

AP Memory Technology Corporation and Subsidiaries

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
AP Memory Technology Corporation

Introduction

The consolidated balance sheets of AP Memory Technology Corporation and its subsidiaries as of September 30, 2024, and 2023, and the consolidated statements of comprehensive income from July 1 to September 30, 2024, and 2023, as well as January 1 to September 30, 2024, and 2023, the consolidated statements of changes in equity and consolidated statements of cash flow from January 1 to September 30, 2024, and 2023, along with the notes to the consolidated financial statements (including a summary of significant accounting policies), have been reviewed by our auditors. The financial statements, which have been fairly presented in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" approved and promulgated by the Financial Supervisory Commission, are the responsibility of the management. Our auditor's responsibility is to conclude on the consolidated financial statements based on the review results.

Scope of Review

We conducted our review in accordance with Review Standards 2410 'Review of Financial Statements.' Procedures performed in a review of consolidated financial statements include inquiries (primarily to individuals responsible for financial and accounting matters), analytical procedures, and other review procedures. The scope of a review is substantially less than that of an audit; thus, we might not become aware of all significant matters that could be identified in an audit, and therefore, we do not express an audit opinion.

Conclusion

Based on our auditor's review, no material misstatements were found in the above-mentioned consolidated financial statements that were not prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" approved and issued by the Financial Supervisory Commission, which could misrepresent the consolidated financial position of AP Memory Technology Corporation and its subsidiaries as of September 30, 2024, and 2023, and the consolidated financial performance from July 1 to September 30, 2024, and 2023, as well as from January 1 to September 30, 2024, and 2023, and the consolidated cash flows.

Deloitte & Touche Taipei,
Taiwan Republic of China
October 30, 2024

Notice to Readers

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

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2024, DECEMBER 31, 2023 AND September 30, 2023

(In Thousands of New Taiwan Dollars)

Assets	September 30, 2024		December 31, 2023		September 30, 2023	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 3,923,859	32	\$ 8,864,216	71	\$ 8,744,481	75
Financial assets at amortized cost – current (Note 8 and 29)	4,503,440	36	2,819	-	2,782	-
Trade receivables (Note 9, 21 and 28)	459,617	4	567,535	5	755,236	6
Other receivables (Note 9)	64,209	-	47,800	-	43,970	-
Current income tax assets (Note 4)	-	-	1,144	-	-	-
Inventories (Note 10)	1,120,563	9	851,330	7	903,236	8
Other current assets (Note 16)	92,474	1	55,803	-	71,355	1
Total current assets	<u>10,164,162</u>	<u>82</u>	<u>10,390,647</u>	<u>83</u>	<u>10,521,060</u>	<u>90</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 7 and 27)	546,376	4	1,139,267	9	258,982	2
Financial assets at amortized cost – non-current (Note 8)	-	-	6,622	-	6,932	-
Investments accounted for using the equity method (Note 12)	885,543	7	106,011	1	104,162	1
Property, plant and equipment (Note 13)	53,765	1	76,438	1	63,608	1
Right-of-use assets (Note 14)	23,083	-	53,091	-	60,272	-
Intangible assets (Note 15)	52,812	-	76,363	1	22,024	-
Deferred tax assets (Note 4)	86,327	1	58,489	-	59,409	-
Refundable deposits (Note 30)	447,726	4	459,525	4	465,533	4
Other non-current assets (Note 16)	136,298	1	147,138	1	179,588	2
Total non-current assets	<u>2,231,930</u>	<u>18</u>	<u>2,122,944</u>	<u>17</u>	<u>1,220,510</u>	<u>10</u>
TOTAL	<u>\$ 12,396,092</u>	<u>100</u>	<u>\$ 12,513,591</u>	<u>100</u>	<u>\$ 11,741,570</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Note 17)	\$ 50,000	-	\$ 300,000	2	\$ -	-
Contract liabilities (Note 21)	211,323	2	68,828	1	13,695	-
Accounts payable	352,863	3	255,186	2	218,635	2
Other payables (Note 18)	174,180	1	189,766	2	191,224	2
Current tax liabilities (Note 4)	83,719	1	238,365	2	255,716	2
Lease liabilities - current (Note 14)	10,796	-	25,917	-	33,847	-
Other current liabilities (Note 18)	6,675	-	10,217	-	18,924	-
Total current liabilities	<u>889,556</u>	<u>7</u>	<u>1,088,279</u>	<u>9</u>	<u>732,041</u>	<u>6</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Note 4)	113,367	1	77,578	1	58,117	1
Lease liabilities – non-current (Note 14)	10,650	-	9,940	-	1,956	-
Guarantee deposits	2,000	-	16,000	-	16,000	-
Total non-current liabilities	<u>126,017</u>	<u>1</u>	<u>103,518</u>	<u>1</u>	<u>76,073</u>	<u>1</u>
Total liabilities	<u>1,015,573</u>	<u>8</u>	<u>1,191,797</u>	<u>10</u>	<u>808,114</u>	<u>7</u>
EQUITY (Note 20 and 25)						
Share capital						
Ordinary shares	811,249	7	810,020	6	809,372	7
Advance receipts for ordinary shares	387	-	1,739	-	2,208	-
Total share capital	<u>811,636</u>	<u>7</u>	<u>811,759</u>	<u>6</u>	<u>811,580</u>	<u>7</u>
Capital surplus	6,346,904	51	6,234,430	50	6,214,478	53
Retained earnings						
Legal reserve	905,376	7	760,879	6	760,879	6
Special reserve	343	-	450	-	450	-
Unappropriated earnings	3,310,906	27	3,514,619	28	3,144,499	27
Total retained earnings	<u>4,216,625</u>	<u>34</u>	<u>4,275,948</u>	<u>34</u>	<u>3,905,828</u>	<u>33</u>
Other equity	5,354	-	(343)	-	1,570	-
Total equity	<u>11,380,519</u>	<u>92</u>	<u>11,321,794</u>	<u>90</u>	<u>10,933,456</u>	<u>93</u>
TOTAL	<u>\$ 12,396,092</u>	<u>100</u>	<u>\$ 12,513,591</u>	<u>100</u>	<u>\$ 11,741,570</u>	<u>100</u>

