,713 thousand respectively. Cost of goods sold includes recovery gain on inventory declines in market value and slow-moving inventory of NT\$8,539 thousand and losses on inventory declines in market value and slow-moving inventory of NT\$12,410 thousand. The recovery gain on inventory declines in market value and slow-moving inventory was mainly due to the sale of slow-moving inventories.

XII. Investments accounted for using equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investment in subsidiaries	<u>\$ 426,568</u>	<u>\$ 401,035</u>

(I) Investment in subsidiaries

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
LOCKHEART HOLDINGS LTD.	\$ 12,910	\$ 11,652
SparkLAN Communications Inc.	<u>413,658</u>	<u>389,383</u>
	<u>\$ 426,568</u>	<u>\$ 401,035</u>

	<u>Percentage of ownership interest and voting rights</u>	
<u>Name of subsidiary</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
LOCKHEART HOLDINGS LTD.	100%	100%
SparkLAN Communications Inc.	100%	100%

The share of profit or loss and other comprehensive income or loss of subsidiaries accounted for under the equity method in 2022 and 2021 is recognized based on the audited financial statements of each subsidiary for the same period.

XIII. Property, plant and equipment

	<u>Self-owned land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Molding equipment</u>	<u>Wealth generating appliances</u>	<u>Leasing improvements</u>	<u>Other equipment</u>	<u>Total</u>
<u>Cost</u>								
Balance on January 1, 2021	\$ -	\$ -	\$ 41,564	\$ 19,648	\$ 6,293	\$ 35,849	\$ 69	\$ 103,423
Addition	-	-	341	-	170	-	-	511
Disposal	-	-	(3,433)	-	(176)	-	-	(3,609)
Balance on December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,472</u>	<u>\$ 19,648</u>	<u>\$ 6,287</u>	<u>\$ 35,849</u>	<u>\$ 69</u>	<u>\$ 100,325</u>
<u>Accumulated depreciation</u>								
Balance on January 1, 2021	\$ -	\$ -	\$ 26,991	\$ 19,018	\$ 5,522	\$ 35,070	\$ 37	\$ 86,638
Disposal	-	-	(3,433)	-	(161)	-	-	(3,594)
Depreciation expense	-	-	3,581	187	165	425	3	4,361
Balance on December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,139</u>	<u>\$ 19,205</u>	<u>\$ 5,526</u>	<u>\$ 35,495</u>	<u>\$ 40</u>	<u>\$ 87,405</u>
Balance on December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,333</u>	<u>\$ 443</u>	<u>\$ 761</u>	<u>\$ 354</u>	<u>\$ 29</u>	<u>\$ 12,920</u>
<u>Cost</u>								
Balance on January 1, 2022	\$ -	\$ -	\$ 38,472	\$ 19,648	\$ 6,287	\$ 35,849	\$ 69	\$ 100,325
Addition	220,700	197,062	6,274	740	456	-	-	425,302
Disposal	-	-	(7,554)	-	(855)	-	-	(8,409)
Balance on December 31, 2022	<u>\$ 220,700</u>	<u>\$ 197,062</u>	<u>\$ 37,192</u>	<u>\$ 20,388</u>	<u>\$ 5,888</u>	<u>\$ 35,849</u>	<u>\$ 69</u>	<u>\$ 517,218</u>
<u>Accumulated depreciation</u>								
Balance on January 1, 2022	\$ -	\$ -	\$ 27,139	\$ 19,205	\$ 5,526	\$ 35,495	\$ 40	\$ 87,405
Disposal	-	-	(7,554)	-	(855)	-	-	(8,409)
Depreciation expense	-	966	3,709	202	180	354	4	5,415
Balance on December 31, 2022	<u>\$ -</u>	<u>\$ 966</u>	<u>\$ 23,294</u>	<u>\$ 19,407</u>	<u>\$ 4,851</u>	<u>\$ 35,849</u>	<u>\$ 44</u>	<u>\$ 84,411</u>
Balance on December 31, 2022	<u>\$ 220,770</u>	<u>\$ 196,096</u>	<u>\$ 13,898</u>	<u>\$ 981</u>	<u>\$ 1,037</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 432,807</u>

Amortization expense is accrued on a straight-line basis according to the following durability years:

Buildings	40 years
Machinery and equipment	2 to 10 years
Molding equipment	2 to 5 years
Wealth generating appliances	2 to 7 years
Leased assets	3 years
Other equipment	3 to 10 years

XIV. Lease agreements

(I) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Book value of right-of-use assets		
Buildings	<u>\$ 1,041</u>	<u>\$ 1,413</u>
	<u>2022</u>	<u>2021</u>
Addition of right-of-use assets	<u>\$ 3,123</u>	<u>\$ 4,239</u>
Depreciation expenses of right-of-use assets		
Buildings	<u>\$ 3,495</u>	<u>\$ 4,237</u>

(II) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Book value of lease liabilities		
Current	<u>\$ 1,043</u>	<u>\$ 1,416</u>

The range of discount rates for lease liabilities is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings	0.69%	0.60%

(III) Other lease information

	<u>2022</u>	<u>2021</u>
Total cash (outflow) from lease	<u>(\$ 3,507)</u>	<u>(\$ 4,252)</u>

XV. Other intangible assets

	<u>Patent rights</u>	<u>Computer software</u>	<u>Total</u>
<u>Cost</u>			
Balance on January 1, 2021	\$ 509	\$ 9,376	\$ 9,885
Individually acquired	<u>-</u>	<u>2,752</u>	<u>2,752</u>
Balance on December 31, 2021	<u>\$ 509</u>	<u>\$ 12,128</u>	<u>\$ 12,637</u>
<u>Accumulated amortization</u>			
Balance on January 1, 2021	\$ 398	\$ 9,225	\$ 9,623
Amortization expense	<u>15</u>	<u>1,277</u>	<u>1,292</u>
Balance on December 31, 2021	<u>\$ 413</u>	<u>\$ 10,502</u>	<u>\$ 10,915</u>
Balance on December 31, 2021	<u>\$ 96</u>	<u>\$ 1,626</u>	<u>\$ 1,722</u>
<u>Cost</u>			
Balance on January 1, 2022	\$ 509	\$ 12,128	\$ 12,637
Individually acquired	<u>-</u>	<u>590</u>	<u>590</u>
Balance on December 31, 2022	<u>\$ 509</u>	<u>\$ 12,718</u>	<u>\$ 13,227</u>
<u>Accumulated amortization</u>			
Balance on January 1, 2022	\$ 413	\$ 10,502	\$ 10,915
Amortization expense	<u>14</u>	<u>1,242</u>	<u>1,256</u>
Balance on December 31, 2022	<u>\$ 427</u>	<u>\$ 11,744</u>	<u>\$ 12,171</u>
Balance on December 31, 2022	<u>\$ 82</u>	<u>\$ 974</u>	<u>\$ 1,056</u>

Amortization expense is accrued on a straight-line basis according to the following durability years:

Patent rights	20 years
Computer software	1 to 3 years

XVI. Other assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Overpaid sales tax	\$ 32,134	\$ 25,796
Prepaid expenses	1,871	1,259
Prepayments	1,143	1,671
Others	<u>46</u>	<u>27</u>
	<u>\$ 35,194</u>	<u>\$ 28,753</u>

<u>Non-current</u>		
Refundable deposits	\$ 522	\$ 709
Net defined welfare assets (note 19)	5,808	5,376
Overdue receivables	17,142	17,142
Allowance for bad debts - overdue receivables	(17,142)	(17,142)
Deferred expenses	<u>2,376</u>	<u>3,326</u>
	<u>\$ 8,706</u>	<u>\$ 9,411</u>

XVII. Borrowings

Long-term loans

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Secured loans</u> (note 29)		
Bank loans	\$239,120	\$ -
<u>Unsecured loans</u>		
Credit loans	10,880	-
Less: Long-term loans maturing within one year	(12,500)	-
	<u>\$ 237,500</u>	<u>\$ -</u>

The interest rate of long-term bank borrowing was 1.52% on December 31, 2022, out of which was NT\$239,120 thousand borrowed using property, plant, and equipment as collateral (please refer to Note 29) with a loan period from October 2022 to October 2042 and principal and interest amortized over 20 years. The loan drawdown this time is used to purchase land and offices.

