

# Yield Microelectronics Corporation

## Financial Statements for the Nine Months Ended September 30, 2024 and 2023 and Independent Auditors' Review Report

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## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
Yield Microelectronics Corporation

### **Introduction**

The balance sheets of Yield Microelectronics Corporation as of September 30, 2024 and 2023, and the statements of comprehensive income for the three months ended September 30, 2024 and 2023, and for the nine months ended September 30, 2024 and 2023, and the statements of changes in equity and the statements of cash flows for the nine months ended September 30, 2024 and 2023, as well as the notes to the financial statements (including a summary of significant accounting policies), have been reviewed by us. The preparation and fair presentation of these financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting," as endorsed and made effective by the Financial Supervisory Commission, are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our review.

### **Scope**

We conducted our reviews in accordance with TWSRE2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The scope of a review is substantially less than that of an audit conducted in accordance with auditing standards, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, of the financial position of Yield Microelectronics Corporation as of September 30, 2024 and 2023, of its financial performance for the three months ended September 30, 2024 and 2023, and of its financial performance its cash flows for the nine months ended September 30, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting," as endorsed and made effective by the Financial Supervisory Commission.

The engagement partners on the reviews resulting in this independent auditors' review report are Hsin-Tung Lin and Cheng-Chih Lin.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 7, 2024

#### Notice to Readers

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

For the convenience of readers, the independent auditors' review report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. The English version have not audited by Deloitte & Touche. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and financial statements shall prevail.

## Yield Microelectronics Corporation

## Balance Sheets

As of September 30, 2024, December 31, 2023, and September 30, 2023

(In Thousands of New Taiwan Dollars)

Code	Assets	Sep. 30, 2024		Dec. 31, 2023		Sep. 30, 2023		Code	Liabilities and Equity	Sep. 30, 2024		Dec. 31, 2023		Sep. 30, 2023	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
	Current assets								Current liabilities						
1100	Cash and cash equivalents (Notes 6, 21)	\$ 507,786	79	\$ 294,821	81	\$ 285,612	77	2206	Compensation payable to employees and directors (Note 16)	\$ 8,139	1	\$ 6,229	2	\$ 5,596	1
1170	Accounts receivable (Notes 7 and 21)	17,243	3	16,486	5	32,660	9	2230	Current tax liabilities (Notes 4 and 17)	745	-	785	-	2,347	1
1200	Other receivables (Notes 7 and 21)	7,624	1	4,395	1	200	-	2280	Lease liabilities - current (Notes 9, 21)	11,054	2	209	-	1,612	-
1470	Prepayments and other current assets (Note 11)	<u>3,076</u>	<u>1</u>	<u>2,373</u>	<u>1</u>	<u>1,623</u>	<u>-</u>	2300	Other current liabilities (Notes 12 and 21)	<u>35,053</u>	<u>6</u>	<u>37,313</u>	<u>10</u>	<u>46,579</u>	<u>13</u>
11XX	Total current assets	<u>535,729</u>	<u>84</u>	<u>318,075</u>	<u>88</u>	<u>320,095</u>	<u>86</u>	21XX	Total current liabilities	<u>54,991</u>	<u>9</u>	<u>44,536</u>	<u>12</u>	<u>56,134</u>	<u>15</u>
	Non-current assets								Non-current liabilities						
1600	Property, plant and equipment (Notes 8)	31,823	5	8,082	2	9,480	3	2580	Lease liabilities - non-current	17,240	2	-	-	-	-
1755	Right-of-use assets (Notes 9)	28,077	4	207	-	1,600	1	2670	Other non-current liabilities (Notes 12 and 21)	<u>17,392</u>	<u>3</u>	<u>4,790</u>	<u>2</u>	<u>4,518</u>	<u>1</u>
1780	Other intangible assets (Notes 10)	40,539	6	30,248	8	33,868	9	25XX	Total non-current liabilities	<u>34,632</u>	<u>5</u>	<u>4,790</u>	<u>2</u>	<u>4,518</u>	<u>1</u>
1920	Refundable deposits (Notes 21)	3,084	1	4,555	1	4,555	1	2XXX	Total liabilities	<u>89,623</u>	<u>14</u>	<u>49,326</u>	<u>14</u>	<u>60,652</u>	<u>16</u>
1975	Net defined benefit assets (Notes 4 and 13)	<u>1,413</u>	<u>-</u>	<u>1,413</u>	<u>1</u>	<u>1,368</u>	<u>-</u>		Equity (Note 14 and 19)						
15XX	Total non-current assets	<u>104,936</u>	<u>16</u>	<u>44,505</u>	<u>12</u>	<u>50,871</u>	<u>14</u>	3110	Common stock	294,260	46	268,100	74	268,100	72
								3200	Additional paid-in capital	212,168	33	-	-	-	-
								3310	Legal reserve	13,898	2	10,697	3	10,697	3
								3350	Unappropriated earnings	<u>30,716</u>	<u>5</u>	<u>34,457</u>	<u>9</u>	<u>31,517</u>	<u>9</u>
								3XXX	Total equity	<u>551,042</u>	<u>86</u>	<u>313,254</u>	<u>86</u>	<u>310,314</u>	<u>84</u>
1XXX	Total assets	<u>\$ 640,665</u>	<u>100</u>	<u>\$ 362,580</u>	<u>100</u>	<u>\$ 370,966</u>	<u>100</u>		Total liabilities and equity	<u>\$ 640,665</u>	<u>100</u>	<u>\$ 362,580</u>	<u>100</u>	<u>\$ 370,966</u>	<u>100</u>