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

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023 & FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	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	%
REVENUE (Note 21 and 28)	\$ 1,274,298	100	\$ 1,239,550	100	\$ 2,967,000	100	\$ 3,063,945	100
OPERATING COSTS (Note 10 and 22)	<u>610,843</u>	<u>48</u>	<u>727,297</u>	<u>59</u>	<u>1,473,758</u>	<u>50</u>	<u>1,817,975</u>	<u>59</u>
GROSS PROFIT	<u>663,455</u>	<u>52</u>	<u>512,253</u>	<u>41</u>	<u>1,493,242</u>	<u>50</u>	<u>1,245,970</u>	<u>41</u>
OPERATING EXPENSES (Note 9 and 22)								
Selling and marketing expenses	23,754	2	31,288	3	82,336	3	91,688	3
General and administrative expenses	53,582	4	41,329	3	143,940	5	122,184	4
Research and development expenses	205,329	16	160,229	13	551,852	18	403,201	13
Expected credit loss	(239)	-	18,839	1	284	-	59,649	2
Total operating expenses	<u>282,426</u>	<u>22</u>	<u>251,685</u>	<u>20</u>	<u>778,412</u>	<u>26</u>	<u>676,722</u>	<u>22</u>
PROFIT FROM OPERATIONS	<u>381,029</u>	<u>30</u>	<u>260,568</u>	<u>21</u>	<u>714,830</u>	<u>24</u>	<u>569,248</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES								
Other income	522	-	492	-	2,876	-	3,980	-
Share of profit of associates (Note 12)	2,482	-	(797)	-	9,098	-	1,392	-
Interest income	101,109	8	97,356	8	309,278	11	264,736	8
Interest expense	(313)	-	(226)	-	(1,552)	-	(809)	-
Foreign exchange (loss) gain, net (Note 22 and 31)	(191,417)	(15)	285,134	23	233,416	8	396,912	13
Loss on financial assets at fair value through profit or loss (Note 27)	118,840	9	6,906	-	71,765	2	3,217	-
Miscellaneous expenses	(2)	-	7	-	(162)	-	(2,417)	-
Loss on disposal of property, plant and equipment	(5,207)	-	-	-	(21,028)	(1)	-	-
Total non-operating income and expenses	<u>26,014</u>	<u>2</u>	<u>388,872</u>	<u>31</u>	<u>603,691</u>	<u>20</u>	<u>667,011</u>	<u>21</u>
INCOME BEFORE INCOME TAX	407,043	32	649,440	52	1,318,521	44	1,236,259	40
INCOME TAX EXPENSE (Note 4 and 23)	(70,110)	(6)	(119,844)	(9)	(242,737)	(8)	(161,409)	(5)
NET PROFIT FOR THE PERIOD	<u>336,933</u>	<u>26</u>	<u>529,596</u>	<u>43</u>	<u>1,075,784</u>	<u>36</u>	<u>1,074,850</u>	<u>35</u>
OTHER COMPREHENSIVE INCOME (Note 20)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	(459)	-	4,416	-	5,697	-	2,020	-
Other comprehensive income (loss) for the period, net of income tax	(459)	-	4,416	-	5,697	-	2,020	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 336,474</u>	<u>26</u>	<u>\$ 534,012</u>	<u>43</u>	<u>\$ 1,081,481</u>	<u>36</u>	<u>\$ 1,076,870</u>	<u>35</u>
EARNINGS PER SHARE (Note 24)								
Basic	<u>\$ 2.08</u>		<u>\$ 3.27</u>		<u>\$ 6.63</u>		<u>\$ 6.64</u>	
Diluted	<u>\$ 2.06</u>		<u>\$ 3.24</u>		<u>\$ 6.58</u>		<u>\$ 6.59</u>	

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

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

(In Thousands of New Taiwan Dollars)

	Ordinary Shares (Note 20 and 25)				Retained Earnings (Note 20)				Other equity (Note 20) Exchange Differences on Translation of the Financial Statements of Foreign Operations	Total Equity
	Amount	Advance Receipts for Ordinary Shares	Total Shares	Capital Surplus (Note 20 and 25)	Legal Reserve	Special reserve	Unappropriated Earnings	Total		
BALANCE AT JANUARY 1, 2023	\$ 807,786	\$ 848	\$ 808,634	\$ 6,178,947	\$ 566,709	\$ -	\$ 3,396,727	\$ 3,963,436	(\$ 450)	\$ 10,950,567
Appropriation of the 2022 earnings										
Legal reserve	-	-	-	-	194,170	-	(194,170)	-	-	-
Special reserve	-	-	-	-	-	450	(450)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(1,132,458)	(1,132,458)	-	(1,132,458)
Change in value of associates accounted for using the equity method	-	-	-	521	-	-	-	-	-	521
Recognition of employee share options by the Company	-	-	-	21,394	-	-	-	-	-	21,394
Net Income for the Nine Months Ended September 30, 2023	-	-	-	-	-	-	1,074,850	1,074,850	-	1,074,850
Other comprehensive income for the Nine Months Ended September 30, 2023	-	-	-	-	-	-	-	-	2,020	2,020
Total comprehensive income for the Nine Months Ended September 30, 2023	-	-	-	-	-	-	1,074,850	1,074,850	2,020	1,076,870
Issuance of ordinary shares under employee share options	1,586	1,360	2,946	13,616	-	-	-	-	-	16,562
BALANCE AT SEPTEMBER 30, 2023	\$ 809,372	\$ 2,208	\$ 811,580	\$ 6,214,478	\$ 760,879	\$ 450	\$ 3,144,499	\$ 3,905,828	\$ 1,570	\$ 10,933,456
BALANCE AT JANUARY 1, 2024	\$ 810,020	\$ 1,739	\$ 811,759	\$ 6,234,430	\$ 760,879	\$ 450	\$ 3,514,619	\$ 4,275,948	(\$ 343)	\$ 11,321,794
Appropriation of the 2023 earnings										
Legal reserve	-	-	-	-	144,497	-	(144,497)	-	-	-
Special reserve	-	-	-	-	-	(107)	107	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(1,135,107)	(1,135,107)	-	(1,135,107)
Change in value of associates accounted for using the equity method	-	-	-	52,340	-	-	-	-	-	52,340
Recognition of employee share options by the Company	-	-	-	44,530	-	-	-	-	-	44,530
Net Income for the Nine Months Ended September 30, 2024	-	-	-	-	-	-	1,075,784	1,075,784	-	1,075,784
Other comprehensive income for the Nine Months Ended September 30, 2024	-	-	-	-	-	-	-	-	5,697	5,697
Total comprehensive income for the Nine Months Ended September 30, 2024	-	-	-	-	-	-	1,075,784	1,075,784	5,697	1,081,481
Issuance of ordinary shares under employee share options	1,229	(1,352)	(123)	15,604	-	-	-	-	-	15,481
BALANCE AT SEPTEMBER 30, 2024	\$ 811,249	\$ 387	\$ 811,636	\$ 6,346,904	\$ 905,376	\$ 343	\$ 3,310,906	\$ 4,216,625	\$ 5,354	\$ 11,380,519

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

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

(In Thousands of New Taiwan Dollars)