XVIII. Other liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Other payables		
Salary and bonus payable	\$ 9,431	\$ 8,912
Employees' remuneration payable	94,191	75,603
Directors' remuneration payable	6,471	5,924
Payables for goods procurement	25,025	3,801
Expenses payable	7,237	16,010
Other accounts payable - related parties (note 28)	<u>376</u>	<u>293</u>
	<u>\$ 142,731</u>	<u>\$ 110,543</u>
Other liabilities		
Temporary credits	\$ 13,167	\$ 120,866
Others	<u>5,624</u>	<u>6,602</u>
	<u>\$ 18,791</u>	<u>\$ 127,468</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits received	<u>\$ 14,587</u>	<u>\$ 13,148</u>

XIX. Post-employment benefit plan

(I) Defined contribution plan

The pension system of the "Labor Pension Regulations" applicable to the Company is a government-administered fixed appropriation retirement plan, with 6% of the employee's monthly salary allocated to the individual account of the Labor Insurance Bureau.

(II) Defined benefit plan

The pension system of the Company in compliance with the country's "Labor Standards Act" is a government-administered defined-benefit retirement plan. The employee's pension is calculated based on the length of service and the average salary for the six months before the approved retirement date. The Company allocates 2% of the total monthly salary of the employees to the pension, and hands it over to the Labor Retirement Reserve Supervision Committee to deposit it into the special account at the Bank of Taiwan in the name of the committee. Before the end of the year, if it is estimated that the balance of the special account is not sufficient to pay the workers who are expected to meet the retirement conditions in the next year, the difference will be provided in one go by the end of March of the next year. The special account is entrusted to the Bureau of Labor Fund of the Ministry of Labor for management, and the Company has no right to influence the investment management strategy.

The amounts of defined benefit plans included in the parent company only balance sheets are shown below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The current value of defined benefit obligation	\$ 1,151	\$ 1,040
The fair value of plan assets	(<u>6,959</u>)	(<u>6,416</u>)
Net defined benefit asset	(<u>\$ 5,808</u>)	(<u>\$ 5,376</u>)

Changes to net defined benefit assets are as follows:

	<u>The current value of defined benefit obligation</u>	<u>The fair value of plan assets</u>	<u>Net defined benefit asset</u>
Balance on January 1, 2021	<u>\$ 1,050</u>	(<u>\$ 6,304</u>)	(<u>\$ 5,254</u>)
Service cost			
Interest expense (income)	<u>4</u>	(<u>22</u>)	(<u>18</u>)
Recognized as profit or	<u>4</u>	(<u>22</u>)	(<u>18</u>)

loss			
Remeasurement			
Return on plan assets (excluding the amount included in net interest)	-	(90)	(90)
Actuarial loss- changes in demographic assumptions	58	-	58
Actuarial loss- changes in financial assumptions	(47)	-	(47)
Actuarial gain- experience-based adjustment	(<u>25</u>)	<u>-</u>	(<u>25</u>)
Recognized as another comprehensive income	(<u>14</u>)	(<u>90</u>)	(<u>104</u>)
Balance on December 31, 2021	<u>1,040</u>	(<u>6,416</u>)	(<u>5,376</u>)
Service cost			
Interest expense (income)	<u>8</u>	(<u>48</u>)	(<u>40</u>)
Recognized as profit or loss	<u>8</u>	(<u>48</u>)	(<u>40</u>)
Remeasurement			
Return on plan assets (excluding the amount included in net interest)	-	(495)	(495)
Actuarial loss- changes in financial assumptions	(78)	-	(78)
Actuarial gain- experience-based adjustment	<u>181</u>	<u>-</u>	<u>181</u>
Recognized as another comprehensive income	<u>103</u>	(<u>495</u>)	(<u>392</u>)
Balance on December 31, 2022	<u>\$ 1,151</u>	(<u>\$ 6,959</u>)	(<u>\$ 5,808</u>)

The amounts recognized in profit or loss for the defined benefit plan are summarized by function as follows:

	2022	2021
Operating costs	(\$ 6)	(\$ 2)
Marketing expenses	(7)	(3)
Administrative expenses	(6)	(3)
R&D expenses	(<u>21</u>)	(<u>10</u>)
	(<u>\$ 40</u>)	(<u>\$ 18</u>)

The Company is exposed to the following risks as a result of the pension system under the “Labor Standards Act”:

1. Investment risk: The Bureau of Labor Fund of the Ministry of Labor invests labor pension funds in domestic (foreign) equity and debt securities and bank deposits

through self-operation and entrusted management, but the Company's distributable amount of the plans' assets is the income calculated at not lower than the 2-year fixed deposit interest rate of the local bank.

2. Interest rate risk: The decrease in interest rates of government/corporate bonds will increase the present value of the defined benefit obligation, but the return on the debt investment of the planned assets will also increase; the impact of the two on the net defined benefit liabilities is partially offset.
3. Salary risk: For the calculation of the present value of defined benefit obligations, reference is made to the future salaries of the members of the plan. Therefore, an increase in the plan members' salaries will increase the present value of the defined benefit obligation.

The present value of the Company's defined benefit obligation was actuarially determined by a qualified actuary, with the following significant assumptions as of the measurement date:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.4%	0.75%
Expected rate of salary increase	2.5%	2.50%

If there are reasonably possible changes in significant actuarial assumptions, the amount by which the present value of the defined benefit obligation would increase (decrease), with all other assumptions held constant, is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
0.25% increase	(\$ <u>30</u>)	(\$ <u>30</u>)
0.25% decrease	<u>\$ 32</u>	<u>\$ 31</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 31</u>	<u>\$ 30</u>
0.25% decrease	(<u>\$ 30</u>)	(<u>\$ 29</u>)

The sensitivity analysis above may not reflect actual changes in the present value of the defined benefit obligation, because the actuarial assumptions may be correlated and changes in only one assumption are not probable.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Amount expected to be appropriated within 1 year	<u>\$ -</u>	<u>\$ -</u>
The average period of defined benefit obligation to maturity	12 years	13 years

XX. Equity

(I) Share capital

Common shares

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The authorized number of shares (thousand shares)	<u>100,000</u>	<u>100,000</u>
The authorized share capital	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
The number of issued shares fully paid for (thousand shares)	<u>66,227</u>	<u>60,232</u>
The issued share capital	<u>\$ 662,269</u>	<u>\$ 602,329</u>

Common shares are issued at a par value of NT\$10, and each share has one voting right and the right to receive dividends.

The Company undertook a cash capital increase via issuance of 5,995 thousand new shares at a par value NT\$10, doing so by approval of a resolution of the Board of Directors on March 15, 2022 and via the filed letter of approval Zhenggui Shenzi No. 1110003067 via the Taipei Exchange on April 15, 2022. Furthermore, it was issued with a NT\$96 per share public underwriting price and a NT\$101.4 premium issue volume-weighted average price under the bidding auction. Total cash raised was NT\$594,430 thousand after deducting direct issuance-related costs. The above cash capital increase was completed with May 20, 2022 as the capital increase record date with Ministry of Economic Affairs letter of approval Jingshoushangzi No. 11101092560 on file as of July 8, 2022. After the capital increase, share capital was NT\$662,269 thousand and premium over par value was transferred to capital reserve.

(II) The capital reserves

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>It may be used to cover losses, distribute cash or replenish share capital. (1)</u>		
Premium from share issuance	\$ 805,406	\$ 269,937
<u>Can only be used to cover losses</u>		
Employee stock options	<u>2,228</u>	<u>2,228</u>
	<u>\$ 807,634</u>	<u>\$ 272,165</u>

1. This type of capital reserve may be used to make up for losses, and when the Company has no losses, it may also be used to distribute cash or for capital

appropriation; when used for capital appropriation, it is limited to a certain percentage of the paid-in capital every year.

(III) Retained earnings and dividend policy

The Company passed a resolution to amend the Articles of Incorporation at the shareholders' meeting of June 8, 2022, authorizing the Board of Directors to distribute dividends and bonuses by means of cash disbursement; and this was to be reported to the shareholders' meeting.

