

Weltrend Semiconductor, Inc. and Its
Subsidiaries

Consolidated Financial Statements and
Independent Auditor's Report
For the Three Months Ended March 31, 2024 and 2023

Address: 2F., No. 24, Industry E. 9th Rd., Hsinchu Science Park
Tel.: (03)578-0241

§Table of Contents§

	Item	Page	No. of notes to financial statements
1.	Cover	1	-
2.	Table of Contents	2	-
3.	Independent auditor's review report	3~4	-
4.	Consolidated Balance Sheet	5	-
5.	Consolidated Statements of Comprehensive Income	6~7	-
6.	Consolidated Statements of Changes in Equity	8	-
7.	Consolidated Statements of Cash Flows	9~10	-
8.	Notes to Consolidated Financial Statements		
	(1) Company History	11	1
	(2) Date and Procedures for Approval of Financial Statements	11	2
	(3) Application of New and Revised Standards and Interpretation	11~12	3
	(4) Summary of Significant Accounting Policies	13~14	4
	(5) Significant Accounting Judgments and Estimations, and Main Sources of Assumption Uncertainties	14~15	5
	(6) Summary of Significant Accounting Items	15~45	6~32
	(7) Related Party Transactions	45	33
	(8) Pledged Assets	46	34
	(9) Significant Contingent Liabilities and Unrecognized Contract Commitments	-	-
	(10) Significant Disaster Loss	-	-
	(11) Significant Subsequent Events	-	-
	(12) Others	46~47	35
	(13) Additional Disclosure		
	1. Information on Significant Transactions	47~48, 50~52	36
	2. Information on Investees	47~48, 53	36
	3. Information on investment in Mainland China	48, 54~56	36
	4. Information on major shareholders	48, 57	36
(14)	Segment Information	49	37

Independent Auditor's Review Report

To Weltrend Semiconductor, Inc. and Its Subsidiaries,

Introduction

We have reviewed the accompanying consolidated balance sheets of Weltrend Semiconductor, Inc. (the "Company") and its subsidiaries (collectively, the "Group") for the three months ended March 31, 2024 and 2023 and the relevant consolidated statements of comprehensive income, changes in equity, and cash flows for the three months then ended, and relevant notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Statement 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except for those described in the paragraph of basis of a qualified conclusion, we conducted the review in accordance with the "Review of Financial Statements" of the Auditing Standard No. 2410. 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.

Basis of qualified conclusion

As mentioned in Note 12 to the consolidated financial statements, the non-material subsidiaries' financial statements for the same period included in the above consolidated financial statements have not been reviewed by us, and their total assets as at March 31, 2024 and 2023 were NT\$405,864 thousand and NT\$359,928 thousand, respectively, accounting for 7% and 6% of the total consolidated assets, respectively; total liabilities were NT\$6,357 thousand and NT\$14,604 thousand, respectively, representing 0.4% and 0.8% of the total consolidated liabilities, respectively; total consolidated comprehensive income for the three months ended March 31, 2024 and 2023 was NT\$20,147 thousand and NT\$29,873 thousand respectively, accounting for 16% and 26% of the total consolidated comprehensive income, respectively.

Qualified conclusion

According to our review results, except that the financial statements of non-material subsidiaries described in the Basis of qualified conclusion paragraph may result in adjustment to the consolidated financial statements if reviewed by us, we have determined that the foregoing consolidated financial statements have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC, with a fair presentation of the Group’s consolidated financial position as of March 31, 2024 and 2023 as well as consolidated financial performance and consolidated cash flows for three months ended March 31, 2024 and 2023.

The engagement partners on the audits resulting in this independent auditors’ report are Cheng-Chih, Lin and Pan-fa, Wang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 8, 2024

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Balance Sheet
As of March 31, 2024, December 31, 2023, and March 31, 2023

Unit: NT\$ thousand

Code	Assets	March 31, 2024		December 31, 2023		March 31, 2023		Code	Liabilities and equity	March 31, 2024		December 31, 2023		March 31, 2023	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
	Current assets								Current liabilities						
1100	Cash and cash equivalents (Notes 6 and 32)	\$ 1,268,866	21	\$ 1,242,075	21	\$ 846,702	15	2100	Short-term borrowings (Notes 19, 32 and 34)	\$ 139,470	2	\$ 150,000	3	\$ 1,280,120	22
1110	Financial assets at fair value through profit or loss - current (Notes 7, 32, and 34)	545,677	9	509,433	9	357,909	6	2120	Financial liabilities at fair value through profit or loss - current (Notes 7, 20, and 32)	2,750	-	110	-	-	-
1120	Financial assets at fair value through other comprehensive income - current (Notes 8 and 32)	540,345	9	468,486	8	355,820	6	2150	Notes payable (Notes 21 and 32)	504	-	629	-	476	-
1136	Financial assets at amortized cost - current (Notes 9 and 32)	419,928	7	277,133	5	332,668	6	2170	Accounts payable (Notes 21 and 32)	229,703	4	232,687	4	162,644	3
1150	Notes receivable (Notes 10 and 32)	9,092	-	13,574	-	24,454	-	2206	Remuneration payable to employees and directors and supervisors (Note 27)	73,112	1	51,086	1	53,301	1
1170	Accounts receivable, net (Notes 10, 26 and 32)	843,028	14	923,254	16	655,417	11	2209	Other payables (Notes 22 and 32)	26,407	1	75,064	1	40,020	1
1200	Other receivables (Notes 10 and 32)	25,956	1	6,806	-	73,245	1	2216	Dividends payable (Note 25)	29,396	1	-	-	39,438	1
1220	Current tax assets (Note 28)	11,619	-	11,619	-	-	-	2230	Current tax liabilities (Notes 4 and 28)	7,991	-	844	-	64,603	1
130X	Inventory (Note 11)	687,607	12	789,659	13	1,427,827	25	2250	Liabilities - current (Note 23)	12,331	-	12,207	-	8,709	-
1410	Prepayments (Note 18)	29,437	1	34,003	1	35,892	1	2280	Lease liabilities - current (Notes 15 and 32)	17,312	-	17,341	-	18,522	-
11XX	Total current assets	4,381,555	74	4,276,042	73	4,109,934	71	2300	Other current liabilities (Notes 22 and 26)	5,035	-	6,897	-	6,495	-
								21XX	Total current liabilities	544,011	9	546,865	9	1,674,328	29
	Non-current assets								Non-current liabilities						
1510	Financial assets at fair value through profit or loss - non-current (Notes 7 and 32)	87,073	1	80,663	1	71,636	2	2530	Corporate bonds payable (Notes 20 and 32)	1,046,316	18	1,041,009	18	-	-
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 32)	68,049	1	68,074	1	65,155	1	2570	Deferred tax liabilities (Note 4 and 28)	131,121	2	126,466	2	136,301	2
1535	Financial assets at amortized cost - non-current (Notes 9, 32, and 34)	10,405	-	10,401	-	10,401	-	2580	Lease liabilities - non-current (Notes 15 and 32)	28,402	-	31,519	1	42,221	1
1600	Property, plant and equipment (Notes 13 and 34)	209,184	4	213,906	4	284,231	5	2640	Net defined benefit liability - non-current (Notes 4 and 24)	39,369	1	52,285	1	54,971	1
1755	Right-of-use assets (Note 15)	45,106	1	48,314	1	60,480	1	2670	Other non-current liabilities (Note 32)	440	-	440	-	-	-
1760	Investment property (Note 14)	49,412	1	50,208	1	-	-	25XX	Total non-current liabilities	1,245,648	21	1,251,719	22	233,493	4
1780	Intangible assets (Note 17)	623,144	10	641,476	11	695,888	12	2XXX	Total liabilities	1,789,659	30	1,798,584	31	1,907,821	33
1805	Goodwill (Notes 5 and 16)	447,603	8	447,603	8	447,603	8		Equity attributable to owners of the Company (Notes 20, 25, 29 and 30)						
1840	Deferred tax assets (Notes 4 and 28)	2,132	-	3,718	-	6,980	-	3110	Common stock	1,780,116	30	1,780,116	30	1,780,100	31
1915	Prepayments for equipment	1,322	-	-	-	248	-	3200	Capital surplus	266,965	4	266,965	4	72,704	1
1920	Guarantee deposits paid (Note 32)	6,570	-	6,565	-	6,525	-		Retained earnings						
1990	Other non-current assets	4,267	-	4,993	-	8,110	-	3310	Legal reserve	640,592	11	640,592	11	633,441	11
15XX	Total non-current assets	1,554,267	26	1,575,921	27	1,657,257	29	3320	Special reserve	167,949	3	167,949	3	32,053	1
								3350	Unappropriated earnings	835,595	14	733,853	12	947,521	16
								3300	Total retained earnings	1,644,136	28	1,542,394	26	1,613,015	28
								3400	Other equity	(14,091)	-	(24,853)	-	(78,368)	(1)
								3500	Treasury stock	(83,400)	(1)	(83,400)	(1)	(89,133)	(2)
								31XX	Total equity attributable to owners of the Parent	3,593,726	61	3,481,222	59	3,298,318	57
								36XX	Non-controlling interests (Note 25)	552,437	9	572,157	10	561,052	10
								3XXX	Total equity	4,146,163	70	4,053,379	69	3,859,370	67
1XXX	Total assets	5,935,822	100	5,851,963	100	5,767,191	100		Total liabilities and equity	5,935,822	100	5,851,963	100	5,767,191	100

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report by Deloitte Taiwan dated May 8, 2024)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2024 and 2023

Unit: Thousands of NTD; except for earnings per share in NTD

Code		January 1, 2024 to March 31, 2024		January 1, 2023 to March 31, 2023	
		Amount	%	Amount	%
4000	Operating revenue, net (Note 26)	\$ 665,009	100	\$ 560,925	100
5000	Operating costs (Notes 11, 24, and 27)	<u>476,703</u>	<u>72</u>	<u>431,977</u>	<u>77</u>
5900	Operating gross margins	<u>188,306</u>	<u>28</u>	<u>128,948</u>	<u>23</u>
	Operating expenses (Notes 24 and 27)				
6100	Selling expenses	46,668	7	43,193	8
6200	Administrative expenses	27,537	4	24,983	4
6300	Research and				
	Development expenses	115,335	18	107,927	19
6450	Expected credit impairment losses (gain on reversal) (Note 10)	(<u>36</u>)	<u>-</u>	<u>13</u>	<u>-</u>
6000	Total operating expenses	<u>189,504</u>	<u>29</u>	<u>176,116</u>	<u>31</u>
6900	Net operating income (loss)	(<u>1,198</u>)	(<u>1</u>)	(<u>47,168</u>)	(<u>8</u>)
	Non-operating income and expenses (Note 27)				
7100	Interest income	15,528	2	4,688	1
7010	Other income	2,948	1	1,085	-
7020	Other profits and losses	99,923	15	73,167	13
7050	Financial costs	(<u>6,240</u>)	(<u>1</u>)	(<u>6,087</u>)	(<u>1</u>)
7000	Total non-operating income and expenses	<u>112,159</u>	<u>17</u>	<u>72,853</u>	<u>13</u>
7900	Net profit before taxation	110,961	16	25,685	5
7950	Income tax benefit (expense) (Notes 4 and 28)	(<u>14,456</u>)	(<u>2</u>)	<u>357</u>	<u>-</u>
8200	Net profits for the period	<u>96,505</u>	<u>14</u>	<u>26,042</u>	<u>5</u>

(Continued on next page)

(Continued from previous page)

Code		January 1, 2024 to March 31, 2024		January 1, 2023 to March 31, 2023	
		Amount	%	Amount	%
	Other comprehensive income				
8310	Items not reclassified to profit or loss:				
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	\$ 24,623	4	\$ 89,557	16
8360	Items that may subsequently be reclassified to profit or loss:				
8361	Exchange differences on the translation of financial statements of foreign operations	<u>1,052</u>	<u>-</u>	<u>200</u>	<u>-</u>
8300	Other comprehensive income for the period	<u>25,675</u>	<u>4</u>	<u>89,757</u>	<u>16</u>
8500	Total comprehensive income for the period	<u>\$ 122,180</u>	<u>18</u>	<u>\$ 115,799</u>	<u>21</u>
	Net profits (losses) attributable to:				
8610	Owners of the parent	\$ 87,061	13	\$ 37,784	7
8620	Non-controlling interests	<u>9,444</u>	<u>2</u>	<u>(11,742)</u>	<u>(2)</u>
8600		<u>\$ 96,505</u>	<u>15</u>	<u>\$ 26,042</u>	<u>5</u>
	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 112,504	17	\$ 127,246	23
8720	Non-controlling interests	<u>9,676</u>	<u>1</u>	<u>(11,447)</u>	<u>(2)</u>
8700		<u>\$ 122,180</u>	<u>18</u>	<u>\$ 115,799</u>	<u>21</u>
	Earnings per share (Note 29)				
9750	Basic	<u>\$ 0.49</u>		<u>\$ 0.21</u>	
9850	Diluted	<u>\$ 0.47</u>		<u>\$ 0.21</u>	

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

(Please refer to the review report by Deloitte Taiwan dated May 8, 2024)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Statements of Changes in Equity
For the Three Months Ended March 31, 2024 and 2023