	<u>For the Nine Months Ended September 30, 2024</u>	<u>For the Nine Months Ended September 30, 2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,318,521	\$ 1,236,259
Adjustments for:		
Depreciation expenses	39,525	46,823
Amortization expenses	28,339	12,533
Expected credit loss	284	59,649
Net profit on financial assets at fair value through profit or loss	(71,765)	(2,975)
Interest expense	1,552	809
Interest income	(309,278)	(264,736)
Dividends income	-	(51)
Compensation cost of employee share options	44,530	21,394
Share of profit of associates	(9,098)	(1,392)
Loss on disposal of property, plant and equipment	21,028	-
Inventory devaluation and obsolescence losses	118,279	58,075
Unrealized gain on foreign currency exchange	(4,892)	(11,727)
Changes in operating assets and liabilities		
Trade receivables	114,231	(162,428)
Other receivables	(12,574)	6,301
Inventories	(387,512)	567,081
Other assets	(6,616)	708
Refundable deposits	11,799	(1,081)
Contract liabilities	142,495	(9,348)
Accounts payable	95,017	65,673
Other payables	(14,974)	45,947
Other current liabilities	(<u>3,542</u>)	(<u>15,662</u>)
Cash generated from operations	1,115,349	1,683,176
Interest received	305,443	246,304
Dividends received	-	51
Interest paid	(1,789)	(809)
Income tax paid	(<u>388,288</u>)	(<u>215,975</u>)
Net cash generated from operating activities	<u>1,030,715</u>	<u>1,712,747</u>

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	For the Nine Months Ended <u>September 30, 2024</u>	For the Nine Months Ended <u>September 30, 2023</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	(\$ 527,475)	\$ -
Disposal of financial assets at fair value through profit or loss	480,131	-
Acquisition of financial assets at amortized cost	(4,500,621)	-
Disposal of financial assets at amortized cost	6,622	-
Acquisition of Investments accounted for using the equity method	(30,256)	-
Acquisition of property, plant and equipment	(30,570)	(4,035)
Disposal of property, plant and equipment	14,000	-
Acquisition of intangible assets	(4,256)	(11,981)
Dividends received from associates	<u>23,758</u>	<u>11,160</u>
Net cash used in investing activities	(<u>4,568,667</u>)	(<u>4,856</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	50,000	-
Decrease in short-term loans	(300,000)	-
Increase in guarantee deposits	-	2,000
Decrease in guarantee deposits	(14,000)	-
Repayment of the principal portion of lease liabilities	(25,139)	(34,449)
Cash dividends	(1,135,085)	(1,132,442)
Proceeds from exercise of employee share options	<u>15,481</u>	<u>16,562</u>
Net cash used in financing activities	(<u>1,408,743</u>)	(<u>1,148,329</u>)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>6,338</u>	<u>2,487</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(4,940,357)	562,049
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>8,864,216</u>	<u>8,182,432</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 3,923,859</u>	<u>\$ 8,744,481</u>

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

(Concluded)

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

AP Memory Technology Corporation (hereinafter referred to as the “Company”) was incorporated on August 4, 2011, upon approval of the Ministry of Economic Affairs. The Company mainly engages in the research, development, production and sale of various integrated circuit (IC) products, and provides technical services related to the product design, research and development.

Upon approval of Taipei Exchange (TPEX) in June 2015, the Company started trading on Emerging Stock Board of TPEX and then trading on Taiwan Stock Exchange (TWSE) on May 31, 2016. In January 2022, the Company will make an initial public offering of global depository receipts (GDRs) by way of a capital raising issue of new shares and will be listed on the Bourse de Luxembourg.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on October 30, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to 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 initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the accounting policies of the Company and entities controlled by the Company (collectively, the “Group”).

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2025.

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

Note 1: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Undefined
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Initial application of IFRS 17 and IFRS 9 - Comparative Information (Amendment to IFRS 17)	January 1, 2023
IFRS 18 “Presentation and Disclosures in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

IFRS 18 “Presentation and Disclosures in Financial Statements”

IFRS 18 will supersede IAS 1 “Presentation of Financial Statements”. The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discounted operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.

- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as “other” only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

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.

c. Basis of Consolidation

This consolidated financial statement includes the financial reports of the Company and entities (subsidiaries) controlled by the Company. The financial statements of the subsidiaries have been adjusted to ensure their accounting policies are consistent with the consolidated company. When preparing the consolidated financial report, transactions, account balances, revenues, and expenses between entities have been entirely eliminated.

See Note 11 and Tables 5 and 6 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

d. Other Significant Accounting Policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2023.

1. Classification of Current and Non-current Assets and Liabilities Current assets include:

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; and
- (3) The business entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Assets or liabilities not classified within the above definitions will be classified as non-current assets and liabilities.

2. Income tax expenses

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

3. Deferred income tax

Deferred income tax is calculated from the temporary differences that arise between the carrying amounts of assets and liabilities and their tax bases used in the computation of taxable profit. Temporary differences arising from the initial recognition of assets and liabilities that affect neither taxable profit nor accounting profit, and from the initial recognition of an asset or a liability in a transaction that is not a business combination, are not recognized as deferred tax assets or liabilities. Furthermore, taxable temporary differences associated with the initial recognition of goodwill are not recognized as deferred tax liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Please refer to the consolidated financial statements for the year ended December 31, 2023 for the critical accounting judgments and key sources of estimation uncertainty

6. CASH AND CASH EQUIVALENTS

	<u>September 30, 2024</u>	<u>September 31, 2023</u>	<u>September 30, 2023</u>
Cash on hand	\$ 57	\$ 40	\$ 66
Checking accounts and demand deposits	388,395	368,667	508,831
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits	3,535,407	8,495,509	8,235,584
	<u>\$ 3,923,859</u>	<u>\$ 8,864,216</u>	<u>\$ 8,744,481</u>

Interest rate ranges for bank deposits on the balance sheet date were as follows:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Deposits	0.001% ~ 1.250%	0.001% ~ 3.350%	0.001% ~ 4.050%
Time deposits	1.400% ~ 5.400%	0.625% ~ 5.400%	0.550% ~ 5.520%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
<u>Financial assets - non-current</u>			
Non-derivative financial assets			
Unlisted			
Haining Changmeng Technology Partnership Enterprise (Limited Partnership) (a)	\$ 498,901	\$ 373,267	\$ 252,487
GeneASIC Technologies Corporation (b)	-	-	2,020
Listed			
M3 Technology Inc. (c)	-	766,000	-
Powerchip Semiconductor Manufacturing Corp. (d)	-	-	4,475
Simple agreement for future equity PowerLattice Technologies Incorporated (e)	<u>47,475</u>	<u>-</u>	<u>-</u>
	<u>\$ 546,376</u>	<u>\$ 1,139,267</u>	<u>\$ 258,982</u>