According to the provisions of the earnings distribution policy in the Company's articles of association, if there is a surplus in the annual final accounts, taxes shall be paid in accordance with the law, and after making up the cumulative loss, 10% shall be set aside as the legal reserve, and the rest shall be appropriated as or reversed from special reserve according to laws and regulations. If there is still a balance, the board meeting shall formulate an earnings distribution proposal for it together with the cumulative undistributed surplus, and submit it to the shareholders' meeting for a resolution to distribute dividends to shareholders. Please refer to note 22(8) employees' remuneration and directors' and supervisors' remuneration for the distribution policy of employees' remuneration and directors' and supervisors' remuneration stipulated in the Articles of Association.

The legal reserve should be appropriated until its balance reaches the total paid-in share capital of the Company. The legal reserve may be used to make up for losses. When the Company has no losses, the portion of the legal reserve exceeding 25% of the total paid-in share capital may be distributed in cash in addition to being appropriated as share capital.

When the Company deducts the provision for special reserve for the net amount of other equity accumulated in the previous period, this shall constitute only the previous period's undistributed earnings.

The Company held general shareholders' meetings on June 8, 2022 and July 13, 2021, respectively, and made the following resolutions on the distribution of earnings for 2021 and 2020:

	Earnings distribution plan		Cash dividend per share (NT\$)	
	2021	2020	2021	2020
Appropriation of legal reserve	\$ 40,838	\$ 28,669		
Special reserve (reversal)	29,210	(3,940)		

Cash dividend	361,398	240,932	\$	6	\$	4
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The Company's board meeting on March 14, 2023, proposed the following earnings distribution plan for 2022:

	Earnings distribution plan	Cash dividend per share (NT\$)
Legal reserve	\$ 49,744	
Special reserve	7,944	
Cash dividend	430,475	\$ 6.5

The aforementioned cash dividends were distributed by resolution of the Board of Directors with the remainder pending resolution of the General Meeting of Shareholders expected to be held on June 6, 2023.

XXI. Revenue

	2022	2021
Customer contract revenue		
Revenue from product sales	<u>\$ 3,145,981</u>	<u>\$ 3,104,597</u>

Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable (note 10)	\$ 340,343	\$ 620,714	\$ 428,973
Accounts receivable - related parties (notes 10 and 28)	<u>5,389</u>	<u>6,883</u>	<u>4,328</u>
	<u>\$ 345,732</u>	<u>\$ 627,597</u>	<u>\$ 433,301</u>
Contractual liabilities - current			
Product sales	<u>\$ 8,798</u>	<u>\$ 8,163</u>	<u>\$ 4,187</u>

XXII. Net profit

Net profit includes the following items:

(I) Interest income

	2022	2021
Bank deposits	<u>\$ 8,966</u>	<u>\$ 1,639</u>

(II) Other income

	2022	2021
Government subsidy income	\$ -	\$ 14,383
Sales revenue	2,960	2,967
Others	<u>8,337</u>	<u>3,611</u>
	<u>\$ 11,297</u>	<u>\$ 20,961</u>

(III) Other gains and losses

	2022	2021
Gain on disposal of property, plant and equipment	\$ 5	\$ 24
Net foreign exchange gain	39,712	381
Net gain on financial assets measured at fair value through profit and loss	5,872	4,956
Others	(658)	(567)
	<u>\$ 44,931</u>	<u>\$ 4,794</u>

(IV) Financial cost

	2022	2021
Bank loan interest	\$ 1,023	\$ 1,276
Lease liability interest	11	15
	<u>\$ 1,034</u>	<u>\$ 1,291</u>

(V) Impairment loss (reversal)

	2022	2021
Accounts receivable	\$ -	\$ 1,724
Inventories (included in operating costs)	<u>\$ 8,539</u>	(<u>\$ 12,410</u>)

(VI) Depreciation and amortization

	2022	2021
Property, plant and equipment	\$ 5,415	\$ 4,361
Right-of-use assets	3,495	4,237
Intangible asset	1,256	1,292
Deferred expenses	<u>4,923</u>	<u>3,287</u>
	<u>\$ 15,089</u>	<u>\$ 13,177</u>
Summary of depreciation expenses by function		
Operating costs	\$ 912	\$ 1,704
Operating expenses	<u>7,998</u>	<u>6,894</u>
	<u>\$ 8,910</u>	<u>\$ 8,598</u>
Summary of amortization expenses by function		
Operating costs	\$ 527	\$ 523
Operating expenses	<u>5,652</u>	<u>4,056</u>
	<u>\$ 6,179</u>	<u>\$ 4,579</u>

(VII) Employee benefits

	2022	2021
Post-employment benefits		
Defined contribution plan	\$ 3,589	\$ 3,431
Defined welfare plan (note 19)	(40)	(18)
	<u>3,549</u>	<u>3,413</u>
Other employee benefits	<u>155,110</u>	<u>142,660</u>
Total employee benefits	<u>\$ 158,659</u>	<u>\$ 146,073</u>
Summary by function		
Operating costs	\$ 16,557	\$ 17,023
Operating expenses	<u>142,102</u>	<u>129,050</u>
	<u>\$ 158,659</u>	<u>\$ 146,073</u>

(VII) Remuneration of employees, directors and supervisors

In accordance with the Articles of Association, after making up the losses with the before-tax net profit of the current year, the Company appropriates 5% to 15% of the balance as the employees' remuneration, and no more than 2% as the directors' and supervisors' remuneration.

The resolutions on the employees' remuneration and directors' and supervisors' remuneration for 2022 and 2021 by the board meetings on March 14, 2023 and March 15, 2022 respectively are as follows:

Estimated proportion

	2022	2021
Employees' remuneration	10%	10%
Directors' remuneration	1%	1%

Amount

	2022	2021
	Cash	Cash
Employees' remuneration	\$ 64,707	\$ 56,167
Directors remuneration	6,471	5,617

If there is still any change in the amount after the issuance date of the annual individual financial statements, it shall be handled according to the change of accounting estimate and adjusted and recorded in the next year.

There is no difference between the actual distribution amount of employees' remuneration and directors' remuneration in 2021 and 2020 and the amount recognized in the consolidated financial statements in 2021 and 2020.

Please visit the “Market Observation Post System” of the Taiwan Stock Exchange Corporation for the Company’s board resolution on the employees’ remuneration and directors' and supervisors' remuneration.

XXIII. Income tax

(I) The main components of income tax expenses recognized as profit and loss are as follows:

	<u>2022</u>	<u>2021</u>
Income tax of the current period		
Generated in the current year	\$ 89,524	\$ 87,254
Additional levy on undistributed earnings	-	1,051
Adjustment for previous years	(<u>12,486</u>)	<u>3,869</u>
	77,038	92,174
Deferred income tax		
Generated in the current year	3,569	(473)
Adjustment for previous years	(<u>1,243</u>)	<u>-</u>
Income tax expenses recognized as profit and loss	<u>\$ 79,364</u>	<u>\$ 91,701</u>

The adjustments to accounting income and income tax expense are as follows:

	<u>2022</u>	<u>2021</u>
Net profit before tax of continuing business units	<u>\$ 575,892</u>	<u>\$ 499,883</u>
Income tax expense on net income before income tax at statutory tax rate	\$ 115,178	\$ 99,977
Tax exempt income	(21,076)	(13,206)
Additional levy on undistributed earnings	-	1,051
Unrecognized temporary differences	3	10
Adjustment to current income tax expense of previous years in the current year	(13,729)	3,869
Adjustment to current income Other	(<u>1,012</u>)	<u>-</u>
Income tax expenses recognized as profit and loss	<u>\$ 79,364</u>	<u>\$ 91,701</u>

(II) Income tax assets and liabilities of the current period

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current income tax liabilities		
Income tax payable	<u>\$ 45,091</u>	<u>\$ 69,862</u>

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2022

	<u>Beginning balance</u>	<u>Recognized as profit or loss</u>	<u>Ending balance</u>
<u>Deferred income tax assets</u>			
Temporary difference			
Allowance for inventory valuation loss and sluggish loss	\$ 26,183	(1,708)	\$ 24,475
Allowance for bad debts	2,139	564	2,703
Unrealized gross profit on sales	<u>-</u>	<u>1,449</u>	<u>1,449</u>
	<u>\$ 28,322</u>	<u>\$ 305</u>	<u>\$ 28,627</u>
<u>Deferred income tax liabilities</u>			
Unrealized exchange gain	<u>\$ 890</u>	<u>\$ 2,631</u>	<u>\$ 3,521</u>

2021

	<u>Beginning balance</u>	<u>Recognized as profit or loss</u>	<u>Ending balance</u>
<u>Deferred income tax assets</u>			
Temporary difference			
Allowance for inventory valuation loss and sluggish loss	\$ 23,701	\$ 2,482	\$ 26,183
Allowance for bad debts	2,783	(644)	2,139
Unrealized exchange loss	<u>475</u>	<u>(475)</u>	<u>-</u>
	<u>\$ 26,959</u>	<u>\$ 1,363</u>	<u>\$ 28,322</u>
<u>Deferred income tax liabilities</u>			
Unrealized exchange gain	<u>\$ -</u>	<u>\$ 890</u>	<u>\$ 890</u>

(IV) The deductible temporary difference amount of deferred income tax assets not recognized in the balance sheet

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary difference		
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	\$ 29,740	\$ 29,740
Investment loss accounted for using equity method	<u>92,216</u>	<u>92,200</u>
	<u>\$ 121,956</u>	<u>\$ 121,940</u>

(V) Approved income tax

The tax filing of the Company up to 2020 has been approved by the tax collection authority.

