

**PLANET TECHNOLOGY CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
AND INDEPENDENT AUDITORS' REVIEW REPORT**

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INDEPENDENT AUDITORS' REVIEW REPORT

NO.10711133CEA

PLANET Technology Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Planet Technology Corporation and its subsidiaries (“the Group”) as of September 30, 2024 and 2023 and the consolidated statements of comprehensive income for the three months ended September 30, 2024 and 2023 and for the nine months ended September 30, 2024 and 2023, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2024 and 2023, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements No. 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2024 and 2023, and its consolidated financial performance for the three months ended September 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2024 and 2023, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Baker Tilly Clock & Co

Hsin-Liang Wu ,CPA

Chi-Ping Lin ,CPA

November 11 , 2024

Notes to Readers

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

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

PLANET TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2024, DECEMBER 31, 2023 AND SEPTEMBER 30, 2023
(Expressed in thousands of New Taiwan Dollars)

ASSETS	NOTES	September 30,2024		December 31,2023		September 30,2023	
		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							
Cash and cash equivalents	6	\$ 1,471,350	70	\$ 1,625,945	74	\$ 1,501,937	74
Current financial assets at fair value through profit or loss	7	11,044	1	10,935	1	10,903	1
Notes receivable, net	8	166	—	10	—	—	—
Accounts receivable, net	8	115,734	6	113,235	5	107,711	5
Other receivables		9,173	—	8,348	—	8,274	—
Inventories	9	281,209	14	278,166	13	290,783	14
Prepayments		8,073	—	7,248	—	8,916	1
Other current assets		50	—	73	—	29	—
Total current assets		1,896,799	91	2,043,960	93	1,928,553	95
NON-CURRENT ASSETS							
Non-current financial assets at fair value through other comprehensive income	10	50,000	2	—	—	—	—
Property, plant and equipment	11	15,598	1	16,294	1	12,754	1
Right-of-use assets	12	115,084	6	133,373	6	79,767	4
Intangible assets	13	2,331	—	2,308	—	2,354	—
Deferred tax assets	4	3,048	—	3,579	—	2,701	—
Prepayments for business facilities		1,097	—	377	—	—	—
Guarantee deposits paid		7,124	—	7,187	—	7,098	—
Total non-current assets		194,282	9	163,118	7	104,674	5
TOTAL ASSETS		\$ 2,091,081	100	\$ 2,207,078	100	\$ 2,033,227	100

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

PLANET TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2024, DECEMBER 31, 2023 AND SEPTEMBER 30, 2023
(Expressed in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTES	September 30,2024		December 31,2023		September 30,2023	
		Amount	%	Amount	%	Amount	%
CURRENT LIABILITIES							
Current contract liabilities	18	\$ 45,505	2	\$ 37,196	2	\$ 37,651	2
Notes payable	14	69,330	3	60,306	3	63,915	3
Accounts payable	14	108,242	5	93,506	4	109,099	5
Other payables	15	122,760	6	98,995	5	111,558	6
Current tax liabilities	4	34,879	2	118,379	5	90,111	4
Current lease liabilities	12	23,360	1	22,769	1	13,094	1
Receipts in advance		17	—	—	—	13	—
Other current liabilities		1,608	—	2,246	—	1,432	—
Total current liabilities		405,701	19	433,397	20	426,873	21
NON-CURRENT LIABILITIES							
Deferred tax liabilities	4	43	—	—	—	100	—
Non-current lease liabilities	12	94,117	5	111,616	5	66,772	3
Non-current net defined benefit liability	4	4,414	—	4,414	—	3,729	—
Total non-current liabilities		98,574	5	116,030	5	70,601	3
TOTAL LIABILITIES		504,275	24	549,427	25	497,474	24
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT							
Share capital	17	625,010	30	625,010	28	625,010	31
Ordinary share		625,010	30	625,010	28	625,010	31
Capital surplus	17	11,202	1	11,202	1	11,202	1
Retained earnings	17	950,594	45	1,021,439	46	899,541	44
Legal reserve		529,085	25	478,424	22	478,424	23
Unappropriated retained earnings	22	421,509	20	543,015	24	421,117	21
Total equity attributable to owners of parent		1,586,806	76	1,657,651	75	1,535,753	76
TOTAL EQUITY		1,586,806	76	1,657,651	75	1,535,753	76
TOTAL LIABILITIES AND EQUITY		\$ 2,091,081	100	\$ 2,207,078	100	\$ 2,033,227	100

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

PLANET TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in thousands of New Taiwan Dollars, Except Earnings Per Share)