- a. The Group signed an investment agreement with Haining Changmeng Technology Partnership Enterprise (Limited Partnership) (hereinafter referred to as Haining Changmeng) in August 2019. The Group obtained 24.64% equity interest of Haining Changmeng with a total investment of RMB6,900 thousand. The Group does not have the ability to influence relevant activities per the agreement and does not have significant influence over Haining Changmeng. As of September 30, 2024, the amount of capital paid by the Group accounted for 24.64% of the paid-in capital.
- b. In August 2020, the Group acquired 500 thousand ordinary shares of GeneASIC Technologies Corporation (hereinafter referred to as GeneASIC) at the price of \$500 thousand. The Consolidated Company did not participate in GeneASIC Technologies' capital increase by cash in April 2023 and July 2024, resulting in a decrease in its shareholding ratio to 11.74%. As of September 30, 2024, the Consolidated Company held a 11.74% share of the issued shares of GeneASIC Technologies.
- c. In November 2023, the Consolidated Company acquired 4,000 thousand common shares of M3 Technology Inc. (referred to as "M3 Technology") on the centralized trading market for NT\$500,000 thousand, mainly to enhance the efficiency of capital utilization of the Consolidated Company and to seek cooperation opportunities to establish an advanced packaging ecosystem. The Company was elected as a director at the extraordinary shareholders' meeting held by M3 Technology on January 31, 2024, and was subsequently appointed as chairman at the emergency board meeting on the same day having significant influence over M3 Technology. Therefore, transferred the equity instruments that were originally classified as financial assets at fair value through profit or loss to investments accounted for using equity method.
- d. In August 2019, the Consolidated Company acquired common shares of Powerchip Semiconductor Manufacturing Corporation (referred to as "Powerchip"), accounting for 0.048% of Powerchip's issued shares. In November 2023, the Consolidated Company sold its shares in Powerchip for NT\$4,637 thousand, realizing a profit of NT\$856 thousand.
- e. In July 2024, the Consolidated Company signed a simple agreement for future equity with PowerLattice Technologies Incorporated (referred to as "PowerLattice") for US\$1,500 thousand to be converted into equivalent shares upon a future capital raising by PowerLattice. As of September 30, 2024, no equity conversion has occurred.

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
<u>Current</u>			
Time deposits with original maturities of more than 3 months	<u>\$ 4,503,440</u>	<u>\$ 2,819</u>	<u>\$ 2,782</u>
<u>Non-current</u>			
Time deposits with original maturities of more than 1 year	<u>\$ -</u>	<u>\$ 6,622</u>	<u>\$ 6,932</u>

Please refer to Note 29 for information relating to pledged assets.

9. TRADE RECEIVABLE AND OTHER RECEIVABLES

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 489,408	\$ 596,163	\$ 814,983
Less: Allowance for impairment loss	(<u>29,791</u>)	(<u>28,628</u>)	(<u>59,747</u>)
	<u>\$ 459,617</u>	<u>\$ 567,535</u>	<u>\$ 755,236</u>
<u>Other receivables</u>			
Interests receivable	\$ 32,363	\$ 28,576	\$ 30,700
Tax refunds receivables	31,041	15,906	9,952
Rent receivables	578	-	-
Others	<u>227</u>	<u>3,318</u>	<u>3,318</u>
	<u>\$ 64,209</u>	<u>\$ 47,800</u>	<u>\$ 43,970</u>

Trade receivables

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

The Group measures the impairment loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECLs). The ECLs on note and trade receivables are estimated by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. The Group distinguishes its customers based on the history of credit losses and sets the expected credit loss rate based on the number of days past due on trade receivables for each customer group.

The Group writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery. For note and trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's allowance matrix:

September 30, 2024

	<u>Not Past Due</u>	<u>Due in 1-30 Days</u>	<u>Due in 31-60 Days</u>	<u>Due in 61-90 Days</u>	<u>Due in 91-180 Days</u>	<u>Due in 181-360 Days</u>	<u>Due in More than 360 Days</u>	<u>Total</u>
Gross carrying amount	\$382,186	\$ 77,419	\$ 12	\$ -	\$ -	\$ -	\$ 29,791	\$489,408
Allowance for impairment loss (lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(<u>29,791</u>)	(<u>29,791</u>)
Amortized cost	<u>\$382,186</u>	<u>\$77,419</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$459,617</u>

December 31, 2023

	<u>Not Past Due</u>	<u>Due in 1-30 Days</u>	<u>Due in 31-60 Days</u>	<u>Due in 61-90 Days</u>	<u>Due in 91-180 Days</u>	<u>Due in 181-360 Days</u>	<u>Due in More than 360 Days</u>	<u>Total</u>
Gross carrying amount	\$544,876	\$ 22,659	\$ -	\$ -	\$ -	\$ -	\$ 28,628	\$596,163
Allowance for impairment loss (lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(<u>28,628</u>)	(<u>28,628</u>)
Amortized cost	<u>\$544,876</u>	<u>\$22,659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$567,535</u>

September 30, 2023

	<u>Not Past Due</u>	<u>Due in 1-30 Days</u>	<u>Due in 31-60 Days</u>	<u>Due in 61-90 Days</u>	<u>Due in 91-180 Days</u>	<u>Due in 181-360 Days</u>	<u>Due in More than 360 Days</u>	<u>Total</u>
Gross carrying amount	\$580,819	\$102,211	\$ -	\$ -	\$ -	\$ 41,951	\$ 90,002	\$814,983
Allowance for impairment loss (lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(<u>59,747</u>)	(<u>59,747</u>)
Amortized cost	<u>\$580,819</u>	<u>\$102,211</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,951</u>	<u>\$ 30,255</u>	<u>\$755,236</u>

The movements of the loss allowance of trade receivables were as follows:

	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Balance at January 1	\$ 28,628	\$ 4
Less: Impairment loss provision for the period	284	59,649
Net exchange difference	879	94
Balance at September 30	<u>\$ 29,791</u>	<u>\$ 59,747</u>

10. INVENTORIES

	September 30, 2024	December 31, 2023	September 30, 2023
Finished goods	\$ 342,681	\$ 184,212	\$ 206,660
Work-in-process progress	257,936	232,607	243,164
Raw materials	519,946	434,511	453,412
	<u>\$ 1,120,563</u>	<u>\$ 851,330</u>	<u>\$ 903,236</u>

The nature of operating costs is as follows:

	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
Cost of inventories sold	\$ 603,773	\$ 681,556	\$ 1,355,479	\$ 1,759,900
Inventory devaluation losses	7,070	45,741	118,279	58,075
	<u>\$ 610,843</u>	<u>\$ 727,297</u>	<u>\$ 1,473,758</u>	<u>\$ 1,817,975</u>

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Note
			September 30, 2024	December 31, 2023	September 30, 2023	
The Company	AP Memory Corp, USA (hereinafter referred to as "AP-USA")	IC design and development	100%	100%	100%	(1)
The Company	Zentel Electronics Corporation (hereinafter referred to as "Zentel Electronics")	IC design, development, and sales	-	-	-	(2)
The Company	AP Memory Technology (Hangzhou) Limited Co. (hereinafter referred to as "AP Hangzhou")	IC design, development, and sales	100%	100%	100%	(3)
The Company	APware Technology Corp. (hereinafter referred to as "APware")	IC design, development, and sales	100%	100%	100%	(4)
The Company	VIVR Corporation (hereinafter referred to as "VIVR")	IC design, development, and sales	100%	100%	100%	(5)
The Company	CascadeTeq Inc. (hereinafter referred to as "CascadeTeq")	IC sales	100%	100%	100%	(6)
AP Hangzhou	AP Memory Technology (Hong Kong) Co. Limited (hereinafter referred to as "AP Hong Kong")	IC sales	100%	100%	100%	(7)

- (1) Established in the state of Oregon in the United States in February 2012, AP-USA mainly engages in the research and development of integrated circuits (ICs). As of October 30, 2024, the Company already contributed US\$2,000 thousand of capital thereto.
- (2) Powerchip Semiconductor is involved in the design, development, and sale of integrated circuit products. Considering the overall operational planning and resource allocation of the group, Powerchip Semiconductor was dissolved on June 30, 2022, with the liquidation process completed on January 12, 2023.
- (3) AP Hangzhou was established in Hangzhou in June 2018, mainly engaged in the design, development, and sale of integrated circuits. As of October 30, 2024, the company's paid-in capital amount is US\$2,000 thousand.
- (4) To accommodate the growth scale of reinvested enterprises and future operational layout planning, the Company decided through a board resolution on October 15, 2021, to invest and establish a subsidiary, APware, in the Cayman Islands. APware was established in October 2021, mainly engaged in the design, development, and sale of integrated

circuits. The Company made capital contributions of NT\$1,550 thousand in July 2024. As of October 30, 2024, the company's paid-in capital amount is US\$1,550 thousand.

- (5) In response to future product development and operational layout planning, the Company decided through a board resolution on August 30, 2022, to establish a subsidiary, VIVR, in the United States. VIVR was established in August 2022, mainly engaged in the design, development, and sale of integrated circuits and established its Taiwan branch on February 8, 2023. As of October 30, 2024, the company's paid-in capital amount is US\$1,000 thousand.
- (6) To accommodate future operational layout planning, the Company decided through a board resolution on October 28, 2022, to establish a subsidiary, CascadeTeq. CascadeTeq was established in December 2022, primarily engaged in the sale of integrated circuits. The Company made capital contributions of NT\$5,000 thousand in January 2024. As of October 30, 2024, the company's paid-in capital amount is NT\$10,000 thousand.
- (7) AP Hangzhou established AP Hong Kong, a company primarily engages in the sale of ICs in October 2019 in Hong Kong. As of October 30, 2024, AP Hong Kong's paid-in capital amounted to US\$10 thousand.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
<u>Investments in associates</u>			
Material associate			
M3 Technology	\$ 721,905	\$ -	\$ -
Associates that are not individually material			
Lyontek Inc. ("Lyontek")	91,192	91,867	89,970
ONECENT TECHNOLOGY LTD. ("ONECENT")	<u>72,466</u>	<u>14,144</u>	<u>14,192</u>
	<u>\$ 885,543</u>	<u>\$ 106,011</u>	<u>\$ 104,162</u>

a. Material associate

M3 Technology

As stated in Note 7, The Consolidated Company has had significant influence over M3 Technology since January 31, 2024. Consequently, the financial assets previously measured at fair value through profit or loss was treated as disposed of, resulting in a loss of NT\$54,000 on financial assets at fair value through profit or loss. The goodwill arising from the acquisition of M3 Technology were recognized in the related costs of investment in the associate, with the initial accounting treatment being provisional as of the financial statement date. As of the date of approval of this consolidation report, the required market valuations and other calculations have not yet been completed. Therefore, only the best estimate by the management of the Consolidated Company have been used to provisionally determine the value.

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

	<u>September 30, 2024</u>
M3 Technology	<u>\$ 480,000</u>

b. Aggregate information of associates that are not individually material

Lyontek

In October 2016, the Consolidated Company invested NT\$75,060 thousand to acquire 3,600 thousand common shares of Lyontek, representing a 30% ownership interest. The goodwill generated from the acquisition of Lyontek amounting to NT\$2,610 thousand was recognized in the cost of investment in associate.

ONECENT

The Consolidated Company made investments of NT\$238 thousand in May 2022, NT\$33,533 thousand in August 2022 and NT\$30,256 thousand in Jun 2024, cumulatively acquiring 7,348 thousand common shares of ONECENT, representing a 27.88% ownership interest. The management of the Company considers that it has significant influence over ONECENT, thus classifying it as an associate of the Consolidated Company. The goodwill and intangible assets arising from the acquisition of ONECENT were recognized in the related costs of investment in the associate.

Refer to table 5 for the nature of activities, principal place of business and country of registration of the associates.

The profit or loss and other comprehensive income shares of Lyontek and ONECENT, an associated company accounted for using the equity method, are calculated based on financial report which have not been reviewed. however, the Company's management believes that the unreviewed financial reports of the said investee company do not have a material impact.