XXIV. Earnings per share

	Unit: share; NT\$	
	<u>2022</u>	<u>2021</u>
Basic earnings per share from continuing business units	<u>\$ 7.77</u>	<u>\$ 6.78</u>
Diluted earnings per share from continuing business units	<u>\$ 7.65</u>	<u>\$ 6.67</u>

The earnings used for calculating earnings per share and weighted average number of common shares are as follows:

Net profit of the period

	<u>2022</u>	<u>2021</u>
Net profit of the period	<u>\$ 496,528</u>	<u>\$ 408,182</u>
<u>Number of shares</u>		Unit: thousand shares
	<u>2022</u>	<u>2021</u>
The weighted average number of common shares used for calculating basic earnings per share	63,944	60,232
Impact of potential common shares with dilution effect:		
Employees' remuneration	<u>984</u>	<u>936</u>
The weighted average number of common shares used for calculating diluted earnings per share	<u>64,928</u>	<u>61,168</u>

If the Company has the option to pay employees' remuneration in stock or cash, the calculation of diluted earnings per share is based on the assumption that the employees' remuneration will be issued in stock, and the weighted average number of outstanding shares will be included in the calculation of diluted earnings per share when the potential common shares are diluted. When calculating the diluted earnings per share before the issuance of employees' remuneration shares in the next annual resolution, the dilution effect of such potential common shares shall also be considered.

XXV. Share-based payment agreements

Employee stock option plan

The Company undertook a cash capital increase of 464 thousand shares through retained employee share subscriptions in May 2022, granted to employees of the Company meeting specific conditions.

The Company uses the Black-Scholes valuation model, and the input values used in the valuation model are as follows:

	<u>May 2022</u>
Projected volatility	34.26%
Risk free rate	0.1137%
Projected time to maturity	9 days
Strike price	NT\$96
Grant date stock price	NT\$96.07
Employee subscribed options	464 thousand shares

The remuneration cost recognized for 2022 was NT\$979 thousand.

XXVI. Capital risk management

Based on the characteristics of the current operation of the industry, the future development of the Company, and factors such as changes in the external environment, the Company plans the capital, research and development expenses, dividend payments and other needs in the future, so as to ensure that all enterprises in the group can improve the shareholder value in the long run by optimizing the debt and equity balance on the premise of continuing operation.

The key management of the Company reviews the capital structure of the group from time to time, including consideration of the cost of various types of capital and related risks. Based on the recommendation of the key management, the Company will balance its overall capital structure by paying dividends, issuing new shares, repurchasing shares, and issuing new bonds or repaying old bonds.

XXVII. Financial instruments

(I) Fair value information - financial instruments not measured at fair value

The management of the Company believes that the book value of financial assets and financial liabilities not measured at fair value approaches its fair value or its fair value cannot be reliably measured.

(II) Fair value information - financial instruments not measured at fair value

1. Levels of fair value

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity instrument investment				
- Domestic and foreign unlisted stocks	\$ <u> -</u>	\$ <u> -</u>	\$ <u>32,668</u>	\$ <u>32,668</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Foreign exchange forward contracts	\$ <u> -</u>	\$ <u>758</u>	\$ <u> -</u>	\$ <u>758</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity instrument investment				
- Domestic and foreign	\$ <u> -</u>	\$ <u> -</u>	\$ <u>41,886</u>	\$ <u>41,886</u>

unlisted stocks

There was no transfer of fair value measurement between Level 1 and Level 2 in 2022 and 2021.

2. Valuation technique and input values of Level 2 fair value measurement

Categories of financial instruments		Valuation technique and input values
Derivatives: exchange contracts	Foreign forward	Cash flow discount method: Estimate future cash flows based on observable forward exchange rates and contractual exchange rates for the end of the period and apply a discount rate that reflects the credit risk of each counterparty.

3. Evaluation technology and input value of Level 3 fair value measurement

The fair value of unlisted stocks without an active market is assessed using the market method.

The market method estimates the fair value of the investment target by referring to the transaction price and relevant information of comparable targets in the market; the income method calculates the present value of the income expected to be obtained from holding the investment target by discounting the cash flow.

(III) Types of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost (note 1)	\$ 1,129,279	\$ 1,401,678
Financial assets measured at fair value through other comprehensive income	32,668	41,886

Financial liabilities

Measured at amortized cost (note 2)	988,192	984,168
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Note 1: The balance refers to financial assets measured at amortized cost, including cash and cash equivalents, financial assets measured at amortized cost, accounts receivable, accounts receivable - related parties, other receivables, other receivables - related parties and refundable deposits.

Note 2: The balance refers to financial liabilities measured at amortized cost, including accounts payable, accounts payable - related parties, other payables, long-term loans and guarantee deposits received.

(IV) Purpose and policy of financial risk management

The main financial instruments of the Company include equity and debt instrument investment, accounts receivable, accounts payable, loans and lease liabilities. The Financial Management Department of the Company provides services for all business units, coordinates the entry into domestic and international financial markets, and supervises and manages the financial risks related to the operation of the Company by analyzing the internal risk report of the exposure according to the risk level and breadth. These risks include market risk (including exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

The Company hedges risk exposure through derivative financial instruments to mitigate the impact of the risk. The use of derivative financial instruments is regulated by the policies adopted by the board meeting of the Company, which are the written principles for exchange rate risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, and the investment of residual working capital. The internal auditors continuously recheck the policy compliance and exposure limit. The Company does not trade financial instruments (including derivative financial instruments) for speculative purposes.

The Financial Management Department reports to the board meeting after the completion of derivative trading.

1. Market risk

The main financial risks borne by the Company due to its operating activities are the risk from foreign currency exchange rate change (see (1) below) and interest rate change risk (see (2) below).

There is no change in the exposure of the Company to the market risk of financial instruments and the management and measurement of such exposure.

(1) Exchange rate risk

The Companies are engaged in foreign currency denominated sales and purchase transactions, which result in exposure to exchange rate changes. The Company's management of exchange rate risk exposure is to use foreign exchange forward contracts to manage the risk within the scope of the regulations.

See note 32 for the book value of monetary assets and monetary liabilities denominated in non-functional currencies and the book value of

derivative instruments with exchange rate risk exposure on the balance sheet date.

Sensitivity analysis

The Company is mainly affected by the exchange rate fluctuations of US dollar.

The following table details the sensitivity analysis of the Company when the exchange rate of NT\$ (functional currency) against each relevant foreign currency changes by 1%. 3% is the sensitivity ratio used by the Company to report exchange rate risk to the key management, and also represents the management's assessment of the reasonable possible range of changes in foreign currency exchange rate. The sensitivity analysis only includes the foreign currency items that are in circulation and foreign exchange forward contracts designated as cash flow hedging, and the conversion at the end of the period is adjusted by 1% of the exchange rate change. The positive numbers in the following table represent the amount of net profit before tax that will increase when NT\$ depreciates by 1% relative to each foreign currency; when NT\$ appreciates by 1% relative to each relevant foreign currency, its impact on the net profit before tax will be a negative number of the same amount.