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

Yield Microelectronics Corporation  
Statements of Comprehensive Income

For the Three Months Ended September 30, 2024 and 2023 and the Nine Months Ended September 30, 2024 and 2023  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		For the Three Months Ended September 30, 2024		For the Three Months Ended September 30, 2023		For the Nine Months Ended September 30, 2024		For the Nine Months Ended September 30, 2023	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (Notes 15)	\$ 70,678	100	\$ 59,151	100	\$ 175,573	100	\$ 144,732	100
5000	Operating cost (Note 16)	316	-	487	1	729	-	1,061	1
5900	Gross profit	70,362	100	58,664	99	174,844	100	143,671	99
	Operating expenses (Note 16)								
6100	Selling and marketing	4,430	7	4,025	7	12,760	7	9,355	6
6200	General and administrative	10,701	15	8,410	14	29,809	17	22,212	15
6300	Research and development	36,215	51	28,367	48	101,432	58	80,705	56
6000	Total operating expenses	51,346	73	40,802	69	144,001	82	112,272	77
6900	Operating income	19,016	27	17,862	30	30,843	18	31,399	22
	Non-operating income and expenses (Notes 16)								
7100	Interest income	1,323	2	668	1	3,015	2	2,260	2
7010	Other income	-	-	-	-	38	-	-	-
7020	Other gains and losses	( 1,612 )	( 2 )	1,011	2	( 866 )	( 1 )	764	-
7050	Finance costs	( 227 )	( 1 )	( 17 )	-	( 476 )	-	( 47 )	-
7000	Total non-operating income and expenses	( 516 )	( 1 )	1,662	3	1,711	1	2,977	2
7900	Net income before tax	18,500	26	19,524	33	32,554	19	34,376	24
7950	Tax expense (Notes 4 and 17)	3,058	4	2,644	4	6,284	4	5,302	4
8200	Net income	15,442	22	16,880	29	26,270	15	29,074	20
8300	Other comprehensive income	-	-	-	-	-	-	-	-
8500	Total comprehensive income	\$ 15,442	22	\$ 16,880	29	\$ 26,270	15	\$ 29,074	20
	Earnings per share (Note 18)								
9750	Basic earnings per share	\$ 0.52		\$ 0.63		\$ 0.93		\$ 1.08	
9850	Diluted earnings per share	\$ 0.52		\$ 0.63		\$ 0.93		\$ 1.08	

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

Yield Microelectronics Corporation  
Statements of Changes in Equity  
For the Nine Months Ended September 30, 2024 and 2023  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Code		Common Stock		Additional paid-in capital	Retained earnings		Total equity
		Number of shares (thousand shares)	Amount		Legal reserve	Unappropriated earnings	
A1	Balance on January 1, 2023	26,810	\$ 268,100	\$ -	\$ 3,241	\$ 76,924	\$ 348,265
	2022 distribution of earnings						
B1	Legal reserve	-	-	-	7,456	( 7,456)	-
B5	The company's cash dividends for shareholders - NT\$2.5 per share	-	-	-	-	( 67,025)	( 67,025)
D1	Net income for the nine months ended September 30, 2023	-	-	-	-	29,074	29,074
D3	Other comprehensive income after tax for the nine months ended September 30, 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
D5	Total comprehensive income for the nine months ended September 30, 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,074</u>	<u>29,074</u>
Z1	Balance on September 30, 2023	<u>26,810</u>	<u>\$ 268,100</u>	<u>\$ -</u>	<u>\$ 10,697</u>	<u>\$ 31,517</u>	<u>\$ 310,314</u>
A1	Balance on January 1, 2024	26,810	\$ 268,100	\$ -	\$ 10,697	\$ 34,457	\$ 313,254
	2023 distribution of earnings						
B1	Legal reserve	-	-	-	3,201	( 3,201)	-
B5	The company's cash dividends for shareholders - NT\$1 per share	-	-	-	-	( 26,810)	( 26,810)
D1	Net income for the nine months ended September 30, 2024	-	-	-	-	26,270	26,270
D3	Other comprehensive income after tax for the nine months ended September 30, 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
D5	Total comprehensive income for the nine months ended September 30, 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,270</u>	<u>26,270</u>
E1	Cash capital increase	2,616	26,160	205,861	-	-	232,021
N1	Cost of employee stock options	<u>-</u>	<u>-</u>	<u>6,307</u>	<u>-</u>	<u>-</u>	<u>6,307</u>
Z1	Balance on September 30, 2024	<u>29,426</u>	<u>\$ 294,260</u>	<u>\$ 212,168</u>	<u>\$ 13,898</u>	<u>\$ 30,716</u>	<u>\$ 551,042</u>

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

Yield Microelectronics Corporation  
Statements of Cash Flows  
For the Nine Months Ended September 30, 2024 and 2023

(In Thousands of New Taiwan Dollars)

Code		For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
	Cash flow from operating activities		
A10000	Profit before income tax	\$ 32,554	\$ 34,376
A20010	Adjustments for:		
A20100	Depreciation expense	12,498	9,472
A20200	Amortization expense	15,382	11,779
A20900	Finance costs	476	47
A21200	Interest income	( 3,015 )	( 2,260 )
A21900	Cost of employee stock options	6,307	-
A22500	Loss on the disposal of property, plant and equipment	207	-
A24100	Foreign exchange losses (gains)	416	( 1,722 )
A30000	Net changes in operating assets and liabilities		
A31150	Accounts receivable	( 556 )	( 7,659 )
A31180	Other receivables	59	( 142 )
A31240	Prepayments and other current assets	( 703 )	( 378 )
A32180	Compensation payable to employees and directors	1,910	( 9,903 )
A32230	Other current liabilities	( 3,404 )	( 1,188 )
A33000	Net cash generated from operations	62,131	32,422
A33100	Interest received	3,015	2,260
A33300	Interest paid	( 476 )	( 47 )
A33500	Income tax paid	( 9,612 )	( 4,766 )
AAAA	Net cash inflow from operating activities	<u>55,058</u>	<u>29,869</u>
	Cash flow from investing activities		
B02700	Purchase of property, plant and equipment	( 30,083 )	( 1,921 )
B03700	Increase in refundable deposits	-	( 37 )
B03800	Decrease in refundable deposits	1,471	-
B04500	Acquisition of intangible assets	( 12,435 )	( 6,602 )
BBBB	Net cash used in investing activities	<u>( 41,047 )</u>	<u>( 8,560 )</u>
	Cash flow from financing activities		
C04020	Repayment of the principal portion of lease liabilities	( 5,608 )	( 4,127 )
C04500	Issuance of cash dividends	( 26,810 )	( 67,025 )
C04600	Issuance of new shares	<u>232,021</u>	<u>-</u>
CCCC	Net cash inflow (outflow) related to financing activities	<u>199,603</u>	<u>( 71,152 )</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	( 649 )	<u>533</u>
EEEE	Net increase (decrease) in cash and cash equivalents	212,965	( 49,310 )
E00100	Cash and cash equivalents at the beginning of the period	<u>294,821</u>	<u>334,922</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 507,786</u>	<u>\$ 285,612</u>

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



Yield Microelectronics Corporation  
Notes to Financial Statements  
For the Nine Months Ended September 30, 2024 and 2023  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. General

Yield Microelectronics Corporation (hereinafter referred to as the “Company”) was established on September 4, 2001, with approval from the Ministry of Economic Affairs. The Company primarily engages in the design, research and development, manufacturing, wholesale and retail, international trade, and intellectual property rights of electronic products.

The Company's stock was listed and traded on the Taiwan Stock Exchange's Innovation Board since May 15, 2024.

This financial report is presented in New Taiwan Dollars, which is the functional currency of the Company.