Items	NOTES	For the Three Months Ended September 30				For the Nine Months Ended September 30			
		2024		2023		2024		2023	
		Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE	18	\$ 459,666	100	\$ 445,486	100	\$ 1,383,091	100	\$ 1,382,403	100
OPERATING COSTS	9	(242,551)	(53)	(237,985)	(53)	(735,443)	(53)	(761,398)	(55)
GROSS PROFIT		217,115	47	207,501	47	647,648	47	621,005	45
OPERATING EXPENSES									
Selling expenses		(22,355)	(5)	(21,788)	(5)	(64,070)	(5)	(63,928)	(5)
Administrative expenses		(16,029)	(3)	(14,992)	(3)	(48,355)	(3)	(44,392)	(3)
Research and development expenses		(26,649)	(6)	(24,871)	(6)	(80,059)	(6)	(73,636)	(5)
Total operating expenses		(65,033)	(14)	(61,651)	(14)	(192,484)	(14)	(181,956)	(13)
NET OPERATING INCOME		152,082	33	145,850	33	455,164	33	439,049	32
NON-OPERATING INCOME AND EXPENSES									
Interest income	19	4,985	1	4,741	1	15,964	1	14,333	1
Other income	20	2,691	1	1,893	—	7,147	1	6,748	1
Other gains and losses	21	(281)	—	3,560	1	5,487	—	6,690	—
Finance costs		(669)	—	(93)	—	(2,103)	—	(195)	—
Total non-operating income and expenses		6,726	2	10,101	2	26,495	2	27,576	2
PROFIT BEFORE TAX		158,808	35	155,951	35	481,659	35	466,625	34
TAX EXPENSE	4,22	(29,639)	(7)	(29,077)	(7)	(89,997)	(7)	(81,912)	(6)
PROFIT		129,169	28	126,874	28	391,662	28	384,713	28
TOTAL COMPREHENSIVE INCOME		\$ 129,169	28	\$ 126,874	28	\$ 391,662	28	\$ 384,713	28
PROFIT ATTRIBUTABLE TO :									
Owners of parent		\$ 129,169	28	\$ 126,874	28	\$ 391,662	28	\$ 384,713	28
Non-controlling interests		—	—	—	—	—	—	—	—
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :									
Owners of parent		\$ 129,169	28	\$ 126,874	28	\$ 391,662	28	\$ 384,713	28
Non-controlling interests		—	—	—	—	—	—	—	—
EARNINGS PER SHARE(NT\$)									
Basic earnings per share	23	\$ 2.07		\$ 2.03		\$ 6.27		\$ 6.16	
Diluted earnings per share	23	\$ 2.06		\$ 2.02		\$ 6.24		\$ 6.12	

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

PLANET TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in thousands of New Taiwan Dollars)

Items	Equity Attributable to Shareholders of the Parent					Non-controlling Interests	Total Equity
	Capital Stock	Capital Surplus	Retained Earnings		Total		
			Legal Reserve	Unappropriated Retained Earnings			
BALANCE, JANUARY 1, 2023	\$ 625,010	\$ 11,202	\$ 434,450	\$ 480,384	\$ 1,551,046	\$ —	\$ 1,551,046
Appropriations of prior year's earnings							
Legal reserve	—	—	43,974	(43,974)	—	—	—
Cash dividends	—	—	—	(400,006)	(400,006)	—	(400,006)
Profit	—	—	—	384,713	384,713	—	384,713
Other comprehensive income	—	—	—	—	—	—	—
BALANCE, SEPTEMBER 30, 2023	\$ 625,010	\$ 11,202	\$ 478,424	\$ 421,117	\$ 1,535,753	\$ —	\$ 1,535,753
BALANCE, JANUARY 1, 2024	\$ 625,010	\$ 11,202	\$ 478,424	\$ 543,015	\$ 1,657,651	\$ —	\$ 1,657,651
Appropriations of prior year's earnings							
Legal reserve	—	—	50,661	(50,661)	—	—	—
Cash dividends	—	—	—	(462,507)	(462,507)	—	(462,507)
Profit	—	—	—	391,662	391,662	—	391,662
Other comprehensive income	—	—	—	—	—	—	—
BALANCE, SEPTEMBER 30, 2024	\$ 625,010	\$ 11,202	\$ 529,085	\$ 421,509	\$ 1,586,806	\$ —	\$ 1,586,806

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

PLANET TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Expressed in thousands of New Taiwan Dollars)

Items	For the Nine Months Ended September 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 481,659	\$ 466,625
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	23,317	18,983
Amortization expense	815	1,010
Net gain on financial assets at fair value through profit or loss	(109)	(92)
Interest income	(15,964)	(14,333)
Interest expense	2,103	195
Gain on disposal of property, plant and equipment	(65)	(253)
Changes in operating assets and liabilities		
Notes receivable	(156)	—
Accounts receivable	(2,499)	1,679
Other receivables	(828)	1,310
Inventories	(3,043)	(40,526)
Prepayments	(825)	(504)
Other current assets	23	18
Contract liabilities	8,309	(15,997)
Notes payable	9,024	(7,452)
Accounts payable	14,736	2,258
Other payables	25,059	27,099
Receipts in advance	17	13
Other current liabilities	(638)	(659)
Net defined benefit liabilities	—	(46)
Cash inflow generated from operations	540,935	439,328
Interest paid	(2,103)	(195)
Income taxes paid	(172,923)	(96,430)
Net cash flows from operating activities	365,909	342,703
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(50,000)	—
Acquisition of property, plant and equipment	(5,626)	(6,883)
Acquisition of Intangible Assets	(838)	(1,037)
Proceeds from disposal of property, plant and equipment	65	266
(Increase) Decrease in prepayments for business facilities	(720)	64
Decrease (Increase) in refundable deposits	63	(790)
Interest received	15,967	14,239
Net cash (used in) flows from investing activities	(41,089)	5,859
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	(462,507)	(400,006)
Payment of lease liabilities	(16,908)	(14,428)
Net cash used in financing activities	(479,415)	(414,434)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(154,595)	(65,872)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,625,945	1,567,809
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,471,350	\$ 1,501,937

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

PLANET TECHNOLOGY CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Amounts in thousands of New Taiwan dollars, unless specified otherwise)

1. GENERAL

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

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

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

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on November 11, 2024.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The IFRSs of new standards, interpretations and amendments endorsed by FSC effective from 2024 are as follow:

New, Revised or Amended Standards, and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024

The Group believes that the adoption of the above IFRSs won’t have any material impact on its consolidated financial statements.