Unit: In NT\$ thousand unless otherwise specified

		Equity attributable to owners of the Parent											
							Other equity						
		Common stock		Retained earnings			Exchange differences on the translation of financial statements of foreign operations	Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	Treasury stock	Total	Non-controlling interests	Total equity	
Code		Number of shares (in thousands)	Amount	Capital surplus	Legal reserve	Special reserve							Unappropriated earnings
A1	Balance at January 1, 2023	178,010	\$ 1,780,100	\$ 69,026	\$ 633,441	\$ 32,053	\$ 909,856	(\$ 1,571)	(\$ 166,378)	(\$ 103,164)	\$ 3,153,363	\$ 611,292	\$ 3,764,655
D1	Net income (loss) from January 1, 2023 to March 31, 2023	-	-	-	-	-	37,784	-	-	-	37,784	(11,742)	26,042
D3	Other comprehensive income from January 1, 2023 to March 31, 2023	-	-	-	-	-	-	200	89,262	-	89,462	295	89,757
D5	Total comprehensive income from January 1, 2023 to March 31, 2023	-	-	-	-	-	37,784	200	89,262	-	127,246	(11,447)	115,799
F3	Transfer of treasury shares	-	-	3,678	-	-	-	-	-	14,031	17,709	2	17,711
O1	Cash dividends from non-controlling interests	-	-	-	-	-	-	-	-	-	-	(39,438)	(39,438)
O1	Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	643	643
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(119)	-	119	-	-	-	-
Z1	Balance at March 31, 2023	<u>178,010</u>	<u>\$ 1,780,100</u>	<u>\$ 72,704</u>	<u>\$ 633,441</u>	<u>\$ 32,053</u>	<u>\$ 947,521</u>	(<u>\$ 1,371</u>)	(<u>\$ 76,997</u>)	(<u>\$ 89,133</u>)	<u>\$ 3,298,318</u>	<u>\$ 561,052</u>	<u>\$ 3,859,370</u>
A1	Balance at January 1, 2024	178,011	\$ 1,780,116	\$ 266,965	\$ 640,592	\$ 167,949	\$ 733,853	(\$ 1,982)	(\$ 22,871)	(\$ 83,400)	\$ 3,481,222	\$ 572,157	\$ 4,053,379
D1	Net income (loss) from January 1, 2024 to March 31, 2024	-	-	-	-	-	87,061	-	-	-	87,061	9,444	96,505
D3	Other comprehensive income from January 1, 2024 to March 31, 2024	-	-	-	-	-	-	1,052	24,391	-	25,443	232	25,675
D5	Total comprehensive income from January 1, 2024 to March 31, 2024	-	-	-	-	-	87,061	1,052	24,391	-	112,504	9,676	122,180
O1	Cash dividends from non-controlling interests	-	-	-	-	-	-	-	-	-	-	(29,396)	(29,396)
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	14,681	-	(14,681)	-	-	-	-
Z1	Balance at March 31, 2024	<u>178,011</u>	<u>\$ 1,780,116</u>	<u>\$ 266,965</u>	<u>\$ 640,592</u>	<u>\$ 167,949</u>	<u>\$ 835,595</u>	(<u>\$ 930</u>)	(<u>\$ 13,161</u>)	(<u>\$ 83,400</u>)	<u>\$ 3,593,726</u>	<u>\$ 552,437</u>	<u>\$ 4,146,163</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report by Deloitte Taiwan dated May 8, 2024)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2024 and 2023

Unit: NT\$ thousand

Code		January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
	Cash flows from operating activities		
A10000	Net profits before tax for the period	\$ 110,961	\$ 25,685
A20010	Income and expense items that do not affect cash flow:		
A20100	Depreciation expenses	17,330	17,993
A20200	Amortization expenses	27,297	28,050
A20300	Expected (reversal of losses) credit impairment losses	(36)	13
A20400	Net loss (gain) on financial assets at fair value through profit or loss	(19,299)	(77,966)
A20900	Financial costs	6,240	6,087
A21200	Interest income	(15,528)	(4,688)
A21300	Dividend income	(1,770)	(725)
A21900	Cost of share-based remuneration	-	4,323
A22500	Gain on disposal of property, plant and equipment	(99)	-
A23700	Losses for market price decline and obsolete inventory	7,838	20,373
A24100	Foreign exchange gains (losses), net	(63,306)	6,238
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	4,482	1,057
A31150	Accounts receivable	115,407	96,612
A31180	Other receivables	(4,914)	4,607
A31200	Inventory	94,215	141,884
A31230	Prepayments	5,291	1,365
A32130	Notes payable	(126)	(803)
A32150	Accounts payable	(10,585)	(76,086)
A32990	Remuneration payable to employees and directors and supervisors	22,026	4,037
A32180	Other payables	(40,477)	(43,982)
A32200	Provisions	124	(47)
A32230	Other current liabilities	(1,862)	(349)
A32240	Net defined benefit liability	(12,915)	76
A33000	Net cash inflow from operations	240,294	153,754
A33100	Interest received	14,011	4,228
A33300	Interests paid	(824)	(6,087)
A33500	Income tax paid	(1,067)	(473)
AAAA	Net cash inflow from operating activities	<u>252,414</u>	<u>151,422</u>

(Continued on next page)

(Continued from previous page)

Code		January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(\$ 287,354)	(\$ 118,586)
B00020	Sale of financial assets at fair value through other comprehensive income	219,456	244,957
B00100	Acquisition of financial assets at fair value through profit or loss	(116,989)	(81,214)
B00200	Sale of financial assets at fair value through profit or loss	96,274	358,466
B00040	Acquisition of financial assets at amortized cost	(255,829)	(179,665)
B00050	Disposal of financial assets at amortized cost	113,030	19,465
B02700	Purchase of property, plant, and equipment	(8,656)	(1,840)
B02800	Proceeds from disposal of property, plant and equipment	838	-
B03700	Increase in refundable deposits	(5)	-
B03800	Decrease in refundable deposits	-	16
B04500	Acquisition of intangible assets	(8,964)	(5,194)
B07600	Dividend received	<u>1,755</u>	<u>938</u>
BBBB	Cash inflow (outflow) from investing activities	(<u>246,444</u>)	<u>237,343</u>
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	(9,837)	(257,560)
C04020	Principal repayment of lease liabilities	(5,161)	(4,897)
C05000	Price of disposal of treasury shares	<u>-</u>	<u>14,031</u>
CCCC	Net cash outflow from financing activities	(<u>14,998</u>)	(<u>248,426</u>)
DDDD	Impact of changes in exchange rate on cash and cash equivalents	<u>35,819</u>	(<u>1,950</u>)
EEEE	Net increase in cash and cash equivalents in this period	26,791	138,389
E00100	Balance of cash and cash equivalents at the beginning of period	<u>1,242,075</u>	<u>708,313</u>
E00200	Balance of cash and cash equivalents at the end of period	<u>\$ 1,268,866</u>	<u>\$ 846,702</u>

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

(Please refer to the review report by Deloitte Taiwan dated May 8, 2024)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Notes to Consolidated Financial Statements
For the Three Months Ended March 31, 2024 and 2023
(In thousand NTD, unless otherwise specified)

1. Company History

Weltrend Semiconductor, Inc. (the “Company”) was incorporated in Hsinchu Science Park in July 1989 and entered operations in September of the same year, mainly engaging in research, development, production, testing, and sales of digital and analog hybrid special application integrated circuits, as well as digital and analog integrated circuits.

The Company’s stock has been listed on the Taiwan Stock Exchange Corporation (TWSE) since September 2000.

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

2. Date and Procedures for Approval of Financial Statements

The consolidated financial statements were approved by the Board of Directors on May 8, 2024.

3. Application of New and Revised Standards and Interpretation

- (1) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The application of the amended IFRSs endorsed and issued into effect by the FSC does not have material impact on the accounting policies of the Company and entities controlled by the Company (hereinafter collectively referred to as the “Group”).

- (2) The IFRSs released by the IASB but not yet endorsed and issued into effect by the FSC

<u>The new/amended/revised standards or interpretation</u>	<u>Effective date of IASB publication (Note 1)</u>
Amendment to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Affiliate or Joint Venture.”	Undecided
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosures of Financial Statements”	January 1, 2027
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless otherwise stated, the aforementioned new/amended/revised standards or interpretations are effective for annual reporting periods beginning after the respective dates.

Note 2: The amendments apply to the annual reporting periods beginning on or after January 1, 2025. When the amendments are first applied for, the period of comparison shall not be re-stated, but the impact shall be recognized in the retained earnings on the date of initial application or the exchange differences of foreign operations under equity (as appropriate) and related assets and liabilities.

IFRS 18 “Presentation and Disclosures of Financial Statements”

IFRS 18 will replace IAS 1 “Presentation of Financial Statements” and the main changes include:

1. The income and loss items shall be divided into business, investment, financing, income tax, and discontinued operations.
2. The income statement shall present operating profit or loss, profit or loss before financing and income tax, as well as subtotal and total profit and loss.
3. Provide guidance to strengthen the requirements of aggregation and segmentation: The Group must identify assets, liabilities, equity, revenues, expenses, and cash flows arising from individual transactions or other events and classify and aggregate them on the basis of common characteristics so that each line item presented in the primary financial statements has at least one similar characteristic. Items with different characteristics shall be broken down in the main financial statements and notes. The Group only marks such items as “others” when no more informative name can be found.
4. Increasing the disclosure of the performance measurement defined by management: When the Group has open communication outside the financial statements, and when management’s view of the Group’s overall financial performance on a certain aspect is communicated with the users of the financial statements, it shall be disclosed in a separate note to the financial statements on performance measurements defined by management, including descriptions of the measurements, how to calculate them, reconciliations between them and any subtotals or totals specified in IFRS, and the impact of relevant adjustments on income tax and non-controlling interests, etc.

In addition to the above effects, as of the date of approving the consolidated financial statements for release, the Group had continued to evaluate the effect of the amendments to the above standards and interpretations on its financial position and financial performance, and the relevant effects will be disclosed when the evaluation is completed.

4. Summary of Significant Accounting Policies

(1) Compliance Statement

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission. The consolidated financial statements do not include all IFRSs disclosures required for the complete set of annual financial statements.

(2) Basis of preparation

The consolidated financial statements were prepared on the historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligation less the fair value of plan assets.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of the related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability.

(3) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company (subsidiaries). The subsidiaries’ financial statements have been properly adjusted to make the accounting policies consistent with the accounting policies of the Group. In preparing the consolidated financial statements, all inter-company transactions, account balances, gains and losses have been eliminated. The total comprehensive income of the subsidiaries is attributable to owners of the parent and non-controlling interests, even if the non-controlling interests become a loss balance as a result.

See Note 12 and Tables 3 and 4 for more information on subsidiaries’ statements, shareholding ratios, and main business.

(4) Other significant accounting policies

In addition to the information below, please refer to the summary of significant accounting policies in the 2023 consolidated financial statements.

1. Criteria for classification of current and non-current assets and liabilities

Current assets include:

- (1) Assets held primarily for the purpose of trading;
- (2) Assets expected to be realized within 12 months after the balance sheet date; and
- (3) Cash and cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

- (1) Liabilities held primarily for the purpose of trading;
- (2) Liabilities due to be settled within 12 months after the balance sheet date; and
- (3) At the balance sheet date, the Company has no substantive right to defer settlement of liabilities for at least 12 months after the balance sheet date.

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

2. Defined benefit retirement benefit

The pension cost for the interim period is calculated using the actuarially determined pension cost rate as of the end of the previous fiscal year and is based on the beginning of the year to the end of the current period, adjusted for significant market fluctuations and significant plan amendments, settlements or other significant one-time events during the period.

3. Income tax expense

Income tax expense is the sum of the current income tax and deferred income tax. Income tax for the interim period is assessed on an annual basis, and is calculated using the tax rate applicable to the expected total profits for the whole year on the interim pre-tax profits.

5. Significant Accounting Judgments and Estimations, and Main Sources of Assumption Uncertainties

When adopting accounting policies, the Group is required to make judgments, estimates and assumptions that are based on historical experience and other factors that are not readily apparent from other sources. Actual results may differ from the estimates.

The Group, when developing significant accounting estimates, has included the military conflict between Russia and Ukraine and potential impact of international sanctions on Russia on the economic environment in cash flows estimation, growth rates, discount rates, and profitability. The management team will continue to review such estimates and underlying assumptions.

The key sources of uncertainty in the critical accounting judgments, estimates, and assumptions adopted in these consolidated financial statements are the same as those in the 2023 consolidated financial statements.

6. Cash and Cash Equivalents

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand and working capital	\$ 356	\$ 345	\$ 809
Bank checking accounts and demand deposits	421,232	397,424	630,057
Cash equivalent			
Bank time deposits	808,586	695,273	161,385
Commercial paper	38,692	118,333	54,451
Repurchase agreements collateralized by bonds	-	30,700	-
	<u>\$ 1,268,866</u>	<u>\$ 1,242,075</u>	<u>\$ 846,702</u>

The market interest rate ranges of time deposits and cash equivalents at the balance sheet date are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Time deposits	0.005%~1.450%	0.001%~1.450%	0.510%~1.250%
Cash equivalent	1.575%~5.490%	1.155%~5.650%	1.450%~4.850%
Repurchase agreements collateralized by bonds	-	5.550%	-

7. Financial Instruments Measured at Fair Value Through Profit or Loss

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets – current</u>			
Measured at fair values through profit and/or loss			
Non-derivative financial assets			
- Domestic listed stocks	\$ 338,054	\$ 335,314	\$ 343,432
- Fund beneficiary certificates	207,623	174,119	14,477
	<u>\$ 545,677</u>	<u>\$ 509,433</u>	<u>\$ 357,909</u>
<u>Financial assets – non-current</u>			
Measured at fair values through profit and/or loss			
Non-derivative financial assets			
- Privately offered funds	\$ 86,568	\$ 80,212	\$ 71,636
Domestic unlisted stocks	505	451	-
	<u>\$ 87,073</u>	<u>\$ 80,663</u>	<u>\$ 71,636</u>
<u>Financial liabilities-current</u>			
Held for trading			
Derivatives (not designated as hedging)			
- Value of right to redeem convertible corporate bonds (Note 20)	\$ 2,750	\$ 110	\$ -

Please refer to Note 34 for information on investments in financial instruments at fair value through profit or loss pledged.