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Computer and Communications Equipment	Office Equipment	Leasehold Improvement	Total
<u>Cost</u>					
BALANCE AT JANUARY 1, 2024	\$ 209,162	\$ 16,997	\$ 4,915	\$ 17,875	\$ 248,949
Additions	2,984	5,422	90	2,538	11,034
Disposals	(88,526)	(675)	-	-	(89,201)
Internal transfer	69,553	-	-	-	69,553
Effect of foreign currency exchange differences	72	90	92	74	328
BALANCE AT SEPTEMBER 30, 2024	<u>\$ 193,245</u>	<u>\$ 21,834</u>	<u>\$ 5,097</u>	<u>\$ 20,487</u>	<u>\$ 240,663</u>
<u>Accumulated depreciation</u>					
BALANCE AT JANUARY 1, 2024	\$ 140,822	\$ 12,173	\$ 4,653	\$ 14,863	\$ 172,511
Depreciation expenses	21,379	2,594	172	2,408	26,553
Disposal	(53,498)	(675)	-	-	(54,173)
Internal transfer	41,732	-	-	-	41,732
Effect of foreign currency exchange differences	61	55	92	67	275
BALANCE AT SEPTEMBER 30, 2024	<u>\$ 150,496</u>	<u>\$ 14,147</u>	<u>\$ 4,917</u>	<u>\$ 17,338</u>	<u>\$ 186,898</u>
Carrying amount at December 31, 2023	<u>\$ 68,340</u>	<u>\$ 4,824</u>	<u>\$ 262</u>	<u>\$ 3,012</u>	<u>\$ 76,438</u>
Carrying amount at September 30, 2024	<u>\$ 42,749</u>	<u>\$ 7,687</u>	<u>\$ 180</u>	<u>\$ 3,149</u>	<u>\$ 53,765</u>
<u>Cost</u>					
BALANCE AT JANUARY 1, 2023	\$ 168,238	\$ 13,579	\$ 4,952	\$ 16,736	\$ 203,505
Additions	918	1,476	-	1,076	3,470
Effect of foreign currency exchange differences	3	54	7	2	66
BALANCE AT SEPTEMBER 30, 2023	<u>\$ 169,159</u>	<u>\$ 15,109</u>	<u>\$ 4,959</u>	<u>\$ 17,814</u>	<u>\$ 207,041</u>
<u>Accumulated depreciation</u>					
BALANCE AT JANUARY 1, 2023	97,558	9,750	4,420	11,143	122,871
Depreciation expenses	15,810	1,673	208	2,809	20,500
Effect of foreign currency exchange differences	3	49	7	3	62
BALANCE AT SEPTEMBER 30, 2023	<u>\$ 113,371</u>	<u>\$ 11,472</u>	<u>\$ 4,635</u>	<u>\$ 13,955</u>	<u>\$ 143,433</u>
Carrying amount at September 30, 2023	<u>\$ 55,788</u>	<u>\$ 3,637</u>	<u>\$ 324</u>	<u>\$ 3,859</u>	<u>\$ 63,608</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Machinery and equipment	2 to 5 years
Computer and communications equipment	3 to 7 years
Office equipment	3 to 7 years
Leasehold improvement	3 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2024	December 31, 2023	September 30, 2023
Carrying amounts			
Buildings	\$ 23,083	\$ 24,690	\$ 13,903
Machinery and equipment	-	28,401	46,369
	<u>\$ 23,083</u>	<u>\$ 53,091</u>	<u>\$ 60,272</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
Additions to right-of-use assets			<u>\$ 10,657</u>
			<u>\$ 6,546</u>
Depreciation charge for right-of-use assets			
Buildings	\$ 4,255	\$ 3,831	\$ 12,392
Machinery and equipment	-	5,216	580
	<u>\$ 4,255</u>	<u>\$ 9,047</u>	<u>\$ 12,972</u>
			<u>\$ 26,323</u>

b. Lease liabilities

	September 30, 2024	December 31, 2023	September 30, 2023
Carrying amounts			
Current	\$ 10,796	\$ 25,917	\$ 33,847
Non-current	\$ 10,650	\$ 9,940	\$ 1,956

Range of discount rate for lease liabilities was as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Buildings	2.15%~6.5%	2%~4%	2%~4%
Machinery and equipment	1.8%	1.8%	1.8%

c. Other lease 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
Expense relating to short-term leases	\$ 843	\$ 1,134	\$ 3,345	\$ 3,891
Total cash outflow for leases			(\$ 28,940)	(\$ 39,150)

The consolidated company chooses to apply exemptions for the recognition of short-term leases for offices and several parking spaces, and does not recognize related right-of-use assets and lease liabilities for these leases.

15. Intangible assets

	<u>Computer Software</u>	<u>Technical Authorization</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2024	\$ 86,227	\$ 60,800	\$ 147,027
Addition	4,256	-	4,256
Decrease	(9,197)	-	(9,197)
Net exchange differences	856	-	856
Balance at September 30, 2024	<u>\$ 82,142</u>	<u>\$ 60,800</u>	<u>\$ 142,942</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2024	\$ 68,975	\$ 1,689	\$ 70,664
Amortization expenses	13,139	15,200	28,339
Decrease	(9,197)	-	(9,197)
Net exchange differences	324	-	324
Balance at September 30, 2024	<u>\$ 73,241</u>	<u>\$ 16,889</u>	<u>\$ 90,130</u>
Carrying amount at December 31, 2023	<u>\$ 17,252</u>	<u>\$ 59,111</u>	<u>\$ 76,363</u>
Carrying amount at September 30, 2024	<u>\$ 8,901</u>	<u>\$ 43,911</u>	<u>\$ 52,812</u>
<u>Cost</u>			
Balance at January 1, 2023	\$ 125,005	\$ -	\$ 125,005
Addition	11,981	-	11,981
Decrease	(46,581)	-	(46,581)
Net exchange differences	1,848	-	1,848
Balance at September 30, 2023	<u>\$ 92,253</u>	<u>\$ -</u>	<u>\$ 92,253</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2023	\$ 103,294	\$ -	\$ 103,294
Amortization expenses	12,533	-	12,533
Decrease	(46,581)	-	(46,581)
Net exchange differences	983	-	983
Balance at September 30, 2023	<u>\$ 70,229</u>	<u>\$ -</u>	<u>\$ 70,229</u>
Carrying amount at September 30, 2023	<u>\$ 22,024</u>	<u>\$ -</u>	<u>\$ 22,024</u>

Amortization expense is calculated on a straight-line bases over the estimated useful lives as follows:

Computer software	1 to 3 years
Technical Authorization	3 years

16. OTHER ASSETS

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
<u>Current</u>			
Prepayments	\$ 90,345	\$ 52,771	\$ 70,379
Offsets against business tax payable	2,126	2,514	464
Others	<u>3</u>	<u>518</u>	<u>512</u>
	<u>\$ 92,474</u>	<u>\$ 55,803</u>	<u>\$ 71,355</u>
<u>Non-current</u>			
Masks and probe cards	\$ 107,757	\$ 128,960	\$ 97,923
Prepayments of equipment	19,215	-	-
Prepayment of bonuses	9,326	18,178	20,865
Long-term prepayments	<u>-</u>	<u>-</u>	<u>60,800</u>
	<u>\$ 136,298</u>	<u>\$ 147,138</u>	<u>\$ 179,588</u>

17. Loans (September 30, 2023: None)

Short-term Loans

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
<u>Unsecured loans</u>		
Loans using credit facilities	<u>\$ 50,000</u>	<u>\$ 300,000</u>

The interest rate for loans using credit facilities as of September 30, 2024, and December 31, 2023, were 2.19% and 1.60% to 1.98% respectively.