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

The IFRSs of new standards, interpretations and amendments endorsed by FSC effective from 2025 are as follow:

<u>New, Revised or Amended Standards, and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

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

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

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

<u>New, Revised or Amended Standards, and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Annual Improvements to IFRS Accounting Standard – Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendment to the Classification and Measurement of Financial Instruments”	January 1, 2026
IFRS 18 “Presentation and Disclosures in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures ”	January 1, 2027

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs endorsed.

(2) Basis of Preparation

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

(3) Basis of Consolidation

A. The basis of preparation and the basis for the consolidated financial statements:

The basis of preparation and the basis for the consolidated financial statements applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2023.

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

B. The subsidiaries in the consolidated financial statements:

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

Name of Investee	Percentage of Ownership		
	September 30,2024	December 31, 2023	September 30,2023
PLANET INTERNATIONAL INC.	100%	100%	100%

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

C. Subsidiaries excluded from consolidated financial statement: None.

(4) Other Significant Accounting Policies

Except for the following, the summary of significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2023.

A. Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations and for significant plan amendments, settlements, or other significant one-off events for current period.

B. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income taxes expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

C. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2023.

6. CASH AND CASH EQUIVALENTS

	September 30, 2024	December 31, 2023	September 30, 2023
Cash on hand	\$ 184	\$ 170	\$ 189
Cash in bank	1,471,166	1,625,775	1,501,748
Total	<u>\$ 1,471,350</u>	<u>\$ 1,625,945</u>	<u>\$ 1,501,937</u>

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

	September 30, 2024	December 31, 2023	September 30, 2023
Non-derivative financial assets-Funds	<u>\$ 11,044</u>	<u>\$ 10,935</u>	<u>\$ 10,903</u>

8. NOTES AND ACCOUNTS RECEIVABLE- NET

	September 30, 2024	December 31, 2023	September 30, 2023
Notes receivable	<u>\$ 166</u>	<u>\$ 10</u>	<u>\$ —</u>
Accounts receivable	\$ 115,842	\$ 113,343	\$ 107,819
Loss allowance	<u>(108)</u>	<u>(108)</u>	<u>(108)</u>
Net	<u>\$ 115,734</u>	<u>\$ 113,235</u>	<u>\$ 107,711</u>

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

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

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

- (2) Aging analysis of notes and accounts receivable

	September 30, 2024	December 31, 2023	September 30, 2023
Neither past due nor impaired	\$ 115,648	\$ 109,209	\$ 107,213
Past due but not impaired			
within 30 days	252	4,036	498
31 to 180 days	—	—	—
over 181 days	—	—	—
Subtotal	252	4,036	498
Total	\$ 115,900	\$ 113,245	\$ 107,711

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

	For the Nine Months Ended September 30	
	2024	2023
Balance on January 1	\$ 108	\$ 108
Provision	—	—
Amount written off	—	—
Balance on September 30	\$ 108	\$ 108

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

9. INVENTORIES

	September 30, 2024	December 31, 2023	September 30, 2023
Raw materials	\$ 57,656	\$ 59,896	\$ 66,986
Work in process	71,372	51,024	67,881
Finished goods	152,181	167,246	155,916
Goods in transit	—	—	—
Total	<u>\$ 281,209</u>	<u>\$ 278,166</u>	<u>\$ 290,783</u>

(1) The allowance for inventory devaluation losses (including idle products) was \$4,179 thousand, \$4,179 thousand and \$3,679 thousand as of September 30, 2024, December 31, 2023 and September 30, 2023, respectively.

(2) The cost of inventories recognized as cost of sales for the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023 were as follows:

	For the Three Months Ended September 30	
	2024	2023
The cost of goods sold	\$ 242,551	\$ 237,985
Gain on physical inventory	—	—
Operating costs	<u>\$ 242,551</u>	<u>\$ 237,985</u>

	For the Nine Months Ended September 30	
	2024	2023
The cost of goods sold	\$ 735,466	\$ 761,430
Gain on physical inventory	(23)	(32)
Operating costs	<u>\$ 735,443</u>	<u>\$ 761,398</u>

10. NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER

COMPREHENSIVE INCOME

	September 30, 2024
Equity instrument	
Unlisted (counter) stocks	\$ 50,000
Less: adjustment of financial assets for transaction	—
Total	<u>\$ 50,000</u>

The Group invests in the bonds and stocks according to the medium and long-term strategic purpose, and expects to make profits through long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at financial assets at fair value through other comprehensive income.

11. PROPERTY, PLANT AND EQUIPMENT

For the Nine Months Ended September 30, 2024

Item	Balance, Beginning of year	Additions	Disposals	Balance, End of year
<u>Cost</u>				
Machinery and equipment	\$ 25,558	\$ 147	\$ (31)	\$ 25,674
Furniture and fixtures	9,746	2,411	(111)	12,046
Other facilities	21,935	1,774	(619)	23,090
Subtotal	57,239	4,332	(761)	60,810
<u>Accumulated depreciation and impairment</u>				
Machinery and equipment	19,756	1,320	(31)	21,045
Furniture and fixtures	5,876	963	(111)	6,728
Other facilities	15,313	2,745	(619)	17,439
Subtotal	40,945	\$ 5,028	\$ (761)	45,212
Net	\$ 16,294			\$ 15,598