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
<u>Current</u>			
Domestic Investment			
Listed stocks	<u>\$ 540,345</u>	<u>\$ 468,486</u>	<u>\$ 355,820</u>
<u>Non-current</u>			
Domestic Investment			
Non-listed stocks	\$ 36,898	\$ 38,189	\$ 35,513
Foreign investment			
Non-listed stocks	<u>31,151</u>	<u>29,885</u>	<u>29,642</u>
	<u>\$ 68,049</u>	<u>\$ 68,074</u>	<u>\$ 65,155</u>

The Group invests in domestic companies' ordinary shares for medium- and long-term strategic purposes and expects to make profits in the long-term. The management of the Group holds that the short-term fluctuation in the fair value of these investments shall be recognized as income or loss and is not congruent with the aforementioned long-term investment plan; therefore, they chose to designate these investments as financial assets measured at fair value through other comprehensive income.

9. Financial assets at amortized cost

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
<u>Current</u>			
Time deposits with the initial duration of more than 3 months	\$ 261,060	\$ 238,441	\$ 250,950
Commercial paper	<u>158,868</u>	<u>38,692</u>	<u>81,718</u>
	<u>\$ 419,928</u>	<u>\$ 277,133</u>	<u>\$ 332,668</u>
<u>Non-current</u>			
Domestic Investment			
Certificates of deposit pledged	<u>\$ 10,405</u>	<u>\$ 10,401</u>	<u>\$ 10,401</u>

(1) As of March 31, 2024, December 31, 2023, and March 31, 2023, the interest rate ranges of time deposits with the initial duration of more than three months, commercial paper, and certificate of deposit pledged are as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Time deposits with the initial duration of more than 3 months	1.155%~5.500%	1.575%~5.500%	1.070%~4.800%
Commercial paper	5.15%~5.45%	5.550%~5.600%	4.450%~4.600%
Certificates of deposit pledged	1.575%~1.650%	1.450%~1.575%	1.440%~1.525%

- (2) Please refer to Note 32 for information on credit risk management and impairment assessment related to financial assets measured at amortized cost.
- (3) Please refer to Note 34 for information on financial assets measured at amortized cost pledged.

10. Notes receivable, accounts receivable and other receivables

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
<u>Notes receivable</u>			
Notes receivable - from operations	\$ 9,098	\$ 13,580	\$ 24,462
Less: Allowance for losses	(<u>6</u>)	(<u>6</u>)	(<u>8</u>)
	<u>\$ 9,092</u>	<u>\$ 13,574</u>	<u>\$ 24,454</u>
<u>Accounts receivable</u>			
Measured at amortized cost			
Total book value	\$ 843,447	\$ 923,709	\$ 655,703
Less: Allowance for losses	(<u>419</u>)	(<u>455</u>)	(<u>286</u>)
	<u>\$ 843,028</u>	<u>\$ 923,254</u>	<u>\$ 655,417</u>
<u>Other receivables</u>			
Receivable from disposal of investments	\$ 12,665	\$ -	\$ 63,313
Tax refund receivable	8,303	3,516	5,992
Stock dividends receivable	105	90	446
Others	<u>4,883</u>	<u>3,200</u>	<u>3,494</u>
	<u>\$ 25,956</u>	<u>\$ 6,806</u>	<u>\$ 73,245</u>

The Group's average credit period for commodity sales is net 15 to 150 days after the end of each month, without interest accrued on accounts receivable. To reduce the credit risk, the Group, before working with each new client, fills out a credit application form through a business unit, and the responsible reviews the form and has the form countersigned by relevant units, while evaluating the potential client's credit quality to set its credit limit. The client's credit limit and rating are reviewed or updated from time to time every year with reference to its operating performance, transaction amount, time, and other factors. In addition, the Group will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. As such, the Company's management believes that the Group's credit risk has been significantly reduced.

The Group recognizes an allowance for losses on accounts receivable on the basis of expected credit loss over the duration of the receivables. Lifetime expected credit losses are calculated using a provision matrix based on each client's past default record, current financial position, economic situation in the industry, and industry outlook. Since the Group's credit loss history shows that there is no significant difference in the loss patterns of different customer groups, therefore, instead of further differentiating the customer groups, the provision matrix only sets the expected credit loss rate based on the number of days overdue on accounts receivable.

If there is evidence that the counterparty is in serious financial difficulty and the Group cannot reasonably expect to recover the amount, the Group shall directly write off the related accounts receivable but shall engage in recourse activities and recognize the amount recovered in profit or loss as a result of the recourse.

The allowance for losses on notes and accounts receivable measured by the Group as per the provision matrix is as follows:

March 31, 2024

	Not overdue	Past due by 1–30 days	Past due by 31–60 days	Past due by 61–90 days	Past due by 91–120 days	Past due by 121 days or more	Total
Total book value	\$ 836,226	\$ 3,460	\$ 12,859	\$ -	\$ -	\$ -	\$ 852,545
Allowance for loss (expected credit loss of the given duration)	(399)	(9)	(17)	-	-	-	(425)
Measured at amortized cost	<u>\$ 835,827</u>	<u>\$ 3,451</u>	<u>\$ 12,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 852,120</u>

December 31, 2023

	Not overdue	Past due by 1–30 days	Past due by 31–60 days	Past due by 61–90 days	Past due by 91–120 days	Past due by 121 days or more	Total
Total book value	\$ 913,160	\$ 15,994	\$ 8,124	\$ 11	\$ -	\$ -	\$ 937,289
Allowance for loss (expected credit loss of the given duration)	(435)	(25)	(1)	-	-	-	(461)
Measured at amortized cost	<u>\$ 912,725</u>	<u>\$ 15,969</u>	<u>\$ 8,123</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 936,828</u>

March 31, 2023

	Not overdue	Past due by 1–30 days	Past due by 31–60 days	Past due by 61–90 days	Past due by 91–120 days	Past due by 121 days or more	Total
Total book value	\$ 673,392	\$ 3,833	\$ 2,923	\$ 13	\$ -	\$ 4	\$ 680,165
Allowance for loss (expected credit loss of the given duration)	(280)	(12)	(2)	-	-	-	(294)
Measured at amortized cost	<u>\$ 673,112</u>	<u>\$ 3,821</u>	<u>\$ 2,921</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 679,871</u>

The information on the movement in the allowances for losses on notes and accounts receivable is as follows:

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Balance, beginning of year	\$ 461	\$ 281
Add: Impairment loss recognized (reversed) in this period	(36)	13
Balance, end of period	<u>\$ 425</u>	<u>\$ 294</u>

11. Inventory

	March 31, 2024	December 31, 2023	March 31, 2023
Merchandise	\$ 166,337	\$ 223,578	\$ 430,040
Finished goods	226,260	208,805	253,893
Work in process	244,599	257,671	397,313
Raw materials	<u>50,411</u>	<u>99,605</u>	<u>346,581</u>
	<u>\$ 687,607</u>	<u>\$ 789,659</u>	<u>\$ 1,427,827</u>

The components of operating costs related to inventories are as follows:

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Operating costs	<u>\$476,703</u>	<u>\$431,977</u>
Allowance for inventory write-down	<u>\$ 7,838</u>	<u>\$ 20,373</u>

12. Subsidiary

(1) Subsidiaries included in the consolidated financial statements

Entities covered by the consolidated financial statements are as follows:

Investor name	Subsidiary name	Business nature	Shareholding			Description
			March 31, 2024	December 31, 2023	March 31, 2023	
The Company	Weltrend International Co., (BVI) Ltd.	Investment	100%	100%	100%	Note 1 and 2
	Yingquan Investment Co., Ltd.	Investment	98%	98%	98%	Note 1 and 2
	Sentelic Corporation	Integrated circuit development and design, analog circuit design, digital signal processing, application software development, and import and export of electronic components.	51%	51%	51%	Note 1 and 3
Weltrend International Co., (BVI) Ltd.	Dongguan Prosil Electronics Co., Ltd.	Import and export of electronic parts and general import and export	100%	100%	100%	Note 1 and 2
Sentelic Corporation	Sentelic Holding Co., Ltd.	General investment business	100%	100%	100%	Note 1, 2 and 3

Note 1: Except for the Q1 of 2024 and 2023 financial statements of Weltrend International Co., (BVI) Ltd., Sentelic Corporation, and Sentelic Holding Co., Ltd., subsidiaries' Q1 financial statements have not been reviewed by a CPA.

Note 2: It is a non-material subsidiary.

Note 3: The Company acquired 51% equity of Sentelic Corporation in August 2022 and therefore gained control over it.

(2) Information on subsidiaries with material non-controlling interests

Subsidiary name	Shareholding and percentage of voting rights held by non-controlling interests		
	December 31,		
	March 31, 2024	2023	March 31, 2023
Sentelic Corporation	49%	49%	49%

Please refer to Table 3 for the information on the principal places of business and countries of incorporation.

Subsidiary name	Non-controlling interests		
	December 31,		
	March 31, 2024	2023	March 31, 2023
Sentelic Corporation	<u>\$ 546,357</u>	<u>\$ 566,430</u>	<u>\$ 555,885</u>

Subsidiary name	Profit or loss allocated to non-controlling interests	
	January 1, 2024 to March 30, 2024	January 1, 2023 to March 30, 2023
Sentelic Corporation	<u>\$ 9,322</u>	<u>(\$ 11,964)</u>

The summarized financial information of the subsidiaries below is prepared based on the transactions between companies before the elimination of the information and is adjusted according to the impacts arising from the acquisition method when the Company made acquisitions:

Sentelic Corporation

	March 31, 2024	December 31, 2023	March 31, 2023
Current assets	\$ 740,609	\$ 699,828	\$ 685,923
Non-current assets	1,084,433	1,100,221	1,169,959
Current liabilities	(140,289)	(74,729)	(135,679)
Non-current liabilities	(126,057)	(125,630)	(140,318)
Equity	<u>\$ 1,558,696</u>	<u>\$ 1,599,690</u>	<u>\$ 1,579,885</u>

Equity attributable to:			
Owners of the parent	\$ 1,012,339	\$ 1,033,260	\$ 1,024,000
Non-controlling interest in Sentelic Corporation	<u>546,357</u>	<u>566,430</u>	<u>555,885</u>
	<u>\$ 1,558,696</u>	<u>\$ 1,599,690</u>	<u>\$ 1,579,885</u>

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Operating revenues	<u>\$102,904</u>	<u>\$ 71,520</u>
Net profits (losses)	\$ 19,049	(\$ 24,425)
Other comprehensive income	<u>1</u>	<u>-</u>
Total comprehensive income	<u>\$ 19,050</u>	<u>(\$ 24,425)</u>

Net profits (losses) attributable to:		
Owners of the parent	\$ 9,727	(\$ 12,461)
Non-controlling interest in Sentelic Corporation	<u>9,322</u>	<u>(11,964)</u>
	<u>\$ 19,049</u>	<u>(\$ 24,425)</u>

Comprehensive income attributable to:		
Owners of the parent	\$ 9,728	(\$ 12,461)
Non-controlling interest in Sentelic Corporation	<u>9,322</u>	<u>(11,964)</u>
	<u>\$ 19,050</u>	<u>(\$ 24,425)</u>

(Continued on next page)

(Continued from previous page)

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Cash flows		
Operating activities	\$ 28,359	\$ 31
Investing activities	(135,114)	(128,527)
Financing activities	<u>18,701</u>	<u>(1,277)</u>
Net cash outflow	<u>(\$ 88,054)</u>	<u>(\$129,773)</u>