2. The Authorization of Financial Statements

This financial report was approved by the Board of Directors on November 7, 2024.

3. Application of New and Revised International Financial Reporting Standards

- (1) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standing Interpretations Committee (SIC) (hereinafter referred to as “IFRSs”) approved and issued by the Financial Supervisory Commission (hereinafter referred to as “FSC”) to be effective.

The application of the revised IFRSs approved and issued by the FSC will not result in significant changes to the Company’s accounting policies.

- (2) The International Financial Reporting Standards (IFRS) approved by the FSC which will be applied in 2025

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 21- “Lack of Exchangeability”	Jan. 1, 2025 (Note 1)

Note 1: Applicable for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendment, comparative periods should not be restated. Instead, the impact should be recognized in retained

earnings or the foreign currency translation reserve under equity, as appropriate, at the date of initial application, along with the related affected assets and liabilities.

(3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRS Accounting Standards — Volume 11	Jan. 1, 2026
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"	Jan. 1, 2026
Amendments to IFRS 10 and IAS 28 - "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	Jan. 1, 2023
Amendments to IFRS 17	Jan. 1, 2023
Amendments to IFRS 17 - "Initial Application of IFRS 17 and IFRS 9 "Comparative Information"	Jan. 1, 2023
IFRS 18 - "Presentation and Disclosure in Financial Statements"	Jan. 1, 2027
IFRS 19 "Subsidiaries without Public Accountability: Disclosures"	Jan. 1, 2027

Note 1: Unless otherwise stated, the newly issued/amended/revised standards or interpretations become effective for annual reporting periods beginning after their respective dates.

By the approval date of this financial report, the Company is still evaluating other impacts of the amendments to various standards and interpretations on its financial position and performance. The relevant impact will be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting," as endorsed and issued into effect by the Financial Supervisory Commission. These financial statements do not include all the disclosures required by the full set of IFRS accounting standards for annual financial reports.

(2) Basis of Preparation

Except for financial instruments measured at fair value and net defined benefit assets measured as the present value of defined benefit obligations less the fair value of plan assets, this financial report is prepared on a historical cost basis.

Fair value measurements are categorized into Level 1 to Level 3 based on the observability and significance of the inputs used.

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
3. Level 3 inputs are unobservable inputs for the asset or liability.

(3) Other Significant Accounting Policies

Except as described below, please refer to the summary of significant accounting policies in the 2023 annual financial report.

1. Classification of Current and Non-current Assets and Liabilities

Current assets include:

- (1) assets held mainly for transaction purposes;
- (2) assets to be realized within 12 months of the asset balance sheet; and
- (3) Cash and cash equivalents (but not including cash used to exchange or clear liability within 12 months of the asset balance sheet).

Current liabilities include:

- (1) liabilities held mainly for transaction purposes;
- (2) liabilities due for payment within 12 months after the balance sheet date (even if the long-term refinancing or payment rescheduling agreement of a liability has been completed after the balance sheet date but before the issuance of the financial report, the liability also belongs to current liabilities); and
- (3) liabilities for which the Company does not have a substantive right to defer settlement for at least 12 months after the balance sheet date.

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

2. Defined Benefit and Post-Retirement Benefits

Pension costs for the interim period are calculated on a year-to-date basis using the actuarially determined pension cost rate at the end of the previous year. Adjustments are made for significant market fluctuations, significant plan

amendments, settlements, or other significant one-time events during the period.

### 3. Income Tax Expense

Income tax expense is the sum of current income tax and deferred income tax. Income tax for the interim period is assessed on an annual basis, using the tax rate that is expected to apply to the total annual earnings, and is calculated based on pre-tax profit for the interim period.

### 5. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

Please refer to the description of significant accounting judgments, estimates, and key sources of uncertainty in the 2023 annual financial report.

### 6. Cash and cash equivalents

	Sep. 30, 2024	Dec. 31, 2023	Sep. 30, 2023
Cash on hand	\$ 51	\$ 33	\$ 34
Demand deposits	83,535	54,388	45,178
Cash equivalents			
Time deposits with the original maturity dates of less than 3 months	424,200	240,400	240,400
	<u>\$ 507,786</u>	<u>\$ 294,821</u>	<u>\$ 285,612</u>

The interest rates for bank deposits as of the balance sheet date range as follows:

	Sep. 30, 2024	Dec. 31, 2023	Sep. 30, 2023
Bank deposits	0.05%~1.40%	0%~1.45%	0%~1.45%

### 7. Accounts Receivable

	Sep. 30, 2024	Dec. 31, 2023	Sep. 30, 2023
Accounts receivable measured at amortized cost			
Total carrying amount	\$ 17,243	\$ 16,486	\$ 32,660
Less: allowance for loss	-	-	-
	<u>\$ 17,243</u>	<u>\$ 16,486</u>	<u>\$ 32,660</u>
Other receivables			
Tax refunds receivable	<u>\$ 7,624</u>	<u>\$ 4,395</u>	<u>\$ 200</u>

The Company has an average credit period of 30 to 60 days for service income and does not charge interest on accounts receivable. To mitigate credit risk, the Company has established credit and accounts receivable management policies to ensure that appropriate actions are taken for the recovery of overdue receivables. Furthermore, on the balance sheet date, the Company reviews the recoverable amount of each

receivable to ensure that an appropriate allowance for impairment losses has been made for irrecoverable amounts. Accordingly, the Company's management believes that the Company's credit risk has been significantly reduced.

The Company recognizes an allowance for impairment losses on accounts receivable based on the expected credit losses over the lifetime of the receivables. The lifetime expected credit losses are calculated using a provision matrix that considers the customer's past default history, current financial condition, the economic conditions of the industry, and also takes into account the industry outlook. Since the Company's historical experience of credit losses shows that the loss patterns across different customer groups are not significantly different, the provision matrix does not further differentiate between customer groups and is based solely on the days past due for determining the expected credit loss rates.

If there is evidence that the counterparty is in severe financial difficulty and the Company cannot reasonably expect to recover the amount, the Company writes off the related receivable directly, but continues with the collection efforts, and amounts recovered subsequently are recognized in profit or loss.