For the Nine Months Ended September 30, 2023

Item	Balance, Beginning of year	Additions	Disposals	Balance, End of year
<u>Cost</u>				
Machinery and equipment	\$ 22,104	\$ 3,701	\$ (50)	\$ 25,755
Furniture and fixtures	7,300	2,206	(178)	9,328
Other facilities	17,521	928	(710)	17,739
Subtotal	46,925	6,835	(938)	52,822
<u>Accumulated depreciation and impairment</u>				
Machinery and equipment	18,159	1,348	(50)	19,457
Furniture and fixtures	4,984	832	(178)	5,638
Other facilities	13,527	2,143	(697)	14,973
Subtotal	36,670	\$ 4,323	\$ (925)	40,068
Net	\$ 10,255			\$ 12,754

12. Lease Agreement

(1) Right-of-use assets

For the Nine Months Ended September 30, 2024

Item	Balance, Beginning of year	Additions	Disposals	Balance, End of year
<u>Cost</u>				
Buildings	\$ 136,990	\$ —	\$ —	\$ 136,990
Transportation equipment	4,929	—	—	4,929
Subtotal	141,919	—	—	141,919
<u>Accumulated depreciation and impairment</u>				
Buildings	6,218	17,057	—	23,275
Transportation equipment	2,328	1,232	—	3,560
Subtotal	8,546	\$ 18,289	\$ —	26,835
Net	\$ 133,373			\$ 115,084

For the Nine Months Ended September 30, 2023

Item	Balance, Beginning of year	Additions	Disposals	Balance, End of year
<u>Cost</u>				
Buildings	\$ 67,820	\$ 77,288	\$ (67,820)	\$ 77,288
Transportation equipment	4,929	—	—	4,929
Subtotal	<u>72,749</u>	<u>77,288</u>	<u>(67,820)</u>	<u>82,217</u>
<u>Accumulated depreciation and impairment</u>				
Buildings	54,925	13,428	(67,820)	533
Transportation equipment	685	1,232	—	1,917
Subtotal	<u>\$ 55,610</u>	<u>\$ 14,660</u>	<u>\$ (67,820)</u>	<u>\$ 2,450</u>
Net	<u>\$ 17,139</u>			<u>\$ 79,767</u>

(2) Lease liabilities

	September 30, 2024	September 30, 2023
Current	\$ 23,360	\$ 13,094
Non-current	\$ 94,117	\$ 66,772

Discount rate for lease liabilities was both 2.1%~2.25% in 2024 and 2023.

(3) Material lease-in activities and terms

The Group leases buildings and transportations equipment for the use of offices and business, the leasing period is from 2023 to 2029 and from 2022 to 2025. The Group does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

(4) Other lease information

	For the three months ended September 30	
	2024	2023
Expenses relating to short-term leases	\$ 2	\$ 2
Expenses relating to low-value asset leases	\$ 29	\$ 29
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ —	\$ —
Total cash outflow for leases	<u>\$ (5,699)</u>	<u>\$ (4,841)</u>

	For the nine months ended September 30	
	2024	2023
Expenses relating to short-term leases	\$ 6	\$ 6
Expenses relating to low-value asset leases	\$ 86	\$ 86
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ —	\$ —
Total cash outflow for leases	\$ (17,000)	\$ (14,520)

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

(B)The amount of lease commitments for short-term leases and low-value asset leases which the recognition exemption are applied as of September 30, 2024 and 2023 is \$24 thousand and \$33 thousand, respectively.

13. INTANGIBLE ASSETS

Item	For the Nine Months Ended September 30, 2024			
	Balance, Beginning of year	Additions	Disposals	Balance, End of year
<u>Cost</u>				
Trademarks	\$ 679	\$ 288	\$ —	\$ 967
Patents	2,041	189	—	2,230
Computer software	12,495	361	—	12,856
Subtotal	15,215	838	—	16,053
<u>Accumulated amortization and impairment</u>				
Trademarks	151	59	—	210
Patents	1,140	210	—	1,350
Computer software	11,616	546	—	12,162
Subtotal	12,907	\$ 815	\$ —	13,722
Net	\$ 2,308			\$ 2,331

Item	For the Nine Months Ended September 30, 2023			
	Balance, Beginning of year	Additions	Disposals	Balance, End of year
<u>Cost</u>				
Trademarks	\$ 679	\$ —	\$ —	\$ 679
Patents	1,734	185	—	1,919
Computer software	11,494	852	(32)	12,314
Subtotal	13,907	1,037	(32)	14,912
<u>Accumulated amortization and impairment</u>				
Trademarks	76	57	—	133
Patents	904	174	—	1,078
Computer software	10,600	779	(32)	11,347
Subtotal	11,580	\$ 1,010	\$ (32)	12,558
Net	\$ 2,327			\$ 2,354

14. NOTES PAYABLE AND ACCOUNTS PAYABLE

	September 30, 2024	December 31, 2023	September 30, 2023
Notes payable	\$ 69,330	\$ 60,306	\$ 63,915
Accounts payable	108,242	93,506	109,099
Total	\$ 177,572	\$ 153,812	\$ 173,014
Current	\$ 177,572	\$ 153,812	\$ 173,014

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

(2) For the disclosure of the Group's payables exposing currency and liquidity risks and other payables and lease liabilities, please refer to Note 26.

15. OTHER PAYABLES

	September 30, 2024	December 31, 2023	September 30, 2023
Salary and wages payable	\$ 22,499	\$ 29,000	\$ 21,199
Employee Bonus payable	71,255	40,013	65,088
Compensation due to directors	7,811	10,003	7,567
Advertising payable	3,278	3,924	2,731
Export fee payable	2,391	2,142	1,848
Other accrued expenses	13,087	11,474	10,686
Payable for annual leave	2,439	2,439	2,439
Total	\$ 122,760	\$ 98,995	\$ 111,558
Current	\$ 122,760	\$ 98,995	\$ 111,558

16. RETIRED BENEFIT PLANS

(1) Defined contribution plans

The plan under the R.O.C. Labor Pension Act ("the Act") is deemed a defined contribution plan. Pursuant to the Act, the Company makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Accordingly, the Company recognized expenses of \$1,649 thousand, \$1,585 thousand, \$4,960 thousand and \$4,545 thousand in the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2024 and 2023, respectively.