13. Property, plant, and equipment

	Self-owned land	Buildings	Machinery equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Total
<u>Costs</u>							
Balance at January 1, 2024	\$ 94,720	\$ 94,714	\$ 284,649	\$ 30,925	\$ 62,073	\$ 24,943	\$ 592,024
Addition	-	-	2,559	3,997	-	778	7,334
Disposal	-	-	(5,781)	(3,364)	-	-	(9,145)
Net exchange differences	-	-	-	-	-	40	40
Balance at March 31, 2024	<u>\$ 94,720</u>	<u>\$ 94,714</u>	<u>\$ 281,427</u>	<u>\$ 31,558</u>	<u>\$ 62,073</u>	<u>\$ 25,761</u>	<u>\$ 590,253</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2024	\$ -	\$ 47,489	\$ 239,910	\$ 20,284	\$ 50,175	\$ 20,260	\$ 378,118
Depreciation expenses	-	571	7,902	1,093	1,226	534	11,326
Disposal	-	-	(5,781)	(2,625)	-	-	(8,406)
Net exchange differences	-	-	-	-	-	31	31
Balance at March 31, 2024	<u>\$ -</u>	<u>\$ 48,060</u>	<u>\$ 242,031</u>	<u>\$ 18,752</u>	<u>\$ 51,401</u>	<u>\$ 20,825</u>	<u>\$ 381,069</u>
Balance at March 31, 2024	<u>\$ 94,720</u>	<u>\$ 46,654</u>	<u>\$ 39,396</u>	<u>\$ 12,806</u>	<u>\$ 10,672</u>	<u>\$ 4,936</u>	<u>\$ 209,184</u>
Net amount as at December 31, 2023 and January 1, 2024	<u>\$ 94,720</u>	<u>\$ 47,225</u>	<u>\$ 44,739</u>	<u>\$ 10,641</u>	<u>\$ 11,898</u>	<u>\$ 4,683</u>	<u>\$ 213,906</u>
<u>Costs</u>							
Balance at January 1, 2023	\$ 94,720	\$ 154,585	\$ 338,697	\$ 30,925	\$ 62,073	\$ 35,479	\$ 716,479
Addition	-	-	1,252	-	-	340	1,592
Disposal	-	-	(6,964)	-	-	(50)	(7,014)
Net exchange differences	-	-	-	-	-	6	6
Balance at March 31, 2023	<u>\$ 94,720</u>	<u>\$ 154,585</u>	<u>\$ 332,985</u>	<u>\$ 30,925</u>	<u>\$ 62,073</u>	<u>\$ 35,775</u>	<u>\$ 711,063</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ -	\$ 51,931	\$ 276,979	\$ 16,309	\$ 45,174	\$ 30,426	\$ 420,819
Depreciation expenses	-	1,375	8,811	994	1,323	520	13,023
Disposal	-	-	(6,964)	-	-	(50)	(7,014)
Net exchange differences	-	-	-	-	-	4	4
Balance at March 31, 2023	<u>\$ -</u>	<u>\$ 53,306</u>	<u>\$ 278,826</u>	<u>\$ 17,303</u>	<u>\$ 46,497</u>	<u>\$ 30,900</u>	<u>\$ 426,832</u>
Net amount as of March 31, 2023	<u>\$ 94,720</u>	<u>\$ 101,279</u>	<u>\$ 54,159</u>	<u>\$ 13,622</u>	<u>\$ 15,576</u>	<u>\$ 4,875</u>	<u>\$ 284,231</u>

As there was no sign of impairment during the three months ended March 31, 2024 and 2023, the Group did not conduct an impairment assessment.

Depreciation expenses are calculated and recognized on a straight-line basis as per the useful lives below:

Buildings and equipment	
Plant main building	35–50 years
Interior design and network engineering	5 years
Machinery equipment	2 to 6 years
Transportation equipment	5 to 6 years
Leasehold improvements	5 to 10 years
Miscellaneous equipment	3 to 6 years

14. Investment property

	<u>Buildings</u>
<u>Costs</u>	
Balance at January 1 and March 31, 2024	<u>\$ 60,120</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2024	\$ 9,912
Depreciation expenses	<u>796</u>
Balance at March 31, 2024	<u>\$ 10,708</u>
Net as of March 31, 2024	<u>\$ 49,412</u>
Net as of December 31, 2023	<u>\$ 50,208</u>

The lease term for investment property is three years. The lessee does not have the preferential right to purchase the investment property at the end of the lease term.

The total lease payments to be received in the future from leasing out investment property under an operating lease are as follows:

	<u>March 31, 2024</u>
The 1 st year	\$ 1,980
The 2 nd year	2,640
The 3 rd year	<u>1,760</u>
	<u>\$ 6,380</u>

Investment property are calculated and recognized on a straight-line basis as per the useful lives below:

Buildings and equipment	
Plant main building	35–50 years
Interior design and network engineering	5 years

The fair value of investment property is not valued by an independent valuator and only measured by the Company's management using Level 3 inputs with a valuation model commonly used by market participants. Regarding the valuation, a cash flow approach is adopted, and the important unobservable inputs used include the discount rates; the fair value from the valuation is as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Fair value	<u>\$ 83,214</u>	<u>\$ 83,499</u>

15. Lease agreements

(1) Right-of-use assets

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Carrying amount of right-of-use assets			
Buildings	<u>\$ 45,106</u>	<u>\$ 48,314</u>	<u>\$ 60,480</u>
	<u>January 1, 2024 to March 31, 2024</u>	<u>January 1, 2023 to March 31, 2023</u>	
Addition of right-of-use assets	<u>\$ 1,917</u>	<u>\$ 36,004</u>	
Depreciation expenses of right-of-use assets			
Buildings	<u>\$ 5,208</u>	<u>\$ 4,970</u>	

Except for the additions and depreciation expenses recognized listed above, the Group did not have any significant sublease or impairment of the right-of-use assets during the three months ended March 31, 2024 and 2023.

(2) Lease liability

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Carrying amount of lease liability			
Current	<u>\$ 17,312</u>	<u>\$ 17,341</u>	<u>\$ 18,522</u>
Non-current	<u>\$ 28,402</u>	<u>\$ 31,519</u>	<u>\$ 42,221</u>

The discount rate range for lease liabilities is as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Buildings	1.7576%~2.25%	1.7576%~2.25%	1.7576%~2.25%

(3) Major lease activities and terms

The Company leased buildings from the Hsinchu Science Park of the Ministry of Science and Technology as plants, and the lease period is from 2022 to 2026. As per the lease agreement of the plants located in the science park, the lessee may have the amount of the rent adjusted at any time at the announced land price of the site where the plants are located or the adjusted rent rate of state-owned land approved by the Executive Yuan. The Company has no bargain purchase option for the leased buildings at the end of the lease term.

(4) Other lease information

	<u>January 1, 2024 to March 31, 2024</u>	<u>January 1, 2023 to March 31, 2023</u>
Short-term lease expenses	<u>\$ 81</u>	<u>\$ 82</u>
Total cash (outflow) from lease	<u>(\$ 5,481)</u>	<u>(\$ 5,229)</u>

The Group has elected to apply the recognition exemptions to the leases of buildings that qualify as short-term leases and does not recognize the relevant right-of-use assets and lease liabilities for such leases.

16. Goodwill

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Opening and ending balances	<u>\$447,603</u>	<u>\$447,603</u>

The Group acquired Sentelic Corporation in August 2022 with 51% of its equity acquired, leading to goodwill of NT\$447,603 thousand, mainly due to the benefits brought about by the expected growth of operating income from the product. There was no significant impairment measured based on fair value.

17. Intangible assets

	Computer software	Technology licensing	Patents	Customer relations	Total
<u>Costs</u>					
Balance at January 1, 2024	\$ 257,600	\$ 79,316	\$ 588,467	\$ 137,783	\$ 1,063,166
Acquired separately	6,068	2,896	-	-	8,964
Disposal	(11,423)	-	-	-	(11,423)
Net exchange differences	5	-	-	-	5
Balance at March 31, 2024	<u>\$ 252,250</u>	<u>\$ 82,212</u>	<u>\$ 588,467</u>	<u>\$ 137,783</u>	<u>\$ 1,060,712</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2024	\$ 235,865	\$ 78,176	\$ 88,792	\$ 18,857	\$ 421,690
Amortization expenses	8,036	868	14,857	3,536	27,297
Disposal	(11,423)	-	-	-	(11,423)
Net exchange differences	4	-	-	-	4
Balance at March 31, 2024	<u>\$ 232,482</u>	<u>\$ 79,044</u>	<u>\$ 103,649</u>	<u>\$ 22,393</u>	<u>\$ 437,568</u>
Net as of March 31, 2024	<u>\$ 19,768</u>	<u>\$ 3,168</u>	<u>\$ 484,818</u>	<u>\$ 115,390</u>	<u>\$ 623,144</u>
Net amounts as at December 31, 2023 and January 1, 2024	<u>\$ 21,735</u>	<u>\$ 1,140</u>	<u>\$ 499,675</u>	<u>\$ 118,926</u>	<u>\$ 641,476</u>
<u>Costs</u>					
Balance at January 1, 2023	\$ 236,185	\$ 75,189	\$ 588,467	\$ 137,783	\$ 1,037,624
Acquired separately	2,587	2,607	-	-	5,194
Net exchange differences	1	-	-	-	1
Balance at March 31, 2023	<u>\$ 238,773</u>	<u>\$ 77,796</u>	<u>\$ 588,467</u>	<u>\$ 137,783</u>	<u>\$ 1,042,819</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2023	\$ 211,092	\$ 73,713	\$ 29,362	\$ 4,714	\$ 318,881
Amortization expenses	8,267	1,390	14,857	3,536	28,050
Balance at March 31, 2023	<u>\$ 219,359</u>	<u>\$ 75,103</u>	<u>\$ 44,219</u>	<u>\$ 8,250</u>	<u>\$ 346,931</u>
Net amount as of March 31, 2023	<u>\$ 19,414</u>	<u>\$ 2,693</u>	<u>\$ 544,248</u>	<u>\$ 129,533</u>	<u>\$ 695,888</u>

Except for the amortization expenses recognized, the Group did not have any significant disposal or impairment of the intangible assets during the three months ended March 31, 2024 and 2023. Amortization expense is provided for based on a straight-line method over the following useful lives:

Computer software	1 to 5 years
Technology licensing	1 year
Patents	7 to 10 years
Customer relations	5 to 10 years

18. Prepayments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Current</u>			
Prepayments for reticles	\$ 23,672	\$ 26,599	\$ 28,093
Tax overpaid retained for offsetting the future tax payable	1,685	3,412	2,316
Prepayments for salary and wages	1,340	1,370	1,460
Others	2,740	2,622	4,023
	<u>\$ 29,437</u>	<u>\$ 34,003</u>	<u>\$ 35,892</u>

19. Short-term borrowings

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Secured borrowings</u>			
Bank loans	\$ 39,470	\$ -	\$ 417,120
<u>Unsecured borrowings</u>			
Credit facility borrowings	100,000	150,000	863,000
	<u>\$ 139,470</u>	<u>\$ 150,000</u>	<u>\$ 1,280,120</u>

The interest rates on bank revolving loans were 0.50%–4.05%, 1.803%–1.86%, and 1.45%–1.78% as at March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

Please refer to Note 34 for the Group's collateral for short-term borrowings.

20. Corporate bonds payable

	March 31, 2024	December 31, 2023
Domestic unsecured convertible corporate bonds	\$ 1,099,900	\$ 1,099,900
Less: Discount of corporate bonds payable	(53,584)	(58,891)
	<u>\$ 1,046,316</u>	<u>\$ 1,041,009</u>
Value of redemption right	(\$ 2,750)	(\$ 110)
Value of conversion right	193,676	193,676

The Company issued 11,000 NTD-denominated unsecured convertible corporate bonds with a coupon rate of 0% on September 11, 2023, with the total principal amounting to NT\$1,100,000 thousand. From the day following the end of three months after the date such bonds were issued (December 12, 2023) to the maturity date (September 11, 2026), the bondholders may request the Company to convert the convertible corporate bonds into ordinary shares of the Company at a price of NT\$61.2 per share; or request the Company to redeem the convertible corporate bonds held by them in cash at the face value of the bonds, plus interest compensation [100.500625% of the face value (real return: 0.25%)] at least 40 days before two full years after issuance (September 11, 2025). The Company may redeem all bonds early at the face value of the bonds when the closing price of the Company's common stock exceeds the current conversion price by 30% or above for 30 consecutive business days from the day following the end of three full months after the convertible corporate bonds were issued (December 12, 2023) through 40 days before the end of the issuance period (August 2, 2026). As of March 31, 2024, the conversion price was adjusted to NT\$61.2 per share.

The convertible corporate bonds include components of liabilities and equity. The components of equity are recognized in capital surplus- stock options under equity. The effective interest rate for the components of liabilities initially recognized was 2.06322%.

Issuance price (less transaction cost of NT\$5,000 thousand)	\$ 1,228,652
Value of redemption right (less transaction cost of NT\$1 thousand)	(329)
Components of equity (less transaction cost of NT\$788 thousand)	(<u>193,693</u>)
Components of liabilities on the issuance date (less transaction cost of NT\$4,211 thousand)	1,034,630
Interest calculated at the effective interest rate of 2.06322%	11,780
Conversion of corporate bonds payable into common shares	(<u>94</u>)
Components of liabilities on March 31, 2024	<u>\$ 1,046,316</u>

21. Notes payable and accounts payable

	March 31, 2024	December 31, 2023	March 31, 2023
Notes payable- from operations	<u>\$ 504</u>	<u>\$ 629</u>	<u>\$ 476</u>
Accounts payable	<u>\$ 229,703</u>	<u>\$ 232,687</u>	<u>\$ 162,644</u>

The Group has a financial risk management policy to ensure that all payables are repaid within the pre-agreed credit period.

22. Other liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Current</u>			
Other payables			
Salary and wages and bonuses payable	\$ 6,953	\$ 46,738	\$ 10,132
Pension payable under new scheme	4,861	4,849	4,850
Health insurance premiums payable	2,713	2,709	2,752
Labor insurance premiums payable	2,662	2,629	2,683
Investment payables	2,231	10,253	12,888
Service fee payable	2,034	1,500	1,524
Others	4,953	6,386	5,191
	<u>\$ 26,407</u>	<u>\$ 75,064</u>	<u>\$ 40,020</u>
Other liabilities			
Collection on behalf of others	\$ 4,051	\$ 4,043	\$ 4,298
Contract liabilities	984	2,854	2,197
	<u>\$ 5,035</u>	<u>\$ 6,897</u>	<u>\$ 6,495</u>

23. Provisions

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Current</u>			
Employee benefits	<u>\$ 12,331</u>	<u>\$ 12,207</u>	<u>\$ 8,709</u>

Provision for employee benefit liabilities is an estimate of employees' leave entitlements.