The Company measures the allowance for impairment losses on accounts receivable as follows:

Sep. 30, 2024

	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due	Total
Total carrying amount	\$ 7,652	\$ 2,880	\$ 855	\$ 317	\$ 5,539	\$ 17,243
Allowance for loss (lifetime expected credit losses)	-	-	-	-	-	-
Amortized cost	<u>\$ 7,652</u>	<u>\$ 2,880</u>	<u>\$ 855</u>	<u>\$ 317</u>	<u>\$ 5,539</u>	<u>\$ 17,243</u>

Dec. 31, 2023

	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due	Total
Total carrying amount	\$ 12,789	\$ 1,855	\$ -	\$ 1,842	\$ -	\$ 16,486
Allowance for loss (lifetime expected credit losses)	-	-	-	-	-	-
Amortized cost	<u>\$ 12,789</u>	<u>\$ 1,855</u>	<u>\$ -</u>	<u>\$ 1,842</u>	<u>\$ -</u>	<u>\$ 16,486</u>

Sep. 30, 2023

	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due	Total
Total carrying amount	\$ 17,811	\$ 1,174	\$ 13,226	\$ 449	\$ -	\$ 32,660
Allowance for loss (lifetime expected credit losses)	-	-	-	-	-	-
Amortized cost	<u>\$ 17,811</u>	<u>\$ 1,174</u>	<u>\$ 13,226</u>	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ 32,660</u>

8. Property, Plant and Equipment

For self-use

	Equipment for R&D	Leasehold improvement	Office equipment	Total
<u>Cost</u>				
Balance on January 1, 2024	\$ 51,725	\$ 740	\$ 8,702	\$ 61,167
Addition	6,000	19,784	4,839	30,623
Disposal	( 142 )	( 740 )	( 750 )	( 1,632 )
Balance on September 30, 2024	<u>\$ 57,583</u>	<u>\$ 19,784</u>	<u>\$ 12,791</u>	<u>\$ 90,158</u>

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	Equipment for R&D	Leasehold improvement	Office equipment	Total
<u>Accumulated depreciation</u>				
Balance on January 1, 2024	\$ 47,419	\$ 482	\$ 5,184	\$ 53,085
Depreciation expense	2,508	2,799	1,368	6,675
Disposal	( 142 )	( 533 )	( 750 )	( 1,425 )
Balance on September 30, 2024	<u>\$ 49,785</u>	<u>\$ 2,748</u>	<u>\$ 5,802</u>	<u>\$ 58,335</u>
Sep. 30, 2024-net	<u>\$ 7,798</u>	<u>\$ 17,036</u>	<u>\$ 6,989</u>	<u>\$ 31,823</u>
Dec. 31, 2023 and Jan. 1, 2024-net	<u>\$ 4,306</u>	<u>\$ 258</u>	<u>\$ 3,518</u>	<u>\$ 8,082</u>
<u>Cost</u>				
Balance on January 1, 2023	\$ 51,749	\$ 740	\$ 8,362	\$ 60,851
Addition	38	-	340	378
Balance on September 30, 2023	<u>\$ 51,787</u>	<u>\$ 740</u>	<u>\$ 8,702</u>	<u>\$ 61,229</u>
<u>Accumulated depreciation</u>				
Balance on January 1, 2023	\$ 42,451	\$ 275	\$ 4,007	\$ 46,733
Depreciation expense	3,866	155	995	5,016
Balance on September 30, 2023	<u>\$ 46,317</u>	<u>\$ 430</u>	<u>\$ 5,002</u>	<u>\$ 51,749</u>
Sep. 30, 2023-net	<u>\$ 5,470</u>	<u>\$ 310</u>	<u>\$ 3,700</u>	<u>\$ 9,480</u>

Depreciation expense is provided on a straight-line basis over the following useful lives:

Equipment for R&D	5 years
Leasehold improvement	3 years
Office equipment	5 years

## 9. Lease Agreements

### (1) Right-of-use assets

	Sep. 30, 2024	Dec. 31, 2023	Sep. 30, 2023
Right-of-use assets			
Carrying amount			
Buildings	<u>\$ 28,077</u>	<u>\$ 207</u>	<u>\$ 1,600</u>
	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024
Right-of-use assets added			<u>\$ 33,693</u>
Depreciation expense of right-of-use assets	<u>\$ 2,808</u>	<u>\$ 1,392</u>	<u>\$ 4,456</u>

### (2) Lease liabilities

Sep. 30, 2024	Dec. 31, 2023	Sep. 30, 2023
---------------	---------------	---------------

Lease liabilities Carrying amount

Current	\$ 11,054	\$ 209	\$ 1,612
Non-Current	\$ 17,240	\$ -	\$ -

The discount rate range for the lease liabilities is as follows:

	Sep. 30, 2024	Dec. 31, 2023	Sep. 30, 2023
Buildings	3.12%	2.99%	2.37%~2.99%

(3) Significant leasing activities and terms

The Company leases buildings for office and parking space use, with lease terms of 2 years. At the end of the lease term, the Company has no option to purchase the leased buildings and has agreed not to sublease or transfer any part of the leased property without the lessor's consent.

(4) Other leasing information

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Short-term lease expenses	\$ -	\$ 53	\$ 1,729	\$ 162
Total amount of cash outflow from lease			\$ 7,813	\$ 4,336

All lease commitments starting after the balance sheet date are as follows:

	Sep. 30, 2024	Dec. 31, 2023	Sep. 30, 2023
Lease commitment	\$ -	\$ 26,161	\$ -

10. Other Intangible Assets

	Computer software	Patents	Total
<u>Cost</u>			
Balance on January 1, 2024	\$ 72,924	\$ 2,857	\$ 75,781
Additional	25,673	-	25,673
Disposal	( 20,669 )	-	( 20,669 )
Balance on September 30, 2024	\$ 77,928	\$ 2,857	\$ 80,785
<u>Accumulated amortization</u>			
Balance on January 1, 2024	\$ 42,819	\$ 2,714	\$ 45,533
Amortization expense	15,239	143	15,382
Disposal	( 20,669 )	-	( 20,669 )
Balance on September 30, 2024	\$ 37,389	\$ 2,857	\$ 40,246



Sep. 30, 2024-net	<u>\$ 40,539</u>	<u>\$ -</u>	<u>\$ 40,539</u>
Dec. 31, 2023 and Jan. 1, 2024-net	<u>\$ 30,105</u>	<u>\$ 143</u>	<u>\$ 30,248</u>

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	Computer software	Patents	Total
<u>Cost</u>			
Balance on January 1, 2023	\$ 65,134	\$ 2,857	\$ 67,991
Additional	13,667	-	13,667
Disposal	( 7,285 )	-	( 7,285 )
Balance on September 30, 2023	<u>\$ 71,516</u>	<u>\$ 2,857</u>	<u>\$ 74,373</u>
<u>Accumulated amortization</u>			
Balance on January 1, 2023	\$ 33,869	\$ 2,142	\$ 36,011
Amortization expense	11,350	429	11,779
Disposal	( 7,285 )	-	( 7,285 )
Balance on September 30, 2023	<u>\$ 37,934</u>	<u>\$ 2,571</u>	<u>\$ 40,505</u>
Sep. 30, 2023-net	<u>\$ 33,582</u>	<u>\$ 286</u>	<u>\$ 33,868</u>