	The impact of USD	
	2022	2021
Profit and loss	\$ 3,471	(\$ 388)

The impact of foreign currency on profit and loss listed in the table above mainly comes from the USD denominated non-derivative financial assets and liabilities of the Company that are still in circulation on the balance sheet date with the cash flows unhedged.

The Company's sensitivity to US dollar exchange rate changes during the year is primarily due to an increase in accounts receivable and a decrease in accounts payable denominated in US dollars.

(2) Interest rate risk

Interest rate exposure is caused by the fact that entities in the Company borrow funds at both fixed and floating rates. The Company regularly evaluates the hedging activities to make them consistent with the

interest rate view and the established risk appetite, so as to ensure that the most cost-effective hedging strategy is adopted.

The book values of the financial assets and financial liabilities of the Company subject to interest rate exposure on the balance sheet date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value related interest rate risk		
- Financial assets	\$ 114,712	\$ 518,441
Cash flow related interest rate risk		
- Financial assets	667,551	251,510
- Financial liabilities	250,000	-

Sensitivity analysis

The following sensitivity analysis is based on the interest rate exposure of non-derivative instruments on the balance sheet date. For floating rate assets and liabilities, it is assumed that the amount of assets and liabilities outstanding on the balance sheet date is also outstanding during the reporting period. The rate of change used by the Company to report interest rates to the key management is 100 basis points of increase or decrease in interest rates, which also represents the management's assessment of the reasonable range of possible changes in interest rates.

If the interest rate increases/decreases by 100 basis points and all other variables remain unchanged, the net profit before tax of the Company in 2022 and 2021 will increase/decrease by NT\$4,176 thousand and NT\$2,515 thousand, respectively, mainly due to the risk of interest rate risk exposure of the floating rate bank deposits and liabilities of the Company.

There was no significant change in the sensitivity of the Company to interest rates in the current year compared with the previous year.

(3) Other price risks

Equity price exposure arising from investments in equity securities held by the Company. In addition, the Company appoints personnel to supervise the price risk and assess when it is necessary to increase the hedging position of the hedged risk.

Sensitivity analysis

The following sensitivity analysis is based on the equity price exposure on the balance sheet date.

If the equity price rises/falls by 1%, the other comprehensive income before tax in 2022 and 2021 will increase/decrease by NT327 thousand and NT\$419 thousand, respectively due to the rise/fall of the fair value of financial assets measured by fair value through other comprehensive income.

There was no significant change in the sensitivity of the Company to equity securities investment in the current year compared with the previous year.

2. Credit risk

Credit risk refers to the risk of the Company's financial loss caused by default of contractual obligations of the counterparty. As of the balance sheet date, the maximum credit risk exposures of the Company that may cause financial losses due to the performance failure of the counterparty and the financial guarantee provided by the Company mainly come from: the book value of financial assets recognized in the parent company only balance sheets.

In order to mitigate the credit risk, the management of the Company has assigned a dedicated team to be responsible for the decision of credit lines and credit approvals and other monitoring procedures to ensure that appropriate actions have been taken to recover overdue receivables. In addition, the Company will review the recoverable amount of accounts receivable one by one on the balance sheet date to ensure that the unrecoverable accounts receivable have been included in appropriate impairment losses. Accordingly, the management of the Company believes that the credit risk of the Company has been significantly reduced.

Accounts receivable cover many customers, scattered in different industries and geographical regions. The Company continuously evaluates the financial status of customers with accounts receivable.

3. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to support group operations and mitigate the impact of cash flow fluctuations.

The management of the Company supervises the use of bank financing lines and ensures compliance with the terms of loan contracts.

Bank loans are an important source of liquidity for the Company. For the unused financing lines of the Company as of December 31, 2022 and 2021, see (2) below for the description of financing lines.

(1) Table of liquidity and interest rate risk of non-derivative financial liabilities

The maturity analysis of the remaining contracts of non-derivative financial liabilities is based on the undiscounted cash flow (including principal and estimated interest) of financial liabilities on the earliest possible repayment date of the Company. Therefore, the series of bank loans that the Company may be required to repay immediately shall not take into account the probability of the bank executing the right immediately in the earliest period in the table below; the maturity analysis of other non-derivative financial liabilities shall be prepared according to the agreed repayment date.

The undiscounted interest amount of interest cash flows paid at floating interest rates is derived from the yield curve on the balance sheet date.

December 31, 2022

	Immediate repayment required or less than 1 month	1~3 months	3 months~1 year	1~5 years	More than 5 years
Non-derivative financial liabilities					
No-interest bearing liabilities	\$ 303,763	\$ 326,864	\$ 92,978	\$ -	\$ -
Floating rate liabilities	3,554	663	12,348	63,906	210,443
Lease liabilities	261	523	261	-	-
	<u>\$ 307,578</u>	<u>\$ 328,050</u>	<u>\$ 105,587</u>	<u>\$ 63,906</u>	<u>\$ 210,443</u>

Further information on floating rate liabilities maturity analysis is as follows:

	Immediate repayment required or less than Years	1~5 years	5~10 years	10~15 years	15~20 years	More than 20 years
Floating rate liabilities	<u>\$ 6,453</u>	<u>\$ 63,906</u>	<u>\$ 75,270</u>	<u>\$ 70,145</u>	<u>\$ 65,019</u>	<u>\$ -</u>

December 31, 2021

	Immediate repayment required or less than 1 month	1~3 months	3 months~1 year	1~5 years
<u>Non-derivative financial liabilities</u>				
No-interest bearing liabilities	\$ 301,412	\$ 583,902	\$ 85,706	\$ -
Lease liabilities	354	709	354	-
	<u>\$ 301,766</u>	<u>\$ 584,611</u>	<u>\$ 86,060</u>	<u>\$ -</u>

The amount of floating rate instruments of the non-derivative financial liabilities above will change due to the difference between the floating rate and the estimated interest rate on the balance sheet date.

(2) Credit facilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loan limit		
- Amount used	\$ 10,880	\$ -
- Amount unused	<u>1,087,040</u>	<u>442,880</u>
	<u>\$ 1,097,920</u>	<u>\$ 442,880</u>
Secured bank loan limit		
- Amount used	\$ 239,120	\$ -
- Amount unused	<u>-</u>	<u>-</u>
	<u>\$ 239,120</u>	<u>\$ -</u>

XXVIII. Related party transactions

The transactions between the Company and its related parties are as follows.

(1) Name and relationship of related parties

<u>Name of related party</u>	<u>Relationship with the consolidated company</u>
GEMTEK Technology Co., Ltd.	Investor with significant influence
Lockheart Holdings Limited	Subsidiary
SparkLAN Communications Inc.	Subsidiary
Gemtek Electronic (ChangShu) Co., Ltd.	Subsidiary of an investor with significant influence
Gemtek Electronics (Kunshan) Co., Ltd.	Subsidiary of an investor with significant influence
BROWAN Communications Incorporation	Subsidiary of an investor with significant influence (converted from a non-affiliated enterprise to a subsidiary of an investor with significant influence on December 27, 2021)

(2) Operating income

Type of related party	2022	2021
Investor with significant influence.	\$ 5	\$ -
Subsidiary of an investor with significant influence	12,966	8,525
Subsidiary	<u>30,924</u>	<u>11,314</u>
	<u>\$ 43,895</u>	<u>\$ 19,839</u>

There is no significant difference between the sales terms of the Company for the related parties above and those for regular customers.

(3) Purchase (including processing fee)

Type/name of related party	2022	2021
Investor with significant influence		
GEMTEK Technology Co., Ltd.	\$ 105,324	\$ 55,498
Subsidiary of an investor with significant influence		
Gemtek Electronic (ChangShu) Co., Ltd.	162,902	173,349
Gemtek Electronics (Kunshan) Co., Ltd.	<u>6,137</u>	<u>6,378</u>
	<u>\$ 274,363</u>	<u>\$ 235,225</u>

For the purchase cost of the related parties above, or the repurchase cost of such related parties with entrusted processing, there is no significant difference between the Company's trading terms and those for general suppliers.

(4) Receivables from related parties (excluding loans to related parties)

Accounting item	Type/name of related party	December 31, 2022	December 31, 2021
Accounts receivable - related parties	Subsidiary		
	SparkLAN Communications Inc.	\$ 5,389	\$ 1,215
	Subsidiary of investor with significant influence		
	BROWAN Communications Incorporation	<u>-</u>	<u>5,668</u>
		<u>\$ 5,389</u>	<u>\$ 6,883</u>

Outstanding receivables from related parties without collateral.