24. Retirement benefit plans

The pension expenses related to defined benefit plans recognized for the three months ended March 31, 2024 and 2023 are calculated at the pension cost rate actuarially determined on December 31, 2023 and 2022, respectively, and the amounts were NT\$495 thousand and NT\$517 thousand, respectively.

25. Equity

(1) Common stock

	March 31, 2024	December 31, 2023	March 31, 2023
Authorized number of shares (in thousands)	<u>330,000</u>	<u>330,000</u>	<u>330,000</u>
Authorized capital stock	<u>\$ 3,300,000</u>	<u>\$ 3,300,000</u>	<u>\$ 3,300,000</u>
Number of shares issued and fully paid (in thousands)	<u>178,011</u>	<u>178,011</u>	<u>178,010</u>
Capital stock issued	<u>\$ 1,780,116</u>	<u>\$ 1,780,116</u>	<u>\$ 1,780,100</u>

(2) Capital surplus

	March 31, 2024	December 31, 2023	March 31, 2023
<u>For loss make-up, payment in cash or capitalization as equity (1)</u>			
Stock issuance premium	\$ 1,886	\$ 1,886	\$ 1,886
Corporate bond conversion premium	78	78	-
Donated assets received	81	81	81
Share premium (restricted stock awards vested)	15,026	15,026	15,026
Treasury stock transaction	56,127	56,127	55,637
<u>Only for loss make-up</u>			
Recognition of changes in ownership interest in subsidiaries (2)	74	74	74
Convertible corporate bond options (Note 20)	193,693	193,693	-
	<u>\$ 266,965</u>	<u>\$ 266,965</u>	<u>\$ 72,704</u>

1. Such capital surplus may be used to make up for losses or, when the Company has no losses, to distribute cash or to capitalize equity, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.
2. This type of capital surplus represents the effect of equity transactions recognized for changes in the Company's equity when the Company has not actually acquired or disposed of shares in a subsidiary, or adjustments to the capital surplus for the Company's subsidiaries accounted for using the equity method.

(3) Retained Earnings and Dividend Policy

Under the earnings distribution policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first used for paying taxes, offsetting the cumulative deficit (including the adjusted amount of undistributed earnings), setting aside 10% of the remaining profit as a legal reserve as per law unless it has reached the total amount of the Company's paid-in capital, setting aside an amount for or reversing a special reserve in accordance with the laws and regulations. Then, any remaining profit, together with any undistributed retained earnings at the beginning of the period (including the adjusted amount of undistributed earnings), shall be adopted by the Company's Board of Directors as the basis for making a distribution proposal, which shall then be submitted to the shareholders' meeting for a resolution before distribution of dividends to shareholders. Please refer to Note 27(7) for the policy on the remuneration to employees and directors stipulated the Articles of Incorporation.

In addition, according to the Company's Articles of Incorporation, the Company shall consider the soundness and stability of the financial structure for the distribution of stock dividends and set the ratio of cash dividends to stock dividends

for the year as per the Company's growth needs. The ratio of cash dividends shall not be less than 10% of the total dividends.

Unless the legal reserve is appropriated until the balance reaches the paid-in capital of the Company. Legal reserve could be allocated for covering loss carried forward. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

The Company held a Board meeting on February 26, 2024 and the general shareholders' meeting on June 2, 2023 to propose and resolve to approve the 2023 and 2022 earnings distribution proposals, respectively. The details are as follows:

	2023	2022
Legal reserve	<u>\$ 17,994</u>	<u>\$ 7,151</u>
Special reserve	<u>(\$143,094)</u>	<u>\$135,896</u>
Cash dividends	<u>\$212,528</u>	<u>\$212,399</u>
Cash dividends per share (\$NT)	<u>\$ 1.2</u>	<u>\$ 1.2</u>

The 2023 earnings distribution proposal is pending a resolution at the shareholders' meeting expected to be held on May 29, 2024.

(4) Special reserve

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Opening and ending balances	<u>\$167,949</u>	<u>\$ 32,053</u>

(5) Treasury stock

	Number of Shares (in thousands)	Number of Shares (in thousands)
	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Balance, beginning of year	905	1,361
Decrease in the period	<u>-</u>	<u>(350)</u>
Balance, end of period	<u>905</u>	<u>1,011</u>

The Board of Directors resolved, on August 6, 2019, to transfer the repurchased treasury shares to employees to motivate employees and enhance their commitment. Between August 6, 2019 to October 3, 2019, it repurchased the Company's 3,000 thousand shares. Within five years from the date of repurchase, the shares shall be transferred to employees once or in several times, and the average repurchase shall be the transfer price at NT\$27.03.

The Board of Directors resolved, on November 5, 2021, to transfer the repurchased treasury shares to employees to motivate employees and enhance their commitment. From November 5, 2021 to December 30, 2021, it repurchased the Company's 1,500 thousand shares. Within five years from the date of repurchase, the shares shall be transferred to employees once or in several times, and the average repurchase shall be the transfer price at NT\$92.16.

The Board of Directors, on March 3, 2022, resolved to transfer and repurchase 426 thousand and 426 thousand treasury shares to employees at the transfer prices of NT\$27.03 and NT\$92.16. The employee stock subscription record date was the resolution date, and the date of delivering all shares to employees was March 28, 2022.

The Board of Directors, on August 9, 2022, resolved to transfer and repurchase 84 thousand and 55 thousand treasury shares to employees at the transfer prices of NT\$27.03 and NT\$92.16. The employee stock subscription record date was the resolution date, and the date of delivering all shares to employees was September 7, 2022.

The Board of Directors, on February 24, 2023, resolved to transfer and repurchase 280 thousand and 70 thousand treasury shares to employees at the transfer prices of NT\$27.07 and NT\$92.16. The employee stock subscription record date was the resolution date, and the date of delivering all shares to employees was March 23, 2023.

The Board of Directors, on August 7, 2023, resolved to transfer and repurchase 62 thousand and 44 thousand treasury shares to employees at the transfer prices of NT\$27.07 and NT\$92.16. The employee stock subscription record date was the resolution date, and the date of delivering all shares to employees was September 5, 2023.

Remuneration costs recognized for the transfer of treasury shares to employees for the three months ended March 31, 2024 and 2023 were NT\$0 thousand and NT\$3,680 thousand respectively.

The treasury shares held by the Company are to be transferred to employees and shall not be pledged in accordance with the Securities and Exchange Act nor shall they be entitled to rights, such as receipt of dividends and voting rights.

(6) Other equity

1. Exchange differences on the translation of financial statements of foreign operations

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Balance, beginning of year	(\$ 1,982)	(\$ 1,571)
Generated during the period		
Exchange difference of foreign operating institutions	<u>1,052</u>	<u>200</u>
Balance, end of period	(\$ <u>930</u>)	(\$ <u>1,371</u>)

2. Unrealized gain or loss on financial assets measured at fair value through other comprehensive income

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Balance, beginning of year	(\$ 22,871)	(\$ 166,378)
Generated during the period		
Unrealized gains or losses on equity instruments	24,391	89,262
The accumulated gain/loss from the disposition of equity instruments will be transferred to retained earnings	(<u>14,681</u>)	<u>119</u>
Balance, end of period	(\$ <u>13,161</u>)	(\$ <u>76,997</u>)

(7) Non-controlling interests

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Balance, beginning of year	\$ 572,157	\$ 611,292
Share attributable to non-controlling interests		
Net loss for this period	9,444	(11,742)
Other comprehensive income for the period		
Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	232	295
Treasury stock transaction	-	2
Cash dividends issued by subsidiaries	(29,396)	(39,438)
Non-controlling interests related to the outstanding vested stock options held by employees of Sentelic Corporation (Note 30)	-	643
Balance, end of period	<u>\$ 552,437</u>	<u>\$ 561,052</u>

26. Operating revenues

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Sales income - integrated circuits	\$440,029	\$312,524
Trading of integrated circuits	224,980	245,977
Design and testing income	-	2,424
	<u>\$665,009</u>	<u>\$560,925</u>

(1) Contract balance

	March 31, 2024	December 31, 2023	March 31, 2023	January 1, 2023
Accounts receivable (Note 10)	<u>\$ 843,028</u>	<u>\$ 923,254</u>	<u>\$ 655,417</u>	<u>\$ 758,045</u>
Contract liabilities (accounted for in other current liabilities)				
Merchandise sales	<u>\$ 984</u>	<u>\$ 2,854</u>	<u>\$ 2,197</u>	<u>\$ 2,705</u>

The change in contract liabilities mainly arises from the difference between the point at which performance obligations are satisfied and the point at which customers pay.

(2) Details of net operating income

Region	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Mainland China	\$449,070	\$356,108
Taiwan	198,954	179,956
Others	<u>16,985</u>	<u>24,861</u>
	<u>\$665,009</u>	<u>\$560,925</u>

27. Net income in this period

(1) Interest income

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Cash in banks	\$ 13,022	\$ 3,405
Others	<u>2,506</u>	<u>1,283</u>
	<u>\$ 15,528</u>	<u>\$ 4,688</u>

(2) Other income

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Income from cash dividends	\$ 1,770	\$ 725
Others	<u>1,178</u>	<u>360</u>
	<u>\$ 2,948</u>	<u>\$ 1,085</u>

(3) Other profits and losses

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Net gain on financial assets		
Financial assets at fair value through profit or loss (Note 7)	\$ 19,299	\$ 77,966
Foreign exchange gains (losses) – net	81,208	(4,423)
Others	<u>(584)</u>	<u>(376)</u>
	<u>\$ 99,923</u>	<u>\$ 73,167</u>

(4) Financial costs

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Interest of convertible corporate bonds	\$ 5,307	\$ -
Interest from bank borrowings	694	5,837
Interest on lease liabilities	<u>239</u>	<u>250</u>
	<u>\$ 6,240</u>	<u>\$ 6,087</u>

(5) Depreciation and amortization

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Summary of depreciation expenses by function		
Operating costs	\$ 8,517	\$ 9,445
Operating expenses	<u>8,813</u>	<u>8,548</u>
	<u>\$ 17,330</u>	<u>\$ 17,993</u>

(Continued on next page)

(Continued from previous page)

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Summary of amortization expenses by function		
Operating costs	\$ 78	\$ 83
Operating expenses	<u>27,219</u>	<u>27,967</u>
	<u>\$ 27,297</u>	<u>\$ 28,050</u>
(6) Employee benefit expenses		
	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Short-term employee benefits	<u>\$137,136</u>	<u>\$116,909</u>
Retirement benefits (Note 24)		
Defined contribution pension plan	4,755	4,771
Defined benefit plan	495	517
Share-based payment		
Settlement of equity interests	<u>-</u>	<u>4,323</u>
Total employee benefit expenses	<u>\$142,386</u>	<u>\$126,520</u>
Summary by function		
Operating costs	\$ 18,884	\$ 18,202
Operating expenses	<u>123,502</u>	<u>108,318</u>
	<u>\$142,386</u>	<u>\$126,520</u>

(7) Remuneration for employees and directors

The Company allocates 11%~13% of net income before tax before the remuneration to employees and directors is deducted for the year as remuneration to employees and no more than 3% as the remuneration to directors, respectively. The estimated remuneration to employees and directors during the three months ended March 31, 2024 and 2023 are as follows:

Estimate percentage

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Remuneration for employees	12%	12%
Remuneration for directors	3%	3%

Amount

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Remuneration for employees	<u>\$ 13,742</u>	<u>\$ 6,273</u>
Remuneration for directors	<u>\$ 3,435</u>	<u>\$ 1,568</u>

If there is a change in the amount after the annual consolidated financial statements are approved and released, the change will be accounted for as a change in accounting estimate and will be recorded an adjustment in the following year.

The 2023 and 2022 remuneration to employees and directors resolved by the Board of Directors on February 26, 2024 and February 24, 2023, respectively, is as follows:

	2023		2022	
	Cash	Stock	Cash	Stock
Remuneration for employees	<u>\$ 33,329</u>	<u>\$ -</u>	<u>\$ 27,732</u>	<u>\$ -</u>
Remuneration for directors	<u>\$ 8,332</u>	<u>\$ -</u>	<u>\$ 6,933</u>	<u>\$ -</u>

There is no difference between the amounts of remuneration paid out to employees and directors for 2023 and 2022 and the amounts recognized in the 2023 and 2022 consolidated financial statements.

For information on remuneration to employees and directors resolved by the Board of Directors, please visit the Market Observation Post System (MOPS) of Taiwan Stock Exchange.

28. Income tax

(1) Income tax recognized in profit or loss

The major components of income tax (benefit) expense are as follows.

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Income tax expenses in the current period		
Generated during the period	\$ 8,214	\$ 6,225
Deferred tax		
Generated during the period	<u>6,242</u>	(<u>6,582</u>)
Income tax (benefit) expense recognized in profit or loss	<u>\$ 14,456</u>	(<u>\$ 357</u>)

(2) The state of income tax assessment

The Company's profit-seeking enterprise income tax returns filed have been approved by the tax authority up to 2021.

Yingquan Investment Co., Ltd.'s profit-seeking enterprise income tax returns filed have been approved by the tax authority up to 2021.

Sentelic Corporation's profit-seeking enterprise income tax returns filed have been approved by the tax authority up to 2021.