(2) Defined benefit plans

The Company has a defined benefit plan under the Labor Standards Law, which provides benefits based on an employee's length of service and average monthly salaries of the last six months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

Relevant pension costs for defined benefit plans which were determined by the pension cost rates of actuarial valuation as of December 31, 2023 and 2022 were as follows :

	For the Three Months Ended September 30	
	2024	2023
Operating costs	\$ 18	\$ 18
Selling expenses	20	20
Administrative expenses	15	15
Research and development expenses	40	38
Total	\$ 93	\$ 91

	For the Nine Months Ended September 30	
	2024	2023
Operating costs	\$ 54	\$ 55
Selling expenses	59	59
Administrative expenses	46	44
Research and development expenses	119	116
Total	\$ 278	\$ 274

17. EQUITY

(1) Capital stock

	September 30, 2024	December 31, 2023	September 30, 2023
Shares authorized	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Shares issued	\$ 625,010	\$ 625,010	\$ 625,010

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

(B) The company issued Employee Stock Warrants with the approval of the competent authority on August 25, 2023.

(2) Capital surplus

	September 30, 2024	December 31, 2023	September 30, 2023
Additional paid-in capital	\$ 11,022	\$ 11,022	\$ 11,022
Other	180	180	180
Total	<u>\$ 11,202</u>	<u>\$ 11,202</u>	<u>\$ 11,202</u>

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

(3) Retained earnings and dividend policy

(A) Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, unless the accumulated amount of the legal reserve has reached the total issued capital of the Company. The remaining balance is to be set aside or reverse or rotation as special reserve if necessary. According to the dividend policy, bonus distributed shall be proposed by the Board of Directors and resolved by the stockholders' meeting. In accordance with the provisions of Article 240, Item 5 of the Company Act, the company may explicitly stipulate to authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

(B) The Company adopts the residual dividend policy in order to meet the growth characteristics of the industry and the capital needs of the Company's long-term financial planning and operation expansion. That is, the surplus distribution is handled according to Article 20 of the Articles of Association. The shareholder dividends are based on the principle of balanced distribution between stock and cash dividends. The board of directors proposes to set aside from the distributable surplus the dividends to be distributed, with the amount of the distribution no less than 30% of the distributable surplus in the current year, and distributed according to the Company's Articles of Incorporation. Stock dividends have the priority in order to retain the required funds,

and the remaining surplus is to be distributed in the form of cash dividends; however, the proportion of cash dividends shall not be less than 10% of the total dividends. In accordance with Article 241 of the Company Act, Company distributes its legal reserve and the following capital reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash, after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

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

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

(E)The appropriations of 2023 and 2022 earnings have been approved by the Company's shareholders in its meeting held on May 24, 2024 and May 24, 2023, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends per Share(NT\$)	
	2023	2022	2023	2022
Legal reserve	\$ 50,661	\$ 43,974		
Cash dividends	462,507	400,006	7.4	6.4
Total	\$ 513,168	\$ 443,980		

18. OPERATING REVENUES

	For the Three Months Ended September 30	
	2024	2023
Net revenue from sales of goods	\$ 459,666	\$ 445,486

	For the Nine Months Ended September 30	
	2024	2023
Net revenue from sales of goods	\$ 1,383,091	\$ 1,382,403

(1) Breakdown of revenue from contracts with customers

	For the Three Months Ended September 30	
	2024	2023
Europe	\$ 236,838	\$ 212,695
America	88,265	88,428
Asia	81,511	81,317
Others	53,052	63,046
Total	\$ 459,666	\$ 445,486

	For the Nine Months Ended September 30	
	2024	2023
Europe	\$ 690,949	\$ 665,556
America	270,830	302,939
Asia	268,019	246,157
Others	153,293	167,751
Total	\$ 1,383,091	\$ 1,382,403

(2) Contract liabilities

	September 30, 2024	September 30, 2023
Contract liabilities-advance sales receipts	\$ 45,505	\$ 37,651

For the nine months ended September 30, 2024 and 2023, the company recognized \$28,737 thousand and \$42,582 thousand in revenue from the beginning balance of contract liability, respectively.

19. INTEREST INCOME

	For the Three Months Ended September 30	
	2024	2023
Interest income from bank deposits	\$ 4,985	\$ 4,741

	For the Nine Months Ended September 30	
	2024	2023
Interest income from bank deposits	\$ 15,964	\$ 14,333

20. OTHER INCOME

	For the Three Months Ended September 30	
	2024	2023
Rent income	\$ 29	\$ 14
Other income, others	2,662	1,879
Total	\$ 2,691	\$ 1,893

	For the Nine Months Ended September 30	
	2024	2023
Rent income	\$ 86	\$ 57
Other income, others	7,061	6,691
Total	\$ 7,147	\$ 6,748

21. OTHER GAINS AND LOSSES

	For the Three Months Ended September 30	
	2024	2023
Gains on disposal of property, plant and equipment	\$ 4	\$ 104
Foreign exchange (losses) gains	(324)	3,598
Gains on financial assets at fair value through profit or losses	39	32
Miscellaneous disbursements	—	(174)
Total	\$ (281)	\$ 3,560