Amortization expense is provided on a straight-line basis over the following useful lives:

Computer software	3 years
Patents	5 years

Amortization expenses classified by function:

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Administrative expense	\$ 46	\$ 45	\$ 92	\$ 110
R&D expense	<u>5,145</u>	<u>3,889</u>	<u>15,290</u>	<u>11,669</u>
	<u>\$ 5,191</u>	<u>\$ 3,934</u>	<u>\$ 15,382</u>	<u>\$ 11,779</u>

# 11. Other assets

	Sep. 30, 2024	Dec. 31, 2023	Sep. 30, 2023
<u>Current</u>			
Unused tax credits	\$ 1,876	\$ 34	\$ 288
Prepayments	550	-	200
Prepayment for software	338	547	743
Prepayment for test materials	169	215	269
Prepayment for insurance premium	20	199	19
Prepayment for technical service fees	-	970	-
Others	<u>123</u>	<u>408</u>	<u>104</u>
	<u>\$ 3,076</u>	<u>\$ 2,373</u>	<u>\$ 1,623</u>

12. Other liabilities

	Sep. 30, 2024	Dec. 31, 2023	Sep. 30, 2023
<u>Current</u>			
Software fees payable	\$ 13,381	\$ 12,777	\$ 25,434
Salary and bonuses payable	9,412	11,509	8,422
Unused annual leave bonuses payable	5,642	5,758	4,915
Insurance premiums payable	1,429	1,262	1,298
Labor costs payable	1,261	2,747	3,170
Technical service fees payable	988	1,073	1,152
Equipment costs payable	707	167	-
Others	2,233	2,020	2,188
	<u>\$ 35,053</u>	<u>\$ 37,313</u>	<u>\$ 46,579</u>
<u>Non-current</u>			
Software fees payable	<u>\$ 17,392</u>	<u>\$ 4,790</u>	<u>\$ 4,518</u>

13. Post-Employment Benefit Plans

For the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, the retirement pension expenses recognized for the defined benefit plans were calculated based on the actuarially determined pension cost rate as of December 31, 2023 and 2022, respectively. The amounts were NT\$11,000, NT\$0, NT\$49,000 and NT\$28,000, respectively.

14. Equity

(1) Capital Stock - Common Stock

	Sep. 30, 2024	Dec. 31, 2023	Sep. 30, 2023
Number of shares (1,000 shares)	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Authorized share capital	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>
Number of issued and fully paid shares (1,000 shares)	<u>29,426</u>	<u>26,810</u>	<u>26,810</u>
Share capital of issued shares	<u>\$ 294,260</u>	<u>\$ 268,100</u>	<u>\$ 268,100</u>

On February 27, 2024, the Company's board of directors resolved to issue 2,616,000 new shares in a cash capital increase before the initial public offering, with the par value of NT\$10 per share and the issue price of NT\$75 per share, resulting in a paid-in capital of NT\$294,260,000 after the increase. The Taiwan Stock Exchange approved the registration of this cash capital increase on March 26, 2024, and the board of directors authorized the chairman to set May 13, 2024, as the base date for

the capital increase, of which the registration of change was completed on May 27, 2024.

(2) Additional Paid-in Capital

	<u>Sep. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Sep. 30, 2023</u>
<u>It may be used to offset</u> <u>losses, to make cash</u> <u>payments or to increase</u> <u>the capital of the</u> <u>Company</u>			
Share Premium	\$ <u>212,168</u>	\$ <u>-</u>	\$ <u>-</u>

This type of additional paid-in capital can be used to offset losses and, when the Company has no losses, it may be distributed as cash or converted into share capital. However, when converting into share capital, it is limited to a certain percentage of the paid-in capital each year.

(3) Retained Earnings and Dividend Policy

The Company, following the amendment to its articles of incorporation approved at the shareholders' meeting on June 6, 2023, adheres to the revised earnings distribution policy. If there are net profits after tax for the period, prior losses must be covered first (including the amount of adjusted unappropriated earnings), followed by a mandatory allocation of 10% to the legal reserve; however, this is not required if the legal reserve has already reached the total capital amount of the Company. Subsequently, special reserves are allocated or reversed according to laws or regulations. The remaining profits, along with the beginning unappropriated earnings (including the amount of adjusted unappropriated earnings), are proposed by the board of directors for shareholders' dividend distribution. If the Company decides to distribute dividends and bonuses or to allocate or partially distribute the legal reserve and capital reserve in cash, such decisions are authorized by a two-thirds majority of directors present at the board meeting, with more than half in agreement, and subsequently reported to the shareholders' meeting.

According to the Company's previous Articles of Incorporation on the distribution of earnings, if there is net income after tax for the year-end final accounts, it should first be used to offset past losses (including adjustments to the undistributed earnings amount), and then 10% should be allocated as a legal reserve. However, when the legal reserve accumulates to the total capital of the Company, this limitation no longer applies. Following that, any amounts should be allocated or

reversed for special reserves as required by law or regulations by the competent authority. The remaining earnings, along with the undistributed earnings from the beginning of the period (including adjustments to the undistributed earnings amount), shall be proposed for distribution by the Board of Directors and submitted to the shareholders' meeting for approval to distribute dividends to shareholders.

The employee and director compensation distribution policy outlined in the Company's articles of incorporation can be found in Note 16(7) on "Compensation to Employees and Directors".

The board is authorized to propose distributions ranging from 0% to 100% of available profits, taking into account factors such as the prevailing and prospective investment landscape, funding requirements, domestic and international competition, and capital budgeting, all while striking a balance between shareholder interests and long-term financial planning. Furthermore, the cash dividend percentage should not fall below 10% of the total cash and stock dividends distributed for the year.

The legal reserve must be allocated until it reaches the total paid-in capital amount. It can be used to cover losses. If there are no losses, the part of the legal reserve exceeding 25% of the total paid-in capital can be allocated to increase capital or distributed in cash.

On June 6, 2023, the Company held its annual general meeting of shareholders, where the distribution plan for the earnings of 2022 and the dividends per share were approved as follows:

	2022
Legal reserve	<u>\$ 7,456</u>
Cash dividends	<u>\$ 67,025</u>
Cash dividend per share (NT\$)	\$ 2.50

The 2023 Earnings Distribution Plan of the Company is as follows.