29. Earnings per shares

	Unit: NTD per share
	January 1, 2024 to March 31, 2024
	January 1, 2023 to March 31, 2023
Basic earnings per share	<u>\$ 0.49</u>
Diluted earnings per share	<u>\$ 0.21</u>

The net income in this period and weighted average number of ordinary shares used to calculate the earnings per share are as follows:

Net profits for the period

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Net income used to calculate basic earnings per share	\$ 87,061	\$ 37,784
Impact of potential common stock with dilutive effect:		
After-tax interest of convertible corporate bonds	<u>4,246</u>	<u>-</u>
Net income used to calculate diluted earnings per share	<u>\$ 91,307</u>	<u>\$ 37,784</u>

Number of Shares

	Unit: Thousand shares
	January 1, 2024 to March 31, 2024
	January 1, 2023 to March 31, 2023
Weighted average number of shares of common stock used to calculate basic earnings per share	177,107
Impact of potential common stock with dilutive effect:	
After-tax interest of convertible corporate bonds	17,972
Remuneration for employees	<u>509</u>
Weighted average common stock shares used to calculate diluted earnings per share	<u>195,588</u>

If the Group may elect to pay employee remuneration in stock or cash, when diluted earnings per share are calculated, it is assumed that employee remuneration will be paid out in stock, and when the ordinary shares are potentially dilutive, they will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. The diluting effect of these potential common shares also continues to be considered in the calculation of diluted earnings per share before the number of shares awarded to employees in the following year's resolution.

30. Share-based payment

Restricted stock awards

The shareholders' meeting of Sentelic Corporation resolved, on May 24, 2019, to issue 800 thousand shares of restricted stock awards in the amount of NT\$8,000 thousand free of charge and grant them to employees at the Company who have been employed on

the day when the restricted stock awards are granted. The above resolution was filed to the FSC and enforced on October 4, 2019, and the restricted stock awards were issued with the approval of the board of directors on July 31, 2020. The record date for the capital increase through the restricted stock awards was August 10, 2020, and the fair value of the shares on the grant date was NT\$39.50 per share. After employees were granted the awards, they could vest 40% of them if they have worked for one full year from the grant date; if they have worked for two full years from the grant date, they could vest another 30% of them; if they have worked for three full years from the grant date, they could vest the remaining 30%. From the grant date to the reporting date, 78 thousand shares of the awards became invalid due to employees' resignation or failure to meet the vesting conditions during the vesting period.

The cancellation procedure was completed after the resolution of the board of directors was passed. In addition, the vesting period for the restricted stock awards issued by the Company has ended, and there are no restricted stock awards in circulation.

The movements in the accounts related to the above restricted stock awards are aggregated as follows:

	Common stock	Capital surplus - restricted stock awards	Capital surplus - stock issuance premium	Other equity - Unearned employee compensation
Balance at January 1, 2023	\$ 7,368	\$ 5,555	\$ 15,346	(\$ 1,501)
Cost of share-based remuneration recognized	-	-	-	643
Balance at March 31, 2023	<u>\$ 7,368</u>	<u>\$ 5,555</u>	<u>\$ 15,346</u>	<u>(\$ 858)</u>

The restricted rights of employees' unvested restricted stock awards are as follows:

- (1) Employees shall not sell, transfer, donate, pledge, dispose of the awards or in other means except for inheritance after being granted before vesting them.
- (2) The rights to attend, make proposals, speak, and vote at shareholders' meetings shall be handled in accordance with the trust custody agreements.
- (3) In addition to the provisions of the trust custody agreements in the preceding paragraph, the rights attached to the restricted stock awards granted to employees according to these rules are the same as ordinary shares issued by the Company except for the right to subscribe for new shares in cash capital increase and the right to receive stock or cash dividends before the vesting conditions are met.
- (4) After employees are granted restricted stock awards, they should deliver the awards to the trust immediately and shall not require the trustee to return said awards for any reason or in any method before meeting the vesting conditions.
- (5) From the Company's book closure date for stock dividends, book closure date for cash dividends, book closure date for cash capital increase and share subscription, book closure period for the shareholders' meeting stipulated in Article 165, paragraph 3 of the Company Act, or other legal book closure periods that occur as per facts through the record date of rights distribution, employees who meet the vesting conditions during this period still do not have the right to vote, subscribe for shares, receive stock or cash dividends with their vested awards.

31. Capital Risk Management

The Group manages its capital to ensure that the Group's enterprises are able to operate sustainability while maximizing the return to shareholders through the optimization of the debt and equity balance. There has been no change in the Group's overall strategy.

The Group's capital structure consists of the Group's equity attributable to the owners of the Company (i.e. share capital, capital surplus, retained earnings, and other equity).

32. Financial instruments

(1) Fair value information – Financial instruments that are not measured at fair value

March 31, 2024

	Carrying amount	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost - convertible corporate bonds	<u>\$1,046,316</u>	<u>\$ 1,276,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,276,660</u>

December 31, 2023

	Carrying amount	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost - convertible corporate bonds	<u>\$ 1,041,009</u>	<u>\$ 1,347,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,347,830</u>

(2) Fair value information - financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

March 31, 2024

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Domestic listed stocks	\$ 338,054	\$ -	\$ -	\$ 338,054
Domestic unlisted stocks	-	-	505	505
Fund beneficiary certificates	207,623	-	-	207,623
Privately offered funds	<u>-</u>	<u>-</u>	<u>86,568</u>	<u>86,568</u>
	<u>\$ 545,677</u>	<u>\$ -</u>	<u>\$ 87,073</u>	<u>\$ 632,750</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity investment				
- Domestic listed stocks	\$ 540,345	\$ -	\$ -	\$ 540,345
- Domestic non-listed stocks	-	-	36,898	36,898
- Foreign non-listed stocks	<u>-</u>	<u>-</u>	<u>31,151</u>	<u>31,151</u>
	<u>\$ 540,345</u>	<u>\$ -</u>	<u>\$ 68,049</u>	<u>\$ 608,394</u>

(Continued on next page)

(Continued from previous page)

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
<u>Measured at Fair Value</u>				
<u>Through Profit or Loss</u>				
Derivatives	\$ -	\$ 2,750	\$ -	\$ 2,750
<u>December 31, 2023</u>				
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair</u>				
<u>value through profit or</u>				
<u>loss</u>				
Domestic listed stocks	\$ 335,314	\$ -	\$ -	\$ 335,314
Domestic unlisted stocks	-	-	451	451
Fund beneficiary				
certificates	174,119	-	-	174,119
Privately offered funds	-	-	80,212	80,212
	<u>\$ 509,433</u>	<u>\$ -</u>	<u>\$ 80,663</u>	<u>\$ 590,096</u>
<u>Financial assets measured</u>				
<u>at fair value through</u>				
<u>other comprehensive</u>				
<u>income</u>				
Equity investment				
- Domestic listed				
stocks	\$ 468,486	\$ -	\$ -	\$ 468,486
- Domestic				
non-listed stocks	-	-	38,189	38,189
- Foreign non-listed				
stocks	-	-	29,885	29,885
	<u>\$ 468,486</u>	<u>\$ -</u>	<u>\$ 68,074</u>	<u>\$ 536,560</u>
<u>Financial liabilities</u>				
<u>Measured at Fair Value</u>				
<u>Through Profit or Loss</u>				
Derivatives	\$ -	\$ 110	\$ -	\$ 110
<u>March 31, 2023</u>				
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value</u>				
<u>through profit or loss</u>				
Domestic listed stocks	\$ 343,432	\$ -	\$ -	\$ 343,432
Fund beneficiary certificates	14,477	-	-	14,477
Privately offered funds	-	-	71,636	71,636
	<u>\$ 357,909</u>	<u>\$ -</u>	<u>\$ 71,636</u>	<u>\$ 429,545</u>
<u>Financial assets measured at</u>				
<u>fair value through other</u>				
<u>comprehensive income</u>				
Equity investment				
- Domestic listed				
stocks	\$ 355,820	\$ -	\$ -	\$ 355,820
- Domestic non-listed				
stocks	-	-	35,513	35,513
- Foreign non-listed				
stocks	-	-	29,642	29,642
	<u>\$ 355,820</u>	<u>\$ -</u>	<u>\$ 65,155</u>	<u>\$ 420,975</u>

There were no transfers between Level 1 and Level 2 fair values during the three months ended March 31, 2024 and 2023.

2. Reconciliation of financial instruments measured at fair value in Level 3

January 1, 2024 to March 31, 2024

	Equity instruments		
	Financial assets at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Balance, beginning of year	\$ 80,663	\$ 68,074	\$ 148,737
Allocation of income	(772)	-	(772)
Recognized in profit or loss (other gains and losses)	8,641	-	8,641
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	-	(25)	(25)
Disposal	(1,459)	-	(1,459)
Balance, end of period	<u>\$ 87,073</u>	<u>\$ 68,049</u>	<u>\$ 155,122</u>

January 1, 2023 to March 31, 2023

	Equity instruments		
	Financial assets at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Balance, beginning of year	\$ 71,098	\$ 62,528	\$ 133,626
Allocation of income	(505)	-	(505)
Recognized in profit or loss (other gains and losses)	1,043	-	1,043
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	-	2,627	2,627
Balance, end of period	<u>\$ 71,636</u>	<u>\$ 65,155</u>	<u>\$ 136,791</u>

3. Valuation techniques and input values for Level 3 fair value measurement

The aggregate value of the individual assets and individual liabilities in the investments in domestic (foreign) unlisted equity and privately offered funds was evaluated in the asset method to reflect the overall value of an enterprise or business.

(3) Types of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
Measured at fair values through profit and/or loss			
Mandatorily at fair value through profit	\$ 632,750	\$ 590,096	\$ 429,545
Financial assets at amortized cost (Note 1)	2,583,845	2,479,808	1,949,412
Financial assets at fair value through other comprehensive income - investments in equity instruments	608,394	536,560	420,975
<u>Financial liabilities</u>			
Measured at fair values through profit and/or loss			
Mandatorily at fair value through profit	2,750	110	-
Measured at amortize cost (Note 2)	1,442,840	1,499,829	1,483,260

Note 1: The balance includes financial assets at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, and guarantee deposits paid.

Note 2: The balance includes financial liabilities at amortized cost, including short-term borrowings, notes payable, accounts payable, other payables, corporate bonds payable, and guarantee deposits received.

(4) Purpose and policy of financial risk management

The Group's financial management department provides services to each business unit, coordinates the operations of investments in the domestic and international financial markets, and supervises and manages the financial risks related to the Group's operations by analyzing the internal risk reports of exposures according to the level and breadth of the risks. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The financial management department reports regularly to the Group's Board of Directors.

1. Market Risk

The main financial risks to the Group's operating activities are the risk of foreign exchange rate fluctuations (see (1) below) and the risk of changes in interest rates (see (2) below).

There have been no changes in the Group's exposure to financial instrument market risks and its method to managing and measuring such exposure.

(1) Exchange rate risk

Some of the Group's cash inflows and outflows are denominated in foreign currencies with the effect of natural hedging; the Group's management of the exchange rate risk aims to hedge rather than making profits.

Refer to Note 35 for the carrying amounts of the Group's monetary assets and monetary liabilities denominated in non-functional currencies (including monetary items in non-functional currencies that have been eliminated in the consolidated financial statements) on the balance sheet date.

Sensitivity analysis

The Group is mainly affected by the fluctuations in the exchange rates of USD.

The table below illustrates the Group's sensitivity analysis when the NTD (the functional currency) increases and decreases by 1% against each relevant foreign currency. In the sensitivity analysis, the outstanding monetary items in foreign currencies were taken into account, and the translation of such items at the end of the period was adjusted as per 1% change in exchange rates. The positive numbers in the following table represent the increase in net profits before tax if the New Taiwan dollar weakens by 1% against the respective currencies, and the negative numbers for the same amount represent the decrease in net profits before tax if the NT dollar strengthens by 1% against the respective currencies.

	Impact of USD	
	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Profit or loss	<u>\$ 17,604</u>	<u>\$ 13,184</u>

The Group's sensitivity to the USD increased in this period, mainly due to the increase in its foreign currency assets.

The management believes that the sensitivity analysis cannot represent the inherent exchange rate risk as foreign currency exposures on the balance sheet date cannot reflect the interim exposures.

(2) Interest rate risk

Interest rate exposures arise as entities under the Group hold assets and liabilities at both fixed and floating rates.

The carrying amount of financial assets and liabilities of the Group under interest rate exposure on balance sheet date is as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
With fair value			
interest rate risk			
– Financial assets	\$ 1,262,612	\$ 1,116,840	\$ 442,035
– Financial liabilities	1,092,030	1,089,869	60,743
With cash flow			
interest rate risk			
– Financial assets	435,671	411,864	303,456
– Financial liabilities	139,470	150,000	1,280,120

Sensitivity analysis

The following sensitivity analyses are based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. The analysis of assets at floating rates is based on the assumption that the amount of assets outstanding at the balance sheet date was outstanding throughout the reporting period.

If the annual rate of interest increased/decreased by 1%, with all other variables remaining unchanged, the Group's net income before tax for the three months ended March 31, 2024 and 2023 would have increased/decreased by NT\$741 thousand and NT\$2,442 thousand, respectively, mainly due to the Group's exposure to the risk of the net assets at floating interest rates.

The Group's sensitivity to interest rates increased in this period, mainly due to the decrease in the financial assets at floating interest rates.

(3) Other price risks

The Group is exposed to the equity price risk due to the listed equity securities held. The equity investments are not held for trading and are strategic investments. The Group is not actively trading these equity securities. The Group's equity price risk is mainly concentrated in the equity instruments in the electronic industry traded in stock exchanges and over-the-counter markets in Taiwan.