(5) Payables to related parties

Accounting item	Type/name of related party	December 31, 2022	December 31, 2021
Accounts payable - related parties	Investor with significant influence		
	GEMTEK Technology Co., Ltd.	\$ 23,076	\$ 20,623
	Subsidiary of investor with significant influence		
	Gemtek Electronics (Kunshan) Co., Ltd.	11,946	1,642
	Gemtek Electronic (ChangShu) Co., Ltd.	-	57,823
		<u>\$ 35,022</u>	<u>\$ 80,088</u>

Outstanding payables to related parties without collateral.

(6) Lease agreement

Acquisition of right-of-use assets and property, plant and equipment

Type/name of related party	2022	2021
<u>Acquisition of right-of-use assets</u>		
Investor with significant influence		
GEMTEK Technology Co., Ltd.	<u>\$ 3,123</u>	<u>\$ 4,239</u>

Accounting item	Type/name of related party	December 31, 2022	December 31, 2021
Lease liabilities	Investor with significant influence		
	GEMTEK Technology Co., Ltd.	<u>\$ 1,043</u>	<u>\$ 1,416</u>

Type/name of related party	2022	2021
<u>Interest expense</u>		
Investor with significant influence		
GEMTEK Technology Co., Ltd.	<u>\$ 11</u>	<u>\$ 15</u>

The Company leased warehouses and offices from GEMTEK Technology Co., Ltd. in 2022 and 2021 respectively with a lease term of 1 year. The rent was based on

the rent level of similar assets, and fixed lease payments were made monthly in accordance with the lease agreement.

(7) Other related party transactions

Accounting item	Type of related party	2022	2021
Information service fee	Investor with significant influence	<u>\$ 1,055</u>	<u>\$ 603</u>

Creditor's rights and debts at the end of the period

The balance of other receivables from and payables to related parties (included in other payables) on the balance sheet date is as follows:

Type/name of related party	December 31, 2022	December 31, 2021
<u>Other receivables</u>		
Investor with significant influence		
GEMTEK Technology Co., Ltd.	\$ 51	\$ 1,975
Subsidiary of investor with significant influence		
Gemtek Electronic (ChangShu) Co., Ltd.	-	1,215
Gemtek Electronics (Kunshan) Co., Ltd.	452	85
	<u>\$ 503</u>	<u>\$ 3,275</u>

Other payables

Investor with significant influence

GEMTEK Technology Co., Ltd	<u>\$ 376</u>	<u>\$ 293</u>
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Temporary credits

Investor with significant influence

GEMTEK Technology Co., Ltd.	\$ 1,862	\$ -
Subsidiary of investor with significant influence		
Gemtek Electronic (ChangShu) Co., Ltd.	-	100,312
Gemtek Electronics (Kunshan) Co., Ltd.	1,194	4,146
Subsidiary		
Lockheart Holdings Limited	-	3,469
	<u>\$ 3,056</u>	<u>\$ 107,927</u>

Other receivables of the Company from the related parties above are receivables for procurement. Other payables are advance money for others. The temporary receipts are the temporary receipts generated from the processing transactions of the Company which will be written off against the processing accounts payable when the processing is completed.

(8) Remuneration of key management

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 41,420	\$ 24,559
Post-employment benefits	<u>573</u>	<u>430</u>
	<u>\$ 41,993</u>	<u>\$ 24,989</u>

XXIX. Assets pledged

The following assets of the Company have been provided as tariff guarantee for imported raw materials and security deposit for the letter of guarantee for the special technology project:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets measured at amortized cost - current	\$ 24,639	\$ -
Financial assets measured at amortized cost - non-current	4,430	29,008
Property, plant and equipment	<u>416,866</u>	<u>-</u>
	<u>\$ 445,935</u>	<u>\$ 29,008</u>

XXX. Significant contingent liabilities and unrecognized contractual commitments

Other than those stated in other notes, the major commitments and contingencies of the Company on the balance sheet date are as follows:

On December 31, 2022 and 2021, the Company provided guarantees for the customs duty performance and the technical plan for NT\$29,070 thousand and NT\$29,008 thousand respectively.

XXXI. Subsequent events: None.

XXXII. Information on foreign currency financial assets and liabilities with significant impact

The following information is a summary of foreign currencies other than the individual functional currencies of the Company. The disclosed exchange rate refers to the exchange rate of such foreign currencies against functional currencies. Information on foreign currency financial assets and liabilities with significant impact:

December 31, 2022

	Foreign currency	Exchange rate	Book value
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 36,445	30.71 (USD:NTD)	<u>\$ 1,119,215</u>
<u>Non-monetary items</u>			
Subsidiaries adopting the equity method			
USD	420	30.71 (USD:NTD)	\$ 12,910
Financial assets measured at fair value through other comprehensive income			
USD	\$ 347	30.71 (USD:NTD)	<u>\$ 10,646</u> <u>\$ 23,556</u>
Foreign currency liabilities			
<u>Monetary items</u>			
USD	25,142	30.71 (USD:NTD)	<u>\$ 772,115</u>

December 31, 2021

	Foreign currency	Exchange rate	Book value
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 34,371	27.68 (USD:NTD)	<u>\$ 951,393</u>
<u>Non-monetary items</u>			
Subsidiaries adopting the equity method			
USD	421	27.68 (USD:NTD)	\$ 11,652
Financial assets measured at fair value through other comprehensive income			
USD	577	27.68 (USD:NTD)	<u>15,980</u> <u>\$ 27,632</u>

Foreign currency

liabilities

Monetary items

USD	35,772	27.68 (USD:NTD)	<u>\$ 990,171</u>
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Foreign currency exchange gains (losses) with significant impact (realized and unrealized):

Functional currency	2022	Net exchange Gain	2021	Net exchange Gain
	Functional currency to expressing currency (USD:NTD)		Functional currency to expressing currency (USD:NTD)	
USD		<u>\$ 39,712</u>	27.68 (USD:NTD)	<u>\$ 381</u>

XXXIII. Disclosures in notes

(I) Major transactions and (II) information related to reinvested enterprises:

1. Loans to others. (none)
2. Endorsements/guarantees. (none)
3. Securities held at the end of the period. (Table 1)
4. Cumulative amount of purchases or sales of the same securities reaching NT\$300 million or 20% of the paid-in capital. (none)
5. Amount of real estate acquired reaching NT\$300 million or 20% of the paid-in capital. (Table 2)
6. Amount of real estate disposed of reaching NT\$300 million or 20% of the paid-in capital. (none)
7. Amount of purchase and sale with related parties reaching NT\$100 million or 20% of the paid-in capital. (Table 3)
8. Amount of accounts receivable from related parties reaching NT\$100 million or 20% of the paid-in capital. (none)
9. Engagement in derivative instrument transactions (notes 7 and 27)
10. Information of investee companies (Table 4)

(III) Information on mainland investment

1. Name of the investee company in mainland China, main business items, paid-in capital, investment method, capital emitted in and out, shareholding ratio, investment profit and loss, period-end investment book value, repatriated investment profit or loss and investment limit in mainland China. (none)
2. Major transactions with the mainland China investee company directly or indirectly through a third region, and the prices, payment terms, and unrealized profits and losses: (none)

- (1) Purchase amount and percentage, and period-end balance and percentage of related payables.
- (2) Amount and percentage of goods sold, and period-end balance and percentage of related receivables.
- (3) The amount of asset transaction and the profit or loss arising therefrom.
- (4) The period-end balance and the purpose of bill endorsement/guarantee or provision of collateral.
- (5) The maximum balance of financing, the period-end balance, the interest rate range and the total interest of the current period.
- (6) Other transactions that have a significant impact on the current income or financial position.

(IV) Information of major shareholders

List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder (Table 5)

AMPAK Technology, Inc.
Securities held at the end of the period.
December 31, 2022

Table 1

Unit: NT\$ thousand unless otherwise specified

Holding company	Securities type and name	Relationship with the securities issuer	Accounting item	End of period				Remark
				Number of shares (thousand shares) or number of units (thousand units)	Book value	Shareholding percentage %	Fair value	
AMPAK Technology, Inc.	<u>Stock</u> PCL (Hsinchu) Co., Ltd.	The Company is its corporate director.	Financial assets measured at fair value through other comprehensive income - non-current	3,028	\$ 21,404	15.14	\$ 21,404	
	Hoyao Technology, Inc.	"	"	150	618	17.65	618	
	New Garden Co., Ltd.	None	"	3333	10,646	6.67	10,646	

Note 1: For information about investment in subsidiaries and associated enterprises, please refer to Table 4.