	2023
Legal reserve	<u>\$ 3,201</u>
Cash dividends	<u>\$ 26,810</u>
Cash dividend per share (NT\$)	\$ 1.00

The aforementioned cash dividends were resolved by the board of directors on February 27, 2024, while the remaining items in the earnings distribution plan were approved by the shareholders at the general meeting on May 21, 2024.

For details on the resolutions regarding the distribution of earnings, please refer to the "Market Observation Post System" of the Taiwan Stock Exchange.

15. Revenue

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Revenue from customer contracts				
Income from technical services	\$ 10,169	\$ 16,211	\$ 38,987	\$ 37,339
Income from royalties	<u>60,509</u>	<u>42,940</u>	<u>136,586</u>	<u>107,393</u>
	<u>\$ 70,678</u>	<u>\$ 59,151</u>	<u>\$ 175,573</u>	<u>\$ 144,732</u>

(1) Description of Customer Contracts

1. Income from Technical Services

Income from technical services is recognized for providing customers with silicon intellectual property (IP) design services for integrated circuits upon the delivery of services or silicon IP to the customers.

2. Income from Royalties

Income from royalties arises from licensing standardized silicon IP for integrated circuits to customers. Royalties are collected based on the contract terms after the customer commences mass production using the licensed silicon IP.

(2) Contract balances

	Sep. 30, 2024	Dec. 31, 2023	Sep. 30, 2023	Jan. 1, 2023
Accounts receivable (Note 7)	<u>\$ 17,243</u>	<u>\$ 16,486</u>	<u>\$ 32,660</u>	<u>\$ 24,304</u>

(3) Breakdown of customer contract revenue

Main Markets	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Mainland China (including Hong Kong)	\$ 38,270	\$ 29,842	\$ 86,741	\$ 62,030
Taiwan	12,561	13,706	32,755	34,989
Korea	11,520	3,931	27,206	14,583
Singapore	5,653	8,803	21,035	27,754
USA	1,952	1,913	4,171	3,745
Others	<u>722</u>	<u>956</u>	<u>3,665</u>	<u>1,631</u>
	<u>\$ 70,678</u>	<u>\$ 59,151</u>	<u>\$ 175,573</u>	<u>\$ 144,732</u>

16. Net Income from Continuing Operations

(1) Income from interests

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Bank deposits	<u>\$ 1,323</u>	<u>\$ 668</u>	<u>\$ 3,015</u>	<u>\$ 2,260</u>
(2) Other income				
	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ -</u>
(3) Other profits and losses				
	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Net foreign currency exchange (loss) gain	( \$ 1,612 )	\$ 1,011	( \$ 659 )	\$ 764
Loss on the disposal of property, plant and equipment	<u>-</u>	<u>-</u>	<u>( 207 )</u>	<u>-</u>
	<u>( \$ 1,612 )</u>	<u>\$ 1,011</u>	<u>( \$ 866 )</u>	<u>\$ 764</u>
(4) Finance costs				
	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Interest on Lease liabilities	<u>\$ 227</u>	<u>\$ 17</u>	<u>\$ 476</u>	<u>\$ 47</u>
(5) Depreciation and Amortization				
	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Depreciation expense classified by function				
Operating expenses	<u>\$ 5,553</u>	<u>\$ 2,960</u>	<u>\$ 12,498</u>	<u>\$ 9,472</u>
Amortization expense classified by function				
Operating expenses	<u>\$ 5,191</u>	<u>\$ 3,934</u>	<u>\$ 15,382</u>	<u>\$ 11,779</u>

Amortization expense of intangible assets is allocated to the respective line items in the financial statements, as detailed in Note 10.

(6) Employee benefits expenses

	For the Three Months Ended September 30,	For the Three Months Ended September 30,	For the Nine Months Ended September 30,	For the Nine Months Ended September 30,
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	2024	2023	2024	2023
Short-term employee benefits	\$ 31,197	\$ 26,201	\$ 81,994	\$ 71,741
Benefits after retirement				
Defined contribution plan	1,055	934	3,055	2,767
Defined benefit plan (Note 13)	<u>11</u>	<u>-</u>	<u>49</u>	<u>28</u>
	32,263	27,135	85,098	74,536
Share-based (payment (Note 19))				
Equity delivery	<u>-</u>	<u>-</u>	<u>6,307</u>	<u>-</u>
Total of employee benefit expenses	<u>\$ 32,263</u>	<u>\$ 27,135</u>	<u>\$ 91,405</u>	<u>\$ 74,536</u>
Classified by function				
Operating cost	\$ 83	\$ 376	\$ 372	\$ 786
Operating expenses	<u>32,180</u>	<u>26,759</u>	<u>91,033</u>	<u>73,750</u>
	<u>\$ 32,263</u>	<u>\$ 27,135</u>	<u>\$ 91,405</u>	<u>\$ 74,536</u>

(7) Compensation to Employees and Directors

The Company allocates 5% to 15% and no more than 5% of its earnings before tax (before distributing employee and director compensation) respectively to its employees and directors in accordance with its Articles of Incorporation. For the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, the estimated employee compensation and director compensation are as follows:

Estimated Proportion

	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Compensation to employees	15%	10.5%
Compensation to directors	5%	3.5%

Amount

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Compensation to employees	\$ 3,469	\$ 2,499	\$ 6,104	\$ 4,197
Compensation to directors	1,157	975	2,035	1,399

If the amounts change after the date the financial statements are authorized for issue, they will be treated as changes in accounting estimates and adjusted in the subsequent year.



The employee compensation and director compensation for 2023 and 2022 were approved by the Board of Directors on February 27, 2024, and March 8, 2023, respectively, as follows:

	2023	2022
Compensation to employees	\$ 4,672	\$ 11,624
Compensation to directors	1,557	3,875

The amounts of employee compensation and director compensation approved by the Board of Directors for 2023 and 2022 are consistent with the amounts recognized in the financial reports for 2023 and 2022.

For information on the resolutions of employee and director compensation by the Company's board, please refer to the Market Observation Post System of the Taiwan Stock Exchange.

(8) Foreign currency exchange gains (losses)

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Total foreign currency exchange gains	\$ 242	\$ 1,656	\$ 1,806	\$ 2,377
Total foreign currency exchange losses	( 1,854 )	( 645 )	( 2,465 )	( 1,613 )
Net foreign currency exchange gain (loss)	( \$ 1,612 )	\$ 1,011	( \$ 659 )	\$ 764

17. Income Tax

(1) The main components of the income tax expense recognized in profit or loss are:

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Income tax				
Currently Generated	\$ 3,058	\$ 2,644	\$ 6,284	\$ 5,302
Income tax expense recognized in profit or loss	\$ 3,058	\$ 2,644	\$ 6,284	\$ 5,302

(2) Income tax assessments

The Company's income tax filings up to 2022 have been approved by the tax authorities.