Sensitivity analysis

The sensitivity analysis below was performed based on the securities price exposure on the balance sheet date.

If the securities price increased/decreased by 1%, the profit or loss before tax for the three months ended March 31, 2024 and 2023 would have increased/decreased by NT\$6,328 thousand and NT\$4,295 thousand

respectively, mainly due to increase/decrease in the Group's financial assets at fair value through profit or loss.

The Group's sensitivity to price risk decreased in this period, mainly due to the decrease in the Group's investment in financial assets at fair value through profit or loss.

If the securities price increased/decreased by 1%, the other comprehensive before tax for the three months ended March 31, 2024 and 2023 would have increased/decreased by NT\$6,084 thousand and NT\$4,210 thousand respectively, mainly due to increase/decrease in the Group's financial assets at fair value through other comprehensive income.

The Group's sensitivity to price risk decreased in this period, mainly due to the decrease in the Group's investment in financial assets at fair value through other comprehensive income.

2. Credit Risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss to the Group. As of the balance sheet date, the Group's maximum exposure to credit risk of financial loss due to non-performance by counter-parties is mainly from the carrying amount of financial assets recognized in consolidated balance sheets.

To mitigate credit risk, the Group has formulated credit and accounts receivable management measures to ensure that appropriate actions have been taken to recover overdue receivables. In addition, the Group will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Accordingly, the Group's management believes that the Group's credit risk is significantly reduced.

The Group has a wide range of clients across different industries and geographical regions for accounts receivables. The Group continuously evaluates the financial position of clients with accounts receivable.

The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties with similar characteristics. When the transaction counterparties are affiliates, the Group defines them as transaction counterparties with similar characteristics.

3. Liquidity Risk

The Group manages and maintains sufficient cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations. The Group's management monitors the use of bank financing facilities and ensures compliance with the terms of the borrowing agreements.

Bank loans are a source of liquidity for the Group. Please refer to the description of (2) financing facilities below for the Group's bank financing facilities undrawn as of March 31, 2024, December 31, 2023, and March 31, 2023.

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

The analysis of the remaining contractual maturities of non-derivative financial liabilities has been prepared based on the undiscounted cash flows (including principal and estimated interest) of the financial liabilities based on the earliest possible date on which the Group can be required to make repayment. Therefore, bank borrowings that the Group may be required to repay immediately are shown in the table below for the earliest period, without regard to the probability that the bank will enforce the right immediately; the maturity analysis of other non-derivative financial liabilities is prepared based on the contractual repayment dates.

March 31, 2024

	Repayment on demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total
<u>Non-derivative financial assets</u>					
No interest-bearing liabilities	\$ 151,459	\$ 102,575	\$ 2,576	\$ 4	\$ 256,614
Floating rate instruments	39,470	-	20,000	-	59,470
Fixed rate instruments	80,000	-	-	1,046,316	1,126,316
Lease liability	1,784	3,532	12,723	29,165	47,204
	<u>\$ 272,713</u>	<u>\$ 106,107</u>	<u>\$ 35,299</u>	<u>\$ 1,075,485</u>	<u>\$ 1,489,604</u>

Further information on the maturity analysis of the above financial liabilities is as follows:

	Less than 1 year	1–2 years	2–3 years	Over 3 years
Fixed rate instruments	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$1,046,316</u>	<u>\$ -</u>
Lease liability	<u>\$ 18,039</u>	<u>\$ 12,627</u>	<u>\$ 10,541</u>	<u>\$ 5,997</u>

December 31, 2023

	Repayment on demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total
<u>Non-derivative financial assets</u>					
No interest-bearing liabilities	\$ 197,407	\$ 103,066	\$ 7,903	\$ 4	\$ 308,380
Floating rate instruments	100,000	50,000	-	-	150,000
Fixed rate instruments	-	-	-	1,041,009	1,041,009
Lease liability	1,632	3,264	13,248	32,434	50,578
	<u>\$ 299,039</u>	<u>\$ 156,330</u>	<u>\$ 21,151</u>	<u>\$ 1,073,447</u>	<u>\$ 1,549,967</u>

Further information on the maturity analysis of the above financial liabilities is as follows:

	Less than 1 year	1–2 years	2–3 years	Over 3 years
Fixed rate instruments	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,041,009</u>	<u>\$ -</u>
Lease liability	<u>\$ 18,144</u>	<u>\$ 12,930</u>	<u>\$ 11,616</u>	<u>\$ 7,888</u>

March 31, 2023

	Repayment on demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total
<u>Non-derivative financial assets</u>					
No interest-bearing liabilities	\$ 107,131	\$ 93,645	\$ 2,360	\$ 4	\$ 203,140
Floating rate instruments	-	100,000	762,120	-	862,120
Fixed rate instruments	72,000	200,000	146,000	-	418,000
Lease liability	1,716	3,395	14,423	43,666	63,200
	<u>\$ 180,847</u>	<u>\$ 397,040</u>	<u>\$ 924,903</u>	<u>\$ 43,670</u>	<u>\$ 1,546,460</u>

Further information on the maturity analysis of the above financial liabilities is as follows:

	Less than 1 year	1–2 years	2–3 years	Over 3 years
Lease liability	<u>\$ 19,534</u>	<u>\$ 15,366</u>	<u>\$ 11,762</u>	<u>\$ 16,538</u>

(2) Financing facilities

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Unsecured bank overdraft facility</u>			
- Borrowing facilities used	\$ 100,000	\$ 150,000	\$ 863,000
- Borrowing facilities unused	<u>1,185,000</u>	<u>750,000</u>	<u>465,375</u>
	<u>\$ 1,285,000</u>	<u>\$ 900,000</u>	<u>\$ 1,328,375</u>
<u>Secured bank overdraft facility</u>			
- Borrowing facilities used	\$ 39,470	\$ -	\$ 417,120
- Borrowing facilities unused	<u>1,207,650</u>	<u>1,688,120</u>	<u>2,596,380</u>
	<u>\$ 1,247,120</u>	<u>\$ 1,688,120</u>	<u>\$ 3,013,500</u>

33. Related Party Transactions

Transactions, account balances, income and expenses between the Company and its subsidiaries (which are the Company's related parties) were all eliminated upon consolidation, so they are not disclosed in this note. Except for those disclosed in other notes, transactions between the Group and other related parties are as follows.

(1) Remuneration for key management

	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Short-term employee benefits	\$ 14,324	\$ 12,061
Share-based payment	-	1,104
Retirement benefits	<u>250</u>	<u>268</u>
	<u>\$ 14,574</u>	<u>\$ 13,433</u>

The remuneration for directors and other key management is determined by the Remuneration Committee based on individual performance and market trends.

34. Pledged Assets

The assets below have been pledged as collateral for borrowings from banks and to customs:

	March 31, 2024	December 31, 2023	March 31, 2023
Certificates of deposit pledged (under financial assets at amortized cost - non-current)	\$ 10,405	\$ 10,401	\$ 10,401
Fund beneficiary certificates pledged (under financial assets at fair value through profit or loss - current)	207,623	-	-
Securities pledged (under financial assets at fair value through profit or loss - current)	-	-	196,730
Property, plant, and equipment	140,899	141,420	142,983
	<u>\$ 358,927</u>	<u>\$ 151,821</u>	<u>\$ 350,114</u>

35. Information on foreign currency assets and liabilities with significant effect:

The information below is aggregated and presented in foreign currencies other than the functional currencies of the entities under the Group. The exchange rates disclosed refer to the rates at which these foreign currencies are converted to the functional currency. The foreign currency assets and liabilities with significant effect are as follows:

March 31, 2024			
	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 62,566	32.00 (USD: NTD)	<u>\$ 2,002,112</u>
<u>Non-monetary items</u>			
USD	973	32.00 (USD: NTD)	<u>\$ 31,136</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	6,933	32.00 (USD: NTD)	\$ 221,856
USD	620	7.09 (USD: RMB)	19,840
			<u>\$ 241,696</u>
December 31, 2023			
	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 63,179	30.70 (USD: NTD)	<u>\$ 1,939,595</u>
<u>Non-monetary items</u>			
USD	973	30.70 (USD: NTD)	<u>\$ 29,871</u>

(Continued on next page)

(Continued from previous page)

December 31, 2023			
	Foreign currency	Exchange rate	Carrying amount
Foreign currency liabilities			
<u>Monetary items</u>			
USD	\$ 6,066	30.70 (USD: NTD)	\$ 186,226
USD	959	7.09 (USD: RMB)	29,441
			<u>\$ 215,667</u>
March 31, 2023			
	Foreign currency	Exchange rate	Carrying amount
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 48,064	30.45 (USD: NTD)	<u>\$ 1,463,549</u>
<u>Non-monetary items</u>			
USD	973	30.45 (USD: NTD)	<u>\$ 29,628</u>
Foreign currency liabilities			
<u>Monetary items</u>			
USD	4,252	30.45 (USD: NTD)	\$ 129,473
USD	516	6.87 (USD: RMB)	15,712
			<u>\$ 145,185</u>

The Group is mainly exposed to the foreign currency exchange rate risk of USD and RMB. The following information is presented in aggregate for the functional currencies of the individual entity holding the foreign currencies, and the exchange rates disclosed are the rates at which those functional currencies are translated into the presenting currency. Foreign currency translation gains and losses (realized and unrealized) with significant effect are as follows:

Functional currency	January 1, 2024 to March 31, 2024		January 1, 2023 to March 31, 2023	
	Functional currency exchanged to presenting currency	Net exchange gain or loss	Functional currency exchanged to presenting currency	Net exchange gain or loss
NTD	1 (NTD: NTD)	\$ 81,747	1 (NTD: NTD)	(\$ 4,564)
RMB	4.42 (RMB: NTD)	(540)	4.44 (RMB: NTD)	142
		<u>\$ 81,207</u>		<u>(\$ 4,422)</u>

36. Additional Disclosures

(1) Information on Material Transactions and (2) Information on Investees:

1. The Loaning of Funds: None.
2. Endorsements and guarantees for others: None.

3. Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures): Table 1.
 4. Marketable Securities Acquired or Sold at Costs or Prices at Least NT\$300 million or 20% of the Paid-in Capital: None.
 5. Acquisition of Individual Property at Costs of at Least NT\$300 million or 20% of the Paid-in Capital: None.
 6. Disposal of Individual Property at Costs of at Least NT\$300 million or 20% of the Paid-in Capital: None.
 7. Total Purchases from or Sales to Related Parties Amounting to at Least NT\$100 million or 20% of the Paid-in Capital: None.
 8. Receivables from Related Parties Amounting to at Least NT\$100 million or 20% of the Paid-in Capital: None.
 9. Trading in Derivative Instruments: Note 7.
 10. Business Relations and Important Transactions between Parent Company and Subsidiaries and Among Subsidiaries and Amounts: Table 2.
 11. Information on Investees: Table 3.
- (3) Information on investment in Mainland China:
1. Information on investees in Mainland China, including the name, main business and products, paid-in capital, method of investment, inward and outward remittance of funds, percentage of ownership, investment income or loss, carrying amount of the investment at the end of the period, repatriation of investment income, and limit on the amount of investment in the Mainland China area: Table 4.
 2. The following significant transactions with investees in Mainland China, directly or indirectly through third regions, and their prices, payment terms, and unrealized gains or losses: Table 5.
 - (1) The amount and percentage of purchases and the related ending balance and percentage of payables.
 - (2) The amount and percentage of sales and the related ending balance and percentage of receivables.
 - (3) The amount of property transactions and the amount of resulting gains or losses.
 - (4) The ending balance of endorsement guarantee of bills or the provision of collateral and its purpose.
 - (5) The maximum balance, ending balance, interest rate range and total current interest amount of financial accommodation
 - (6) Other transactions that have a significant effect on the current profit or loss or financial position, such as the provision or receipt of services.
- (4) Information on Major Shareholders: The name of shareholders with a shareholding ratio of 5% or more, and the number and percentage of shares held: Table 6.

37. Segment Information

The Group's information reported to the chief operating decision-maker for resource allocation and segment performance assessment focuses on types of goods or services delivered or provided. The financial reporting information is measured on the same basis as that for these consolidated financial statements. The Group's reportable segments are its self-owned product segment and product agency segment.

(1) Revenue and operating results of segments

	Segment revenues			
	January 1, 2024 to March 31, 2024		January 1, 2023 to March 31, 2023	
	External revenue	Inter-segment revenues	External revenue	Inter-segment revenues
Self-owned product segment	\$ 440,029	\$ 13	\$ 314,948	\$ -
Product agency segment	<u>224,980</u>	<u>19,425</u>	<u>245,977</u>	<u>15,691</u>
	<u>\$ 665,009</u>	<u>\$ 19,438</u>	<u>\$ 560,925</u>	<u>\$ 15,691</u>

	Segment profits or losses	
	January 1, 2024 to March 31, 2024	January 1, 2023 to March 31, 2023
Self-owned product segment	\$ 5,419	(\$ 59,423)
Product agency segment	(<u>6,611</u>)	<u>12,261</u>
Total reportable segments' profit	(<u>1,192</u>)	(<u>47,162</u>)
Inter-segment profit eliminated	(<u>6</u>)	(<u>6</u>)
	(<u>1,198</u>)	(<u>47,168</u>)
Unallocated amount:		
Non-operating income and expenses	<u>112,159</u>	<u>72,853</u>
Net profit before taxation	<u>\$110,961</u>	<u>\$ 25,685</u>

Segments' profit refers to the profit earned by each segment, excluding non-operating income and expenses that should be allocated. This measure is provided to the chief operating decision maker to allocate resources to segments and to measure their performance.