	For the Nine Months Ended September 30	
	2024	2023
Gains on disposal of property, plant and equipment	\$ 65	\$ 253
Foreign exchange gains	5,313	6,519
Gains on financial assets at fair value through profit or losses	109	92
Miscellaneous disbursements	—	(174)
Total	\$ 5,487	\$ 6,690

22. INCOME TAX

(1) Income tax recognized in profit or loss

Income tax expense consisted of the following:

	For the Three Months Ended September 30	
	2024	2023
Tax expenses	\$ 31,961	\$ 31,396
Net change in deferred income tax	(196)	(243)
Investment tax credits	(2,126)	(2,076)
Income tax expense recognized in profit or loss	\$ 29,639	\$ 29,077

	For the Nine Months Ended September 30	
	2024	2023
Tax expenses	\$ 95,900	\$ 92,977
Net change in deferred income tax	574	(82)
Investment tax credits	(6,477)	(6,208)
Adjustments for prior year's income tax	—	(4,775)
Income tax expense recognized in profit or loss	\$ 89,997	\$ 81,912

(2) Income tax expense (benefit) recognized in other comprehensive income: None.

(3) Unappropriated retained earnings:

	September 30, 2024	December 31, 2023	September 30, 2023
1998 to 2009	\$ 32,002	\$ 32,002	\$ 32,002
after 2010	389,507	511,013	389,115
Total	\$ 421,509	\$ 543,015	\$ 421,117

(4) Income tax assessments

The Company's income tax returns through 2021 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

	For the Three Months Ended September 30	
	2024	2023
Basic EPS(NT\$)	\$ 2.07	\$ 2.03
Diluted EPS(NT\$)	\$ 2.06	\$ 2.02

	For the Nine Months Ended September 30	
	2024	2023
Basic EPS(NT\$)	\$ 6.27	\$ 6.16
Diluted EPS(NT\$)	\$ 6.24	\$ 6.12

EPS is computed as follows:

(1) Basic earnings per share

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

	For the Three Months Ended September 30	
	2024	2023
Profit attributable to ordinary shareholders of the parent (in thousand)	\$ 129,169	\$ 126,874
Weighted average number of ordinary shares outstanding (in thousand shares)	62,501	62,501
Basic EPS(NT\$)	\$ 2.07	\$ 2.03

	For the Nine Months Ended September 30	
	2024	2023
Profit attributable to ordinary shareholders of the parent (in thousand)	\$ 391,662	\$ 384,713
Weighted average number of ordinary shares outstanding (in thousand shares)	62,501	62,501
Basic EPS(NT\$)	\$ 6.27	\$ 6.16

(2) Diluted earnings per share

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

	For the Three Months Ended September 30	
	2024	2023
Profit attributable to ordinary shareholders of the parent (in thousand)	\$ 129,169	\$ 126,874
Weighted average number of ordinary shares outstanding (in thousand shares)	62,501	62,501
Effect of potentially dilutive ordinary shares- Employees' remuneration (in thousand shares)	176	245
Weighted average number of dilutive ordinary shares outstanding (in thousand shares)	62,677	62,746
Diluted EPS(NT\$)	\$ 2.06	\$ 2.02

	For the Nine Months Ended September 30	
	2024	2023
Profit attributable to ordinary shareholders of the parent (in thousand)	\$ 391,662	\$ 384,713
Weighted average number of ordinary shares outstanding (in thousand shares)	62,501	62,501
Effect of potentially dilutive ordinary shares- Employees' remuneration (in thousand shares)	229	322
Weighted average number of dilutive ordinary shares outstanding (in thousand shares)	62,730	62,823
Diluted EPS(NT\$)	\$ 6.24	\$ 6.12

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

24. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

The followings were the summary statement of employee benefits, depreciation and amortization expenses by function for the three months and nine months ended September 30, 2024 and 2023:

	For the Three Months Ended September 30, 2024			For the Three Months Ended September 30, 2023		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits	\$ 9,650	\$ 42,822	\$ 52,472	\$ 9,223	\$ 40,881	\$ 50,104
Payroll expense	8,160	37,180	45,340	7,839	35,839	43,678
Insurance expense	706	2,741	3,447	694	2,544	3,238
Pension	340	1,402	1,742	331	1,345	1,676
Others	444	1,499	1,943	359	1,153	1,512
Depreciation	2,130	5,672	7,802	1,555	5,116	6,671
Amortization	—	260	260	—	386	386

	For the Nine Months Ended September 30, 2024			For the Nine Months Ended September 30, 2023		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits	\$ 28,344	\$ 129,776	\$ 158,120	\$ 27,002	\$ 122,022	\$ 149,024
Payroll expense	23,796	113,122	136,918	22,823	107,190	130,013
Insurance expense	2,218	8,117	10,335	2,127	7,468	9,595
Pension	1,016	4,222	5,238	961	3,858	4,819
Others	1,314	4,315	5,629	1,091	3,506	4,597
Depreciation	6,469	16,848	23,317	4,506	14,477	18,983
Amortization	—	815	815	—	1,010	1,010

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

The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period. 6% is applied to employees' compensation, and 1.5% is applied to director's remuneration that were recognized under operating costs or operating expenses during the three months and nine months ended September 30, 2024 and 2023.

The estimated amounts are as follows:

	For the Three Months Ended September 30	
	2024	2023
Employees' compensation	\$ 10,301	\$ 10,115
Remuneration to directors	2,576	2,529

	For the Nine Months Ended September 30	
	2024	2023
Employees' compensation	\$ 31,243	\$ 30,267
Remuneration to directors	7,811	7,567

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

The 2023 and 2022 employees' compensation and director's remuneration were respectively resolved in the board meeting on February 29, 2024 and February 23, 2023 as follows.