18. Earnings Per Share

Unit: NT\$ per share

For the Three Months Ended	For the Three Months Ended	For the Nine Months Ended	For the Nine Months Ended
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	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Basic earnings per share	<u>\$ 0.52</u>	<u>\$ 0.63</u>	<u>\$ 0.93</u>	<u>\$ 1.08</u>
Diluted earnings per share	<u>\$ 0.52</u>	<u>\$ 0.63</u>	<u>\$ 0.93</u>	<u>\$ 1.08</u>

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

Net income for the period

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Net income	<u>\$ 15,442</u>	<u>\$ 16,880</u>	<u>\$ 26,270</u>	<u>\$ 29,074</u>
Net income for the calculation of basic and diluted earnings per share	<u>\$ 15,442</u>	<u>\$ 16,880</u>	<u>\$ 26,270</u>	<u>\$ 29,074</u>

Number of shares

Unit: Thousands of shares

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Weighted average number of common shares for the calculation of basic earnings per share	29,426	26,810	28,156	26,810
Influence of potential common shares with dilutive effect: Employee compensation	<u>66</u>	<u>38</u>	<u>73</u>	<u>59</u>
Weighted average number of common shares for the calculation of diluted earnings per share	<u>29,492</u>	<u>26,848</u>	<u>28,229</u>	<u>26,869</u>

If the Company opts to distribute employee compensation in the form of stocks or cash, the diluted earnings per share are calculated assuming the employee compensation is issued in stocks and included in the weighted average number of shares outstanding for the dilution effect when such potential ordinary shares have a diluting effect. This consideration of the dilution effect of such potential ordinary shares continues until the number of shares to be issued for employee compensation is determined in the following year.

19. Share-based Payment Agreement

Employee Subscription Reserved from Cash Capital Increase

The Company's board of directors resolved at the meeting on February 27, 2024 to conduct a cash capital increase, reserving 10% of the total new shares issued for employee subscription, totaling 262,000 shares. The grant date was May 6, 2024.

The relevant information on the employee stock options is as follows.

Employee Stock Options	For the Nine Months Ended September 30, 2024	
	Unit (NT\$ thousand)	Weighted Average Exercise Price (NT\$)
Outstanding at the beginning of the period	-	\$ -
Granted employee stock options	262	75
Exercised employee stock options	( 172 )	75
Abandoned employee stock options	( 90 )	75
Outstanding at the end of the period	-	
Exercisable at the end of the period	-	

The fair value of the employee stock options granted by the Company was calculated using the Black-Scholes valuation model, with the following parameters applied.

	May 6, 2024
Share price as of the granting (NT\$/share)	\$ 111.66
Exercise price (NT\$/share)	75
Fair value of share options (NT\$/share)	36.67
Expected price volatility	27.341%
Risk-free interest rate	1.225%
Expected duration	4 days

The recognized compensation costs for the three months ended September 30, 2024 and the nine months ended September 30, 2024 was NT\$0 and NT\$6,307,000, separately.

## 20. Capital Risk Management

The company conducts capital management to ensure that, under the premise of continuing operations, the debt and equity amounts are optimized to maximize shareholder equity. The overall strategy of the Company has not changed.

The capital structure of the Company consists of equity (i.e. share capital, additional paid-in capital and retained earnings).

The Company is not subject to any external capital requirements.

The Company's senior management regularly reviews the capital structure, including the cost and associated risks of various forms of capital. Based on the

recommendations of senior management, the Company aims to balance its overall capital structure through dividend payments, issuing new shares, repurchasing shares, and issuing new debt or repaying existing debt.

## 21. Financial Instruments

### (1) Fair value of financial instruments that are not at fair value

The Company's management believes that the carrying amounts of financial assets and liabilities not measured at fair value approximate their fair values.

### (2) Categories of financial instruments

	<u>Sep. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Sep. 30, 2023</u>
<u>Financial assets</u>			
At amortized cost (Note 1)	\$ 535,737	\$ 320,257	\$ 323,027
<u>Financial liability</u>			
At amortized cost (Note 2)	37,391	24,836	37,760

Note 1: The balance includes financial assets measured at amortized cost such as cash and cash equivalents, accounts receivable, other receivables, and refundable deposits.

Note 2: The balance consists of other liabilities, excluding financial liabilities measured at amortized cost such as salaries and bonuses payable, and unpaid leave bonuses.

### (3) Financial Risk Management Objectives and Policies

The Company's primary financial instruments include equity investments and accounts receivable. The financial management department of the Company provides services to business units, coordinating access to domestic and international financial markets, and managing the Company's financial risks related to its operations through internal risk reports that analyze exposures by level and breadth of risk. These risks include market risk (including exchange rate risk and interest rate risk), credit risk, and liquidity risk.

#### 1. Market Risk

The Company's operating activities expose it to the primary financial risks of changes in foreign exchange rates (see below (1)) and interest rates (see below (2)).

There has been no change in the company's exposure to market risks related to financial instruments and the ways in which it manages and measures such exposures.

## (1) Exchange Rate Risk

The Company engages in transactions denominated in foreign currencies, thus exposing it to exchange rate fluctuations.

The Company's monetary assets and liabilities denominated in non-functional currencies as of the balance sheet date are detailed in Note 23.

### Sensitivity Analysis

The company is mainly affected by fluctuations in the US dollar exchange rate.

The following table illustrates the sensitivity analysis when the New Taiwan Dollar (functional currency) appreciates or depreciates by 1% against the relevant foreign currencies. The 1% sensitivity rate is used internally by the Company to report exchange rate risks to senior management and represents management's assessment of the reasonably possible range of changes in foreign exchange rates. The sensitivity analysis only includes foreign currency monetary items outstanding and adjusts their year-end conversion by a 1% change in exchange rates. Positive figures in the table indicate an increase in pre-tax profit when the New Taiwan Dollar depreciates by 1% relative to the relevant currencies; a 1% appreciation of the New Taiwan Dollar against these currencies would have the opposite effect on pre-tax profit by the same amount.

	USD Impact	
	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Gain and loss	<u>\$ 312</u>	<u>\$ 82</u>

The Company's increased sensitivity to exchange rates during the period is mainly due to an increase in net assets denominated in US dollars.