18. OTHER LIABILITIES

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
<u>Current</u>			
<u>Other payables</u>			
Payable for compensation of employees	\$ 55,567	\$ 56,502	\$ 63,970
Payable for salaries or bonuses	47,929	56,248	52,119
Payable for computer software	21,161	-	20,609
Others	<u>49,523</u>	<u>77,016</u>	<u>54,526</u>
	<u>\$ 174,180</u>	<u>\$ 189,766</u>	<u>\$ 191,224</u>
<u>Other liabilities</u>			
Receipts under custody	\$ 6,647	\$ 3,978	\$ 3,372
Temporary receipts	<u>28</u>	<u>6,239</u>	<u>15,552</u>
	<u>\$ 6,675</u>	<u>\$ 10,217</u>	<u>\$ 18,924</u>

19. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of Group's subsidiaries in China, the United States and Japan are members of retirement benefit plans operated by their respective governments. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the subsidiaries with respect to the retirement benefit plan is to make the specified contributions.

20. EQUITY

a. Share capital

1. Ordinary shares

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Shares capital authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>162,250</u>	<u>162,004</u>	<u>161,874</u>
Shares capital issued	<u>\$ 811,249</u>	<u>\$ 810,020</u>	<u>\$ 809,372</u>
Advance receipts for ordinary shares	<u>\$ 387</u>	<u>\$ 1,739</u>	<u>\$ 2,208</u>

The changes in the Company's share capital were due to the exercise of stock options by employees.

As of September 30, 2024, December 31, 2023 and September 30, 2022, the Company had 1,250, 8,500 and 9,850 units of exercised employee stock options not yet issued as new ordinary shares, respectively, with the exercise prices received amounting to NT\$387 thousand, NT\$1,739 thousand and NT\$2,208 thousand accounted for as Advance receipts for ordinary shares.

The number of shares issued for employee stock options that had not been approved by the company registration authority as of September 30, 2024, was 37,329 shares.

2. Issuance of global depositary receipts

On December 6, 2021, the Company resolved at the extraordinary shareholders' meeting to issue additional common shares by seasoned equity offering for global depositary receipts (GDRs), and on January 25, 2022, the Company issued 6,400 thousand units of GDRs on the Bourse de Luxembourg for US\$29.65 per unit, with each unit carrying two shares of the Company's common stock, for a total of 12,800 thousand shares, raising total funds of US\$189,760 thousand. The aforementioned GDRs were fully redeemed in February 2022. The relevant authorized but unissued shares is still retained to be issued at such times.

b. Capital surplus

	September 30, 2024	December 31, 2023	September 30, 2022
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Shares issued at premium	\$ 5,770,821	\$ 5,755,217	\$ 5,745,592
Exercised and invalid employee share options	204,582	197,605	194,081
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	153,042	153,042	153,042
Vested restricted shares for employees	47,595	47,595	47,595
Cash capital increase reserved for employees	467	467	467
	<u>6,176,507</u>	<u>6,153,926</u>	<u>6,140,777</u>
<u>May be used to offset a deficit only (2)</u>			
Changes in ownership interests in subsidiaries and associates accounted for using the equity method	53,429	1,089	922
<u>Not be used for any purpose</u>			
Employee share options	116,968	79,415	72,779
	<u>\$ 6,346,904</u>	<u>\$ 6,234,430</u>	<u>\$ 6,214,478</u>

1. Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to increase share capital. However, when increasing share capital, it is limited to a certain ratio of the paid-in share capital each year.

2. Changes in subsidiaries' ownership interests recognized using the equity method shall only be used to offset a deficit. No other use is allowed.

c. Retained earnings and dividend policy

Under the Company's dividend policy in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. If such surplus earning is distributed in the form of cash, it shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. For the policies on distribution of employees' compensation and remuneration of directors, refer to Note 22(c) on employees' compensation and remuneration of directors.

Considering the Company's environment and growth stage, dividends may be distributed in cash or in shares in response to the future demand for funds and long-term financial plan. Among them, the proportion of cash dividends shall not be less than 20% of the dividends distributed to shareholders.

The aforesaid proportion of dividend distribution may be adjusted according to the Company's earnings and available funds for the year upon resolution of the shareholders meeting.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Legal reserve	\$ 144,497	\$ 194,170
Special reserve (reversal)	(\$ 107)	\$ 450
Cash dividends	\$ 1,135,107	\$ 1,132,458
Dividends per share (NT\$)	\$ 7.0	\$ 7.0

The aforementioned cash dividends were resolved by the board of directors on March 1, 2024, and February 24, 2023, respectively. Other profit distribution items were also resolved in the regular shareholders' meetings on May 27, 2024, and May 29, 2023, respectively.

Due to the execution of employee stock options, the actual distributed cash dividends per share for the fiscal years 2023 and 2022 were adjusted to NT\$6.99765854 and NT\$6.99660505, respectively.

21. REVENUE

	<u>For the Three Months Ended September 30, 2024</u>	<u>For the Three Months Ended September 30, 2023</u>	<u>For the Nine Months Ended September 30, 2024</u>	<u>For the Nine Months Ended September 30, 2023</u>
Revenue from contracts with customers				
Revenue from the sale of goods	\$ 1,229,228	\$ 1,175,299	\$ 2,767,370	\$ 2,800,465
Revenue from the rendering of services	8,911	42,166	151,503	153,977
Revenue from licensing	25,717	12,719	25,717	89,247
Other income	<u>10,442</u>	<u>9,366</u>	<u>22,410</u>	<u>20,256</u>
	<u>\$ 1,274,298</u>	<u>\$ 1,239,550</u>	<u>\$ 2,967,000</u>	<u>\$ 3,063,945</u>

a. Contract information

1. Revenue from the sale of goods

Sales revenue from goods comes from the sale of integrated circuit products. As the integrated circuit products have a fixed price and usage rights by the customers at the time of trade conditions fulfillment, and the customers bear the main responsibility for resale and the risk of the goods becoming obsolete, the consolidated company recognizes revenue and accounts receivable at that point. Prepayments from goods sales are recognized as contract liabilities before the products arrive.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2. Revenue from the rendering of services

Revenue from services is derived from the purchase of wafers and the provision of design and development services.

With respect to wafer purchase services for customers, the Group does not have control over the wafers when they are transferred to customers and is not responsible for the acceptance of the wafers by customers. In addition, the Group has no commitment to purchase wafers prior to the customer's order and therefore has no inventory risk. The Group provides wafer purchase services as an agent and recognizes revenue and trade receivables on a net basis when control of the wafers is transferred to the customer with no subsequent obligation, with the remaining receivables and payables classified as other receivables and other payables for wafer purchase.