	For the Year Ended December 31	
	2023	2022
Employees' compensation	\$ 40,013	\$ 34,820
Remuneration to directors	10,003	8,705

There is no difference between the 2023 and 2022 employees' compensation and director's remuneration and the Company's 2023 and 2022 recognized fee estimates.

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

25. CAPITAL MANAGEMENT

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

26. FINANCIAL INSTRUMENTS

(1) Categories of financial instruments

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	\$ 11,044	\$ 10,935	\$ 10,903
Financial assets at fair value through other comprehensive income	50,000	—	—
Amortized cost			
Cash and cash equivalents	1,471,350	1,625,945	1,501,937
Notes and accounts receivable	115,900	113,245	107,711
Other receivables	9,173	8,348	8,274
Guarantee deposits paid	7,124	7,187	7,098
Total	\$ 1,664,591	\$ 1,765,660	\$ 1,635,923
<u>Financial liabilities</u>			
Amortized cost			
Notes and accounts payable	\$ 177,572	\$ 153,812	\$ 173,014
Other payables	122,760	98,995	111,558
Lease liabilities	117,477	134,385	79,866
Total	\$ 417,809	\$ 387,192	\$ 364,438

(2) Fair value of financial instruments

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

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

B. Fair value as recognized in the consolidated balance sheet

According to IFRS 13, the Group's fair values of the assets or liabilities are estimated based on the fair values assessed by major market participants. Considering the fair value assumptions of market participants, the observable fair value measurements can be divided into the following three levels:

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

	September 30, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Funds	\$ 11,044	\$ —	\$ —	\$ 11,044
Financial assets at fair value through other comprehensive income				
Stock not classified to listed	\$ —	\$ —	\$ 50,000	\$ 50,000
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	\$ —	\$ —	\$ —	\$ —

		December 31, 2023			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Funds		\$ 10,935	\$ —	\$ —	\$ 10,935
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities		\$ —	\$ —	\$ —	\$ —
		September 30, 2023			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Funds		\$ 10,903	\$ —	\$ —	\$ 10,903
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities		\$ —	\$ —	\$ —	\$ —

For the nine months ended September 30, 2024 and 2023, there was no transfer between Level 1 and Level 2.

C. Valuation techniques and assumptions used in fair value measurement

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

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

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

(3) Financial risk management objectives

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

The Group's major financial activities are reviewed by the board of directors in accordance with the related regulations and internal control system. During the financial plan execution period, the Group must comply with the financial operation procedures that provide guiding principles for overall financial risk management and segregation of duties.

(4) Market risk

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

A. Foreign currency risk

The Group's operating activities and investment in foreign are mainly denominated in foreign currencies and exposed to foreign currency risk. The Group did not engage in any hedging.

The Group's sensitivity analysis to foreign currency risk mainly focuses on the net foreign currency assets and liabilities monetary items at the end of the reporting period. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	September 30, 2024			
	Foreign currencies	Exchange Rate	Book Value (NTD)	Sensitivity analysis (Variance 1%) Effect on profit or loss
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 4,477	31.65	\$ 143,128	\$ 1,431
EUR	232	35.38	8,225	82
CNY	2,482	4.523	11,226	112
<u>Non-monetary items</u>	—	—	—	—
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	1,997	31.65	64,184	642
<u>Non-monetary items</u>	—	—	—	—
	December 31, 2023			
	Foreign currencies	Exchange Rate	Book Value (NTD)	Sensitivity analysis (Variance 1%) Effect on profit or loss
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 4,922	30.705	\$ 154,294	\$ 1,543
EUR	230	33.98	7,807	78
<u>Non-monetary items</u>	—	—	—	—
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	1,930	30.705	61,380	614
<u>Non-monetary items</u>	—	—	—	—

September 30, 2023				
	Foreign currencies	Exchange Rate	Book Value (NTD)	Sensitivity analysis (Variance 1%) Effect on profit or loss
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 3,794	32.27	\$ 120,765	\$ 1,208
EUR	248	33.91	8,394	84
<u>Non-monetary items</u>				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	2,081	32.27	66,105	661
<u>Non-monetary items</u>				

B. Interest rate risk

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

Regarding the sensitivity analysis of the interest rate risk, the calculation is made according to the amount of changes in fair value of fixed income investment at the end of the report period. If the interest rate increased or decreased by 0.25%, the Group's profit or loss for the nine months ended September 30, 2024 and 2023 would increase or decrease \$2,708 thousand and \$2,693 thousand respectively.

C. Other price risk

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

The sensitivity analysis for the equity instruments is based on the change in fair value as of the reporting date. Assuming a hypothetical increase or decrease of 5% in prices of the equity instrument at the end of the reporting period for the nine months ended September 30, 2024 and 2023, the income would have increased or decreased by \$3,052 thousand and \$545 thousand, respectively.