## (2) Interest Rate Risk

The carrying amounts of the Company's financial assets with exposure to interest rates at the end of the reporting period was as follows:

	<u>Sep. 30, 2024</u>	<u>Dec. 31, 2023</u>	<u>Sep. 30, 2023</u>
Fair value interest rate			

risk				
-Financial assets	\$	424,200	\$	135,400
-Financial liability		28,294		209
Cash flow rate risk				1,612
-Financial assets		83,535		159,388
				150,178

### Sensitivity Analysis

The following sensitivity analysis is determined based on the interest rate exposure of non-derivative financial instruments at the balance sheet date. For floating-rate assets, the analysis assumes that the amount of assets outstanding at the balance sheet date was outstanding for the entire reporting period.

If the annual interest rate increases by 1%, with all other variables held constant, the Company's pre-tax net income for the nine months ended September 30, 2024, and 2023, would increase by NT\$627 thousand and NT\$1,126 thousand, respectively.

The Company's decreased sensitivity to interest rates during the period is mainly due to a reduction in variable-rate financial assets.

## 2. Credit Risk

Credit risk refers to the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. As of the balance sheet date, the maximum exposure to credit risk resulting from the non-performance of its counterparts is primarily from the carrying amounts of financial assets recognized on the balance sheet.

The Company's accounts receivable are diversified across numerous clients, industries, and geographical regions. The Company continually assesses the financial condition of its clients with accounts receivable.

The Company's credit risk is primarily concentrated on the top 5 customers. As of September 30, 2024, and December 31, 2023, and September 30, 2023, the accounts receivable from these customers accounted for 43%, 52%, and 67% of the total accounts receivable, respectively.

## 3. Liquidity Risk

The Company manages and mitigates the impact of fluctuations in cash flow by maintaining sufficient levels of cash and cash equivalents to support its operations.

The analysis of the maturity of non-derivative financial liabilities is prepared based on the contractual repayment dates and is presented using the undiscounted cash flows of the financial liabilities.

Sep. 30, 2024

	Request pay-as-you-go or Less than 1 month	1-3 months	3 months to 1 year	More than 1 year	Total
Non-derivative financial liability					
No interest-bearing liabilities	\$ 3,474	\$ 11,525	\$ 5,000	\$ 17,392	\$ 37,391
Lease liabilities	979	1,958	8,811	17,623	29,371
	<u>\$ 4,453</u>	<u>\$ 13,483</u>	<u>\$ 13,811</u>	<u>\$ 35,015</u>	<u>\$ 66,762</u>

Dec. 31, 2023

	Request pay-as-you-go or Less than 1 month	1-3 months	3 months to 1 year	More than 1 year	Total
Non-derivative financial liability					
No interest-bearing liabilities	\$ 4,444	\$ 5,180	\$ 10,422	\$ 4,790	\$ 24,836
Lease liabilities	70	140	-	-	210
	<u>\$ 4,514</u>	<u>\$ 5,320</u>	<u>\$ 10,422</u>	<u>\$ 4,790</u>	<u>\$ 25,046</u>

Sep. 30, 2023

	Request pay-as-you-go or Less than 1 month	1-3 months	3 months to 1 year	More than 1 year	Total
Non-derivative financial liability					
No interest-bearing liabilities	\$ 13,948	\$ 10,953	\$ 21,678	\$ 4,518	\$ 51,097
Lease liabilities	469	938	210	-	1,617
	<u>\$ 14,417</u>	<u>\$ 11,891</u>	<u>\$ 21,888</u>	<u>\$ 4,518</u>	<u>\$ 52,714</u>

22. Related Party Transactions

Compensation to executive management

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Short-term employee benefits	\$ 4,103	\$ 2,788	\$ 10,855	\$ 7,674
Share-based payment	-	-	990	-
	<u>\$ 4,103</u>	<u>\$ 2,788</u>	<u>\$ 11,845</u>	<u>\$ 7,674</u>

Compensation for directors and other key management personnel is determined by the compensation committee based on individual performance and market trends.

23. Information on Foreign Currency Assets with Significant Effects

The information below is expressed in a foreign currency other than the company's functional currency, and the disclosed exchange rate refers to the exchange rate at which the foreign currency is converted into the functional currency. Significant foreign currency assets are as follows:

Unit: In thousands of different foreign currencies						
	Sep. 30, 2024		Dec. 31, 2023		Sep. 30, 2023	
	Foreign currency	Exchange Rate	Foreign currency	Exchange Rate	Foreign currency	Exchange Rate
Foreign currency assets						
<u>Monetary items</u>						
USD	\$ <u>1,960</u>	31.65	\$ <u>1,271</u>	30.705	\$ <u>1,186</u>	32.27
Foreign currency liabilities						
<u>Monetary items</u>						
USD	\$ <u>973</u>	31.65	\$ <u>572</u>	30.705	\$ <u>932</u>	32.27

Significant realized and unrealized foreign exchange gains and losses are as follows:

Foreign Currency	For the Three Months Ended September 30, 2024		For the Three Months Ended September 30, 2023	
	Exchange Rate	Exchange Rate (Loss)	Exchange Rate	Exchange Rate (Loss)
USD	32.301 (USD:TWD)	( \$ <u>1,612</u> )	31.684 (USD:TWD)	\$ <u>1,011</u>

  

Foreign Currency	For the Nine Months Ended September 30, 2024		For the Nine Months Ended September 30, 2023	
	Exchange Rate	Exchange Rate (Loss)	Exchange Rate	Exchange Rate (Loss)
USD	32.034 (USD:TWD)	( \$ <u>659</u> )	30.928 (USD:TWD)	\$ <u>764</u>

24. Additional Disclosures

Other than the items listed below, the Company has no other significant transactions, re-investments, or investment information in Mainland China that need to be disclosed.

Marketable securities held:

Held Company Name	Marketable Securities Type	Marketable Securities Name	Relationship with the Company	Financial Statement Account	At the End of Period				Note
					Shares (thousand)	Carrying Value	Percentage of Ownership (%)	Net Value of Equity/Market Price/Book Value	
The Company	Stock	Favepc Inc.	The chairman of the company is a director of that company	Financial assets mandatorily measured at the fair value through profit or loss - non-current	2,350	\$ -	13	\$ -	Note

Note: As of the end of September 2024, the listed securities did not provide any guarantees, collateral for loans, or other restrictions as per agreements.



25. Operating Segments Information

The operating decision-makers of the Company allocate resources and assess the performance of segments based on different regulatory environments. All operating segments that meet the definition have similar economic characteristics; therefore, the Company is reported as a single operating segment. Furthermore, the segment information provided for review by the operating decision-makers is measured on the same basis as the financial statements. Therefore, the segment revenues and operating results to be reported for the nine months ended September 30, 2024, and 2023, can be referenced from the statements of comprehensive income for the same periods. The segment assets to be reported as of September 30, 2024, and December 31, 2023, and September 30, 2023, can be referenced from the balance sheets as of those dates.