Note 2: It is converted at the exchange rate of USD: NTD=1:30.71 on the financial report date.

AMPAK Technology, Inc.

Amount of real estate acquired reaching NT\$300 million or 20% of the paid-in capital.

2022

Table 2

Unit: NT\$ thousand unless otherwise specified

The company acquiring the real estate	Asset name	Date of occurrence of the fact	Transaction amount	Status of consideration payment	Counterparty	Relationship	Where the counterparty is a related party, the previous transfer of information.				Reference for price determination	Purpose and usage	Other agreements
							Owner	Relationship with the issuer	Transfer date	Amount			
AMPAK Technology, Inc.	Land and buildings	2022.6.28	\$ 426,040	Payment is made according to the schedule of the real estate sales contract.	MADISON ASSET MANAGEMENT CORP.	Not a related party	-	-	-	\$ -	Refer to market prices and appraisal reports	For personal use.	-

AMPAK Technology, Inc.

Amount of purchase and sale with related parties reaching NT\$100 million or 20% of the paid-in capital.

2022

Table 3

Unit: NT\$ thousand unless otherwise specified

Company of the purchase (sale)	Counterparty	Relationship	Transaction status				The circumstances and reasons why the trading conditions are different from those of general transactions		Notes and accounts receivable (payable)		Remark
			Purchase (sale)	Amount	Percentage of total purchase (sale) %	Credit period	Unit price	Credit period	Balance	Percentage of total notes and accounts receivable (payable) %	
AMPAK Technology, Inc.	GEMTEK Technology Co., Ltd.	Investor with significant influence	Purchase and processing expenses	\$ 105,324	3%	note 1	note 1	note 1	(\$ 23,076)	(4%)	
AMPAK Technology, Inc.	Gemtek Electronic (ChangShu) Co., Ltd.	Subsidiary of investor with significant influence	Purchase and processing expenses	\$ 162,902	5%	note 1	note 1	note 1	-	-	

Note 1: For the finished products processed by and repurchased from related parties entrusted by the Company, there is no significant difference between the trading terms and those of general suppliers.

AMPAK Technology, Inc.
Information of the investee company, location, etc.
2022

Table 4Unit: NT\$ thousand unless otherwise specified

Name of investing company	Name of investee	Location	Major business items	Original investment amount		Holding at the end of the period			Current profit or loss of investee company	Investment profit or loss recognized in the current period	Remark
				End of the period	End of last year	Number of shares (thousand)	Ratio	Book value			
AMPAK Technology, Inc.	LOCKHEART HOLDINGS LTD.	Samoa	Trading business	\$ 93,729	\$ 93,729	3,000	100.00	\$ 12,910	(\$ 16)	(\$ 16)	
	SparkLAN Communications Inc.	Taipei	Communications business	358,570	358,570	10,203	100.00	413,658	108,151	105,381	

AMPAK Technology, Inc.
INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2022

Table 5

Shareholders (Note)	Shares	
	Total Shares Owned	Ownership Percentage
GEMTEK Technology Co., Ltd.	20,000,595	30.20%

Note: Information of major shareholders in this schedule is calculated by Taiwan Depository & Clearing Corporation as of the last business day at the end of the year for shareholders holding more than 5% of the Company's common and preferred shares delivered without physical registration (including treasury shares). The Company's share capital recorded in the consolidated financial statements and the actual number of shares delivered without physical registration may exhibit differences or discrepancies due to their bases of preparation and calculation.

§ LIST OF KEY ACCOUNTING ITEMS §

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AMPAK Technology, Inc.

Cash and cash equivalents

December 31, 2022

Table 1

Unit: NT\$ thousand unless otherwise specified

<u>Name</u>	<u>Summary</u>	<u>Amount</u>
Cash on hand and working capital	note 1	\$ 146
Bank checking accounts and demand deposit accounts	note 2	667,664
Bank term deposits with an original maturity in 3 months		<u>80,000</u>
		<u>\$ 747,810</u>

Note 1: It includes USD1 thousand, RMB12 thousand and JPY9 thousand, which are converted into NT\$83 thousand at the exchange rate of 30.71, 4.408 and 0.232 respectively.

Note 2: It includes USD16,798 thousand, EUR67 thousand, JPY170 thousand and RMB122 thousand, which are converted into NT\$518,636 thousand at the exchange rate of 30.71, 32.72, 0.232 and 4.408 respectively.

AMPAK Technology, Inc.
Details of Financial Assets Measured at Amortized Cost - Current
December 31, 2022

Table 2

Unit: NT\$ thousand

Item	Amount
Time Deposit - Land Bank of Taiwan	\$ 24,640
Time Deposit - KGI Bank Co., Ltd	<u>5,642</u>
Total	<u>\$ 30,282</u>

AMPAK Technology, Inc.
Details of Accounts Receivable
December 31, 2022

Table 3

Unit: NT\$ thousand

Customer name	Summary	Amount
Non-related company -		
Company A	Loan	\$ 135,590
Company B	"	62,428
Company C	"	28,943
Company D	"	23,996
Company E	"	22,056
Company F	"	18,562
Others (note)	"	48,768
Less: Allowance for bad debts		-
		<u>\$ 340,343</u>
Related party -		
SparkLAN Communications Inc.	Loan	<u>\$ 5,389</u>

Note: The parent company only balance does not reach 5% of the account balance.

AMPAK Technology, Inc.

Details of Inventories

December 31, 2022

Table 4

Unit: NT\$ thousand

Type	Summary	Cost	Net realizable value
Raw materials	PCB and IC	\$ 1,019,846	\$ 922,807
Work in progress	Card and SIP	9,463	4,419
Finished products and commodities	Card and SIP	171,369	151,075
Less: Allowance for inventory valuation loss		(<u>122,377</u>)	<u>-</u>
		<u>\$ 1,078,301</u>	<u>\$ 1,078,301</u>

AMPAK Technology, Inc.
Details of Financial Assets Measured at Amortized Cost - Non-current
December 31, 2022

Table 5

Unit: NT\$ thousand

Item	Amount
Time Deposit - Land Bank of Taiwan	<u>\$ 4,430</u>

AMPAK Technology, Inc.
Details of Financial Assets Measured at Fair Value Through Other Comprehensive Income - Non-current
January 1 to December 31, 2022

Table 6

Unit: thousand shares/NT\$ thousand

Name	Beginning balance		Increase in the period		Decrease in the period		Unrealized profits (losses) of financial asset evaluation in the current year	Ending balance		Provision of guarantee or pledge
	Number of shares or units	Fair value	Number of shares or units	Amount	Number of shares or units	Amount		Number of shares or units	Fair value	
AMIMON INC.	-	\$ -	-	\$ -	-	\$ -	\$ -	-	\$ -	None
PCL (Hsinchu) Co., Ltd.	3,028	24,553	-	-	-	-	(3,149)	3,028	21,404	"
New Garden Cayman	3,333	15,980	-	-	-	-	(5,334)	3,333	10,646	"
Hoyao Technology, Inc.	150	<u>1,353</u>	-	<u>-</u>	-	<u>-</u>	(<u>735</u>)	150	<u>618</u>	"
		<u>\$ 41,886</u>		<u>\$ -</u>		<u>\$ -</u>	(<u>\$ 9,218</u>)		<u>\$ 32,668</u>	

AMPAK Technology, Inc.
Details of Investment Changes Accounted for Using the Equity Method
January 1 to December 31, 2022