(5) Credit risk management

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

A. Business related credit risk

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

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

As of September 30, 2024, December 31, 2023 and September 30, 2023, the Group's top ten customers accounted for 29.85%, 27.52% and 35.97% of accounts receivable, respectively. The Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

B. Financial credit risk

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

(6) Liquidity risk management

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

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

	September 30, 2024			
	Less Than 1 year	1-5 year	Over 5 year	Total
<u>Non-derivative financial liabilities</u>				
Notes and accounts payable	\$ 177,566	\$ —	\$ 6	\$ 177,572
Other payables	122,760	—	—	122,760
Lease liabilities	25,711	98,320	—	124,031
Subtotal	326,037	98,320	6	424,363
<u>Derivative financial liabilities</u>				
Total	\$ 326,037	\$ 98,320	\$ 6	\$ 424,363
	December 31, 2023			
	Less Than 1 year	1-5 year	Over 5 year	Total
<u>Non-derivative financial liabilities</u>				
Notes and accounts payable	\$ 153,806	\$ —	\$ 6	\$ 153,812
Other payables	98,995	—	—	98,995
Lease liabilities	25,510	99,098	18,435	143,043
Subtotal	278,311	99,098	18,441	395,850
<u>Derivative financial liabilities</u>				
Total	\$ 278,311	\$ 99,098	\$ 18,441	\$ 395,850
	September 30, 2023			
	Less Than 1 year	1-5 year	Over 5 year	Total
<u>Non-derivative financial liabilities</u>				
Notes and accounts payable	\$ 173,008	\$ —	\$ 6	\$ 173,014
Other payables	111,558	—	—	111,558
Lease liabilities	24,959	99,451	24,580	148,990
Subtotal	309,525	99,451	24,586	433,562
<u>Derivative financial liabilities</u>				
Total	\$ 309,525	\$ 99,451	\$ 24,586	\$ 433,562

27. RELATED PARTY TRANSACTIONS

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

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

- (1) Planet Technology Corporation is the ultimate controller of the consolidated company.
- (2) Compensation of key management personnel

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

	For the Three Months Ended September 30	
	2024	2023
Short-term benefits	\$ 4,957	\$ 5,394
Post-employment benefits	30	30
Total	\$ 4,987	\$ 5,424

	For the Nine Months Ended September 30	
	2024	2023
Short-term benefits	\$ 14,774	\$ 15,782
Post-employment benefits	90	90
Total	\$ 14,864	\$ 15,872

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

28. PLEDGED ASSETS: None.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS:

None.

30. SIGNIFICANT DISASTER LOSS: None.

31. SUBSEQUENT EVENTS: None.

32. OTHER:

Non-cash transactions.

Investing activities with partial cash payments :

	For the Nine Months Ended September 30	
	2024	2023
Purchase of property, plant and equipment	\$ 4,332	\$ 6,835
Add : Beginning balance of payable for equipment	2,805	199
Less : Ending balance of payable for equipment	(1,511)	(151)
Cash paid during the period	\$ 5,626	\$ 6,883

33. ADDITIONAL DISCLOSURES

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

- (1) Information on significant transactions:
 - (A) Financing provided to others: None;
 - (B) Endorsements/guarantees provided: None;
 - (C) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Please see Table 1 attached;
 - (D) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - (E) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
 - (F) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - (G) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
 - (H) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
 - (I) Information about the derivative instruments transaction: None;
 - (J) Other: Intercompany relationships and significant intercompany transactions: None.
- (2) Information on investees:
 - (A) Names, locations, and related information of investee companies: Please see Table 2 attached;
 - (B) Significant transactions information: None.
- (3) Information on investment in Mainland China: None.
- (4) Information of major shareholders: list of all shareholders with ownership of 5% or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Please see Table 3 attached.

TABLE 1

MARKETABLE SECURITIES HELD

Amount in Thousands of New Taiwan Dollars

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2024				Note	
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value		
Planet Technology Corporation	Money market fund	Fuh Hwa Money Fund	—	Current financial assets at fair value through profit or loss	218,437.60	\$ 3,262	—	\$ 3,262	Note
	"	Yuanta Wan Tai Money Market Fund	—	"	210,029.60	3,300	—	3,300	"
	"	Eastspring Investments Well Pool Money Market Fund	—	"	317,883.00	4,482	—	4,482	"
	Stock	ESSENCE TECHNOLOGY SOLUTION INC.	—	Non-current financial assets at fair value through profit or loss	42,000.00	—	1.56	—	
	Stock	JiaTech International Investment Co., Ltd.	—	Non-current financial assets at fair value through other comprehensive income	5,000,000.00	50,000	10.00	50,000	

Note: The market price is the net value of September 30, 2024.

TABLE 2

INFORMATION ON INVESTEES

Amount in Thousands of New Taiwan Dollars, United States Dollars

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment		Balance as of September 30, 2024			Net Income (Losses) of the Investee	Shares of Profits/Losses of Investee	Notes
				September 30, 2024	December 31, 2023	Shares	Percentage of ownership	Carrying value			
Planet Technology Corporation	PLANET INTERNATIONAL INC.	Samoa	International trade business	US\$ 100,000	US\$ 100,000	100,000	100%	\$ 3,553	\$ 206	\$ 206	Notes

Notes :

1. The investment income (loss) is recognized based on the investee's financial statements that were reviewed and attested by parent company's CPA for the nine months ended September 30, 2024.
2. Merged for reversal when preparing the consolidated report.

TABLE 3

Information of major shareholders

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

34. SEGMENT INFORMATION

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

Items	For the Nine Months Ended September 30, 2024		
	Single Operating Department	Adjustment and Elimination	Total
Net revenue from external customers	\$ 1,383,091	\$ —	\$ 1,383,091
Revenue from other departments within the company	—	—	—
Segment profit (Income before income tax)	481,659	—	481,659
Segment assets	2,091,081	—	2,091,081

Items	For the Nine Months Ended September 30, 2023		
	Single Operating Department	Adjustment and Elimination	Total
Net revenue from external customers	\$ 1,382,403	\$ —	\$ 1,382,403
Revenue from other departments within the company	—	—	—
Segment profit (Income before income tax)	466,625	—	466,625
Segment assets	2,033,227	—	2,033,227