(2) Segments' total assets

Segments' assets	March 31, 2024	December 31, 2023	March 31, 2023
Self-owned product segment	\$ 5,665,858	\$ 5,571,450	\$ 5,386,216
Product agency segment	<u>269,964</u>	<u>280,513</u>	<u>380,975</u>
Total segment assets	5,935,822	5,851,963	5,767,191
Unallocated assets	-	-	-
Total consolidated assets	<u>\$ 5,935,822</u>	<u>\$ 5,851,963</u>	<u>\$ 5,767,191</u>

All assets are allocated to reportable segments. Assets shared by reportable segments are allocated on the basis of income earned by each reportable segment.

Weltrend Semiconductor, Inc. and Its Subsidiaries
Marketable securities held at the end of the period
March 31, 2024

Table 1

Unit: In thousand NTD and thousand shares, unless otherwise specified

Companies held	Types and names of marketable securities	Relations with the securities issuer	Account in the book	Ending Balance				Amount pledged (Note 1)
				Number of shares/Unit	Carrying amount	Shareholdings ratio	Fair value	
The Company	<u>Stock</u>							
	Greatek Electronics Inc.	—	Financial assets at fair value through profit or loss - current	4,385	\$ 270,554	-	\$ 270,554	\$ -
	China Metal Products Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	1,542	57,594	-	570,594	-
	AU Optronics Corporation	—	Financial assets at fair value through other comprehensive income - current	1,900	34,010	-	34,010	-
	United Microelectronics Corporation	—	Financial assets at fair value through other comprehensive income - current	1,750	91,350	-	91,350	-
	Delta Electronics, Inc.	—	Financial assets at fair value through other comprehensive income - current	40	13,640	-	13,640	-
	Co-Tech Development Corp.	—	Financial assets at fair value through other comprehensive income - current	120	7,140	-	7,140	-
	Ememory Technology Inc.	—	Financial assets at fair value through other comprehensive income - current	3	7,470	-	7,470	-
	Chung Hsin Electric & Machinery Manufacturing Corporation	—	Financial assets at fair value through other comprehensive income - current	5	898	-	898	-
	Luxnet Corporation	—	Financial assets at fair value through other comprehensive income - current	40	4,960	-	4,960	-
	Unimicron Technology Corp.	—	Financial assets at fair value through other comprehensive income - current	150	28,650	-	28,650	-
	MediaTek Inc.	—	Financial assets at fair value through other comprehensive income - current	10	11,950	-	11,950	-
	Aerospace Industrial Development Corporation	—	Financial assets at fair value through other comprehensive income - current	900	47,340	-	47,340	-
	Forcecon Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	25	3,825	-	3,825	-
	Zilltek Technology Corp.	—	Financial assets at fair value through other comprehensive income - current	50	22,225	-	22,225	-
	Richwave Technology Corp.	—	Financial assets at fair value through other comprehensive income - current	150	30,825	-	30,825	-
	Coremate Technical Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	161	-	2%	-	-

(Continued on next page)

(Continued from previous page)

Companies held	Types and names of marketable securities	Relations with the securities issuer	Account in the book	Ending Balance				Amount pledged (Note 1)
				Number of shares/Unit	Carrying amount	Shareholdings ratio	Fair value	
The Company	Silicongear Corporation	—	Financial assets at fair value through other comprehensive income - non-current	1	\$ -	-	\$ -	\$ -
	AETAS TECHNOLOGY INC.	—	Financial assets at fair value through other comprehensive income - non-current	36	-	Preferred Series B	-	-
	AETAS TECHNOLOGY INC.	—	Financial assets at fair value through other comprehensive income - non-current	7	-	Preferred Series C	-	-
	AETAS TECHNOLOGY INC.	—	Financial assets at fair value through other comprehensive income - non-current	3	-	Preferred Series D	-	-
	<u>Privately offered funds</u> Zoyi Venture Capital Co., Ltd.	—	Financial assets at fair value through profit or loss – non-current	-	86,568	-	86,568	-
Weltrend International Co., (BVI) Ltd.	<u>Stock</u> Greatek Electronics Inc.	—	Financial assets at fair value through profit or loss - current	220	13,574	-	13,574	-
	Delta Electronics, Inc.	—	Financial assets at fair value through other comprehensive income - current	190	64,790	-	64,790	-
	China Metal Products Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	489	18,264	-	18,264	-
	Aerospace Industrial Development Corporation	—	Financial assets at fair value through other comprehensive income - current	50	2,630	-	2,630	-
	Keron Holding Corpratin	—	Financial assets at fair value through other comprehensive income - non-current	201	31,151	Preferred Series A-2	31,151	-
	IDILL INTERNATIONAL., INC.	—	Financial assets at fair value through other comprehensive income - non-current	250	-	-	-	-
	<u>Stock</u> BNY MELLON GLOBAL CREDIT FUND	—	Financial assets at fair value through profit or loss - current	984	33,843	-	33,843	33,843
	JPM INCOME UAS ACC	—	Financial assets at fair value through profit or loss - current	11	49,921	-	49,921	49,921
	LOAD ABBETT SHORT DUR USD ACC	—	Financial assets at fair value through profit or loss - current	127	49,111	-	49,111	49,111
	MFS GLB OPPORTUNISTIC USD ACC	—	Financial assets at fair value through profit or loss - current	90	33,786	-	33,786	33,786
	JPM GLOBAL CORE EQ USD ACC	—	Financial assets at fair value through profit or loss - current	10	40,962	-	40,962	40,962
	<u>Stock</u> Greatek Electronics Inc.	—	Financial assets at fair value through profit or loss - current	874	53,926	-	53,926	-
	Merry Electronics Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	260	30,550	-	30,550	-

(Continued on next page)

(Continued from previous page)

Companies held	Types and names of marketable securities	Relations with the securities issuer	Account in the book	Ending Balance				Amount pledged (Note 1)
				Number of shares/Unit	Carrying amount	Shareholdings ratio	Fair value	
Yingquan Investment Co., Ltd.	United Microelectronics Corporation	—	Financial assets at fair value through other comprehensive income - current	350	\$ 18,270	-	\$ 18,270	\$ -
	Wistron Corporation	—	Financial assets at fair value through other comprehensive income - current	70	8,750	-	8,750	-
	Delta Electronics, Inc.	—	Financial assets at fair value through other comprehensive income - current	24	8,184	-	8,184	-
	Taiwan Semiconductor Manufacturing Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	30	23,370	-	23,370	-
	China Metal Products Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	98	3,660	-	3,660	-
	U.S.A. GOTRUSTID Inc. Taiwan Branch	—	Financial assets at fair value through profit or loss – non-current	500	505	3%	505	-
	Anqing Innovation Investment Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	3,114	18,260	6%	18,260	-
	Chongyou Investment Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	655	14,302	9%	14,302	-
	Baycom Opto-Electronics Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	401	4,336	1%	4,336	-
Sentelic Corporation	<u>Stock</u> Lavod Corporation	—	Financial assets at fair value through profit or loss – non-current	252	-	8.48%	-	Note 2

Note 1: The securities listed are restricted for use as they are pledged for borrowings.

Note 2: Lavod Corporation's shares held have all been recognized in impairment.

Weltrend Semiconductor, Inc. and Its Subsidiaries
Business relationships, significant transactions and amounts between parent company and subsidiaries and among subsidiaries.
For the Three Months Ended March 31, 2024

Table 2 Unit: NT\$ thousand

No.	Trader name	Counterparty	Relations with trader (Note 3)	Transactions			
				Account	Amount	Trading conditions	As a percentage of consolidated total revenue or total assets
0	The Company	Dongguan Prosil Electronics Co., Ltd. Yingquan Investment Co., Ltd. Sentelic Corporation	1 1 1	Net operating income	\$ 19,425	Note 1	3%
				Accounts receivable	19,852	Note 2	-
				Rental incomes	6	Note 1	-
				Sales revenue	823	Note 1	-
				Accounts receivable	13	Note 3	-
				Other income	270	Note 1	-
				Other receivables	95	Note 3	-
				Other income	1,161	Note 1	-
1	Dongguan Puxi Co., Ltd.	Sentelic Corporation	2	Other receivables	341	Note 3	-

Note 1: It is based on the terms negotiated by both parties without other suitable transaction counterparties for comparison.
Note 2: It is mainly net 90 days at the end of each month for collection (payment).
Note 3: It is mainly net 30 days at the end of each month for collection (payment).
Note 4: 1 represents the transactions from parent company to subsidiary.
2 represents the transactions from sub-subsidiary to subsidiary.

Weltrend Semiconductor, Inc. and Its Subsidiaries
Information on the investee, location, etc.
For the Three Months Ended March 31, 2024

Table 3

Unit: NT\$ thousand

Investor name	Investee	Location	Principal business	Original investment amount		Holding, end of period			Profits (losses) of the investee for the period	Investment incomes (losses) recognized in the period	Remarks
				End of the period	End of last year	Number of Shares (in thousands)	Percentage (%)	Carrying amount			
The Company	Weltrend International Co., (BVI) Ltd.	British Virgin Islands	Investment	\$ 265,000	\$ 265,000	8,164	100	\$ 582,909	\$ 22,033	\$ 22,033	Note 1
	Yingquan Investment Co., Ltd.	Taiwan	Investment	241,486	241,486	32,416	98	347,436	7,102	6,979	Note 2
	Sentelic Corporation	Taiwan	Integrated circuit development and design, analog circuit design, digital signal processing, application software development, and import and export of electronic components.	1,117,120	1,117,120	15,324	51	1,012,339	33,427	9,727	Note 1 and 3
Sentelic Corporation	Sentelic Holding Co., Ltd.	Republic of Mauritius.	Investment	18,782	18,782	625	100	23	-	-	Note 1

Note 1: It was calculated based on the financial report for the same period reviewed by a CPA.

Note 2: It was calculated based on the financial report for the same period not reviewed by a CPA.

Note 3: Please refer to Table 4 for the relevant information on the investees in Mainland China.

Note 4: Investment income (losses) recognized in this period is based on financial information before inter-company transactions were eliminated and recognized after adjustments based on the effect of the acquisition method.

Weltrend Semiconductor, Inc. and Its Subsidiaries
Information on investment in Mainland China
For the Three Months Ended March 31, 2024

Table 4

Unit: In thousand NTD, unless otherwise specified

Names of investees in Mainland China	Principal business	Paid-in capital	Type of investment method	Accumulated investment amount remitted from Taiwan at the beginning of the period	Amount of investment remitted or recovered during the period		Accumulated investment amount remitted from Taiwan at the end of the period	Profit or loss of the investee for the period	Shareholding in direct or indirect investment	Investment income (loss) recognized in this period (Note 2)	Book value of investments at the end of the period	Investment income remitted back as of the end of the period
					Outward remittance	Recover						
Dongguan Prosil Electronics Co., Ltd.	Import and export of electronic components and general import and export	RMB 8,048 thousand (USD 1,200 thousand)	Note 1	USD 1,200 thousand (\$ 38,400)	\$ -	\$ -	USD 1,200 thousand (\$ 38,400)	(\$ 430)	100%	(\$ 430)	\$ 26,138	\$ -

Accumulated amount of investment from Taiwan to Mainland China at the end of the period	Amount of investment approved by the Investment Commission, MOEA	Investment quota for Mainland China as stipulated by the Investment Commission, MOEA
US\$1,200 thousand (\$38,400)	US\$1,200 thousand (\$38,400)	\$2,156,236

Note 1: The Company invests in Weltrend International Co., (BVI) Ltd. and then invests in companies through Mainland China through said company. The investments have been approved by the Investment Commission, Ministry of Economic Affairs. The investment amount approved is US\$1,200 thousand.

Note 2: It was calculated based on the investees’ financial reports for the same period not reviewed by a CPA.

Note 3: The amounts in foreign currencies were converted at USD exchange rate on March 31, 2024.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Major Transactions with Investees in Mainland China Through Direct or Indirect Investment Through a Third Region, and the Prices, Payment Terms, Unrealized Gains or Losses, and Other Relevant Information
For the Three Months Ended March 31, 2024

Table 5Unit: NT\$ thousand

Names of investees in Mainland China	Type of transaction	Purchase or sale		Transaction conditions (Note)	Notes and accounts receivable (payable)		Unrealized gain or loss	Remarks
		Amount	Percentage		Amount	Percentage		
Dongguan Prosil Electronics Co., Ltd.	Operating revenues	\$ 19,425	3%	—	\$ 19,852	2%	\$ -	—

Note: Sales with related parties are determined based on the terms negotiated by both parties without other suitable transaction counterparties for comparison.

Weltrend Semiconductor, Inc. and Its Subsidiaries
Information on major shareholders
March 31, 2024

Table 6

Information on major shareholders	Shares	
	Number of shares held (shares)	Shareholding percentage
The Group has no shareholders holding more than 5% of the shares individually.	-	-

Note: The information on major shareholders in this Exhibit is compiled by Taiwan Depository & Clearing Corporation based on the last business day of the quarter in which the shareholders held 5% or more of the Company's common shares and preferred shares whose registration and delivery have been completed in non-physical form (including treasury shares). The number of shares recorded in the Company's consolidated financial statements and the actual number of shares registered and delivered in non-physical form may differ depending on the basis of preparation of the calculations.