Table 7

Unit: thousand shares/NT\$ thousand

	Beginning balance		Increase in the period		Decrease in the period		Capital reserve	Investment profit and loss (note 1)	Cumulative translation adjustment	Share recognized as other comprehensive income (note 1)	Others (note 4)	Ending balance			Market value or net value of equity (note 2)		Provision of guarantee or pledge
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount						Number of shares	Shareholding percentage %	Amount	Unit price (NT\$)	Total	
Long term equity investment adopting the equity method																	
LOCKHEART HOLDINGS LTD.	3,000	\$ 11,652	-	\$ -	-	\$ -	\$ -	(\$ 16)	\$ 1,274	\$ -	\$ -	3,000	100.00	\$ 12,910	4.30	\$ 12,910	None
SparkLAN Communications Inc.	10,203	<u>389,383</u>	-	<u>-</u>	-	(<u>81,627</u>)	<u>-</u>	<u>105,381</u>	<u>-</u>	<u>521</u>	<u>-</u>	10,203	100.00	<u>413,658</u>	35.55	<u>362,712</u>	"
		<u>\$ 401,035</u>		<u>\$ -</u>		(<u>\$ 81,627</u>)	<u>\$ -</u>	<u>\$ 105,365</u>	<u>\$ 1,274</u>	<u>\$ 521</u>	<u>\$ -</u>			<u>\$ 426,568</u>		<u>\$ 375,622</u>	

Note 1: The calculation is based on the financial statements audited by a CPA of the investee company for 2022.
Note 2: The net equity value is mainly calculated based on the financial statements of the investee company and the shareholding ratio of the Company.
Note 3: The decrease in the current period refers to the dividend received from SparkLAN Communications Inc.

AMPAK Technology, Inc.
Details of Accounts Payable
December 31, 2022

Table 8

Unit: NT\$ thousand

Customer name	Summary	Amount
Not a related party		
Company A	Loan	\$ 525,664
Others (note)	"	<u>20,188</u>
		<u>\$ 545,852</u>
Related party		
GEMTEK Technology Co., Ltd.	"	\$ 23,076
Gemtek Electronics (Kunshan) Co., Ltd.	"	<u>11,946</u>
		<u>\$ 35,022</u>

Note: The individual balance does not reach 5% of the account balance.

AMPAK Technology, Inc.
Details of Long-term loans
December 31, 2022

Table 9Unit: NT\$ thousand

Type of Loan	Contract period	Interest rate range	Balance - end of period	Credit lines	Collateral or pledge
Bank loans					
E.SUN COMMERCIAL BANK, LTD	111/10/07~131/10/07	1.52%	\$ 10,880	\$ 10,880	None
E.SUN COMMERCIAL BANK, LTD	111/10/07~131/10/07	1.52%	<u>239,120</u>	<u>239,120</u>	Property, plant and equipment
			<u>\$ 250,000</u>	<u>\$ 250,000</u>	

AMPAK Technology, Inc.
Details of Business Revenue
2022

Table 10

Unit: NT\$ thousand/thousand units

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>
Wireless communication module	27,442	\$ 3,145,875
Others	-	<u>106</u>
		<u>\$ 3,145,981</u>

AMPAK Technology, Inc.
Details of Business Cost
2022

Table 11

Unit: NT\$ thousand

Item	Amount
Manufacturing industry	
Raw materials at the beginning of the period	\$ 633,414
Incoming materials in the current period	3,020,211
Less: Raw materials at the end of the period	(1,019,846)
Less: Others	<u>51,172</u>
Direct raw materials	2,684,951
Manufacturing expenses	<u>42,960</u>
Manufacturing cost	2,727,911
Plus: WIP at the beginning of the period	26,361
Less: WIP at the end of the period	(9,463)
Others	<u>(180,660)</u>
Finished product cost	2,564,149
Add: Finished products at the beginning of the period	120,700
Less: Finished products at the end of the period	(171,369)
Others	<u>9,510</u>
Production and sales cost	2,522,990
Inventory valuation loss and sluggish loss (recovery gain)	(8,539)
Other operating costs	<u>22,392</u>
Operating costs	<u>\$ 2,536,843</u>

AMPAK Technology, Inc.
Details of operating expenses - marketing expenses
2022

Table 12

Unit: NT\$ thousand

Item	Amount
Salary expenditure	\$ 21,453
Insurance fee	1,464
Others (note)	<u>4,791</u>
	<u>\$ 27,808</u>

Note: The individual balance does not reach 5% of the account balance.

AMPAK Technology, Inc.
Details of operating expenses - administrative expenses
2022

Table 13

Unit: NT\$ thousand

Item	Amount
Salary expenditure	\$ 39,112
Amortization expense	3,119
Others (note)	<u>13,069</u>
	<u>\$ 55,300</u>

Note: The individual balance does not reach 5% of the account balance.

AMPAK Technology, Inc.
Details of operating expenses - R&D expenses
2022

Table 14

Unit: NT\$ thousand

Item	Amount
Salary expenditure	\$ 69,451
Processing test fee	25,719
Others (note)	<u>24,493</u>
	<u>\$ 119,663</u>

Note: The individual balance does not reach 5% of the account balance.

AMPAK Technology, Inc.

Function summary of employee benefits, depreciation and amortization expenses incurred in the current period

January 1 to December 31, 2022 and 2021

Table 15

Unit: NT\$ thousand

	2022			2021		
	Under operating costs	Under operating expenses	Total	Under operating costs	Under operating expenses	Total
Employee benefit expenses (note)						
Salary expenses	\$ 14,741	\$ 120,501	\$ 135,242	\$ 15,087	\$ 109,714	\$ 124,801
Labor national health insurance expenses	818	6,188	7,006	956	5,684	6,640
Pension expenses	505	3,044	3,549	491	2,922	3,413
Directors' remuneration	-	6,471	6,471	-	5,617	5,617
Other employee benefit expenses	493	5,898	6,391	489	5,113	5,602
	<u>\$ 16,557</u>	<u>\$ 142,102</u>	<u>\$ 158,659</u>	<u>\$ 17,023</u>	<u>\$ 129,050</u>	<u>\$ 146,073</u>
Depreciation expense	<u>\$ 912</u>	<u>\$ 7,998</u>	<u>\$ 8,910</u>	<u>\$ 1,704</u>	<u>\$ 6,894</u>	<u>\$ 8,598</u>
Amortization expense	<u>\$ 527</u>	<u>\$ 5,652</u>	<u>\$ 6,179</u>	<u>\$ 523</u>	<u>\$ 4,056</u>	<u>\$ 4,579</u>

Note 1: As of December 31, 2022, and 2021, the average number of employees of the Company was 85 and 88 respectively, of which the number of directors who did not serve concurrently as employees was 5 and 3 respectively.

Note 2: The average employee welfare expenses in 2022 and 2021 were NT\$1,902 thousand and NT\$1,643 thousand respectively, and the average employee salary expenses in 2022 and 2021 were NT\$1,691 thousand and NT\$1,461 thousand respectively. The average employee salary expenses increased by 16%.

Note 3: The Company no longer has supervisors, and the Audit Committee has replaced the supervisors in accordance with laws and regulations.

Note 4: The Company's remuneration policy is as follows:

(I) Directors

In accordance with Article 18 of the Articles of Association, the Company shall allocate 5% to 15% as employees' remuneration and no more than 2% as directors' remuneration if it has any profit before tax in the current year. However, if the Company still has a cumulative loss, the amount for compensation shall be retained first. The aforesaid ratio shall be determined by a resolution of the board meeting with the presence of at least two-thirds of the directors, and the consent of a majority of the directors' present, and the resolution shall be reported to the shareholders' meeting. In addition, the Company's "Measures for the Performance Evaluation of the Board of Directors" shall be used as a reference for the approval of directors' remuneration.

(II) Managers

The compensation level of the Company's managers must be competitive in the same industry to attract external talents and stabilize internal talents. Managers' individual compensation levels are differentiated according to their responsibilities and performance to encourage managers to assume their responsibilities and achieve performance targets. Managers are responsible for the business performance, and the long-term and short-term performance of the Company should be taken into account for the incentives.

(III) Employees

The overall compensation of the Company's employees is based on the principle of both internal fairness and external competitiveness, and includes fixed compensation and variable compensation. The Company will immediately pay bonuses to share operational achievements with employees to attract, motivate and retain talents. In accordance with the Articles of Association of the Company, the Company shall set aside 5% to 15% of its annual net profit before tax, before deducting employee remuneration and directors' and supervisors' remuneration, as employees' remuneration. The individual salary of employees shall be assessed according to their job responsibilities and professional skills, and the bonus and employees' remuneration shall be awarded for the comprehensive personal performance and contribution.