Design and development services provided by the Group are recognized on the basis of the degree of contract completion.

3. Revenue from licensing

Since the technology licensing transactions do not commit to engage in activities that change the functionality of SIP core technology and the technology can be maintained without updating or technical support, the license fee received is recognized as license revenue when the right to use SIP core is transferred.

b. Contract balances

	September 30, 2024	December 31, 2023	September 30, 2023	January 1, 2023
Trade receivables (Note 9)	<u>\$ 459,617</u>	<u>\$ 567,535</u>	<u>\$ 755,236</u>	<u>\$ 638,597</u>
Contract liabilities				
Sale of goods	<u>\$ 211,323</u>	<u>\$ 68,828</u>	<u>\$ 13,695</u>	<u>\$ 23,043</u>

The change in contract liabilities mainly comes from the difference between the timing of fulfilling performance obligations and the timing of customer payments.

22. NET INCOME

a. 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
An analysis of depreciation by function				
Operating costs	\$ 6,849	\$ 10,529	\$ 22,329	\$ 31,725
Operating expenses	<u>5,980</u>	<u>5,297</u>	<u>17,196</u>	<u>15,098</u>
	<u>\$ 12,829</u>	<u>\$ 15,826</u>	<u>\$ 39,525</u>	<u>\$ 46,823</u>
An analysis of amortization by function				
Operating costs	\$ 44	\$ 34	\$ 134	\$ 60
Operating expenses	<u>9,624</u>	<u>4,235</u>	<u>28,205</u>	<u>12,473</u>
	<u>\$ 9,668</u>	<u>\$ 4,269</u>	<u>\$ 28,339</u>	<u>\$ 12,533</u>

b. Employee benefits expense

	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
Post-employment benefits (Note 18)				
Defined contribution plans	<u>\$ 5,313</u>	<u>\$ 4,152</u>	<u>\$ 14,897</u>	<u>\$ 12,013</u>
Share-based payments				
Equity-settled	<u>14,604</u>	<u>7,883</u>	<u>44,530</u>	<u>21,394</u>
Other employee benefits				
Salary	133,855	127,395	385,338	345,203
Labor and health insurance	8,658	7,622	25,496	21,069
Others	<u>7,560</u>	<u>6,731</u>	<u>20,668</u>	<u>18,688</u>
	<u>150,073</u>	<u>141,748</u>	<u>431,502</u>	<u>384,960</u>
Total employee benefits expense	<u>\$ 169,990</u>	<u>\$ 153,783</u>	<u>\$ 490,929</u>	<u>\$ 418,367</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 13,890	\$ 13,152	\$ 42,469	\$ 36,173
Operating expenses	<u>156,100</u>	<u>140,631</u>	<u>448,460</u>	<u>382,194</u>
	<u>\$ 169,990</u>	<u>\$ 153,783</u>	<u>\$ 490,929</u>	<u>\$ 418,367</u>

c. Compensation of employees and remuneration of directors

According to the Company's Articles of Incorporation, the Company accrues employees' compensation and board directors' remuneration at the rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, employees' compensation and remuneration of directors.

The compensation of employees and the remuneration of directors for the nine months ended September 30, 2024 and 2023 were as follows:

Accrual rate	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Compensation of employees	1.22%	2.00%
Remuneration of directors	0.27%	0.29%

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 of employees	\$ 8,557	\$ 10,995	\$ 16,275	\$ 25,201
Remuneration of directors	1,200	1,200	3,600	3,600

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate and adjusted in the accounts in the following year.

The appropriation of compensation of employees and remuneration of directors for 2023 and 2022 that were resolved by the board of directors on March 1, 2024 and February 24, 2023, separately, are as shown below:

	Cash	
	2023	2022
Compensation of employees	\$ 36,057	\$ 35,191
Remuneration of directors	4,800	5,000

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2023 and 2022.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Gains or losses on foreign currency exchange

	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
Foreign exchange gains	\$ 107,965	\$ 344,033	\$ 592,295	\$ 653,980
Foreign exchange losses	(299,382)	(58,899)	(358,879)	(257,068)
Net gains (losses)	(\$ 191,417)	\$ 285,134	\$ 233,416	\$ 396,912

23. INCOME TAX

a. Income tax recognized in profit or loss:

The main components of income tax expense are as follows:

	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
Current tax				
In respect of the current period	\$ 60,843	\$ 139,904	\$ 263,432	\$ 270,861
Income tax on unappropriated earnings	-	(9,682)	8,274	4,794
In respect of prior years	-	18	(7,847)	(98,986)
Investment tax credits	(10,366)	-	(29,073)	-
	<u>50,477</u>	<u>130,240</u>	<u>234,786</u>	<u>176,669</u>
Deferred tax				
In respect of the current period	<u>19,633</u>	(<u>10,396</u>)	<u>7,951</u>	(<u>15,260</u>)
Income tax expense recognized in profit or loss:	<u>\$ 70,110</u>	<u>\$ 119,844</u>	<u>\$ 242,737</u>	<u>\$ 161,409</u>

b. Income tax assessments

The Company's up to 2021 and subsidiary CascadeTeq's up to 2022 income tax filing cases have been settled by the tax collection authorities. The subsidiary, Zentel Electronics, has been liquidated, along with its previous year's settlement filing cases that have been settled by the tax collection authorities.

24. EARNINGS PER SHARE

	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
Basic earnings per share	<u>\$ 2.08</u>	<u>\$ 3.27</u>	<u>\$ 6.63</u>	<u>\$ 6.64</u>
Diluted earnings per share	<u>\$ 2.06</u>	<u>\$ 3.24</u>	<u>\$ 6.58</u>	<u>\$ 6.59</u>

Unit: NT\$ Per Share

The earnings and weighted-average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit 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
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 336,933</u>	<u>\$ 529,596</u>	<u>\$ 1,075,784</u>	<u>\$ 1,074,850</u>

Ordinary Shares Outstanding

(In 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 ordinary shares used in the computation of basic earnings per share	162,225	161,869	162,189	161,816
Effects of potentially dilutive ordinary shares:				
Employee share options	1,025	1,287	1,176	1,245
Compensation of employees	<u>54</u>	<u>66</u>	<u>71</u>	<u>90</u>
Weighted-average number of ordinary shares used in the computation of diluted earnings per share	<u>163,304</u>	<u>163,222</u>	<u>163,436</u>	<u>163,151</u>

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25.

SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan of the Group

Grant date Approval date by board of directors	2024.06.03 2024.05.03	2024.01.01 2023.10.27	2023.12.22 2022.08.30	2023.04.28 2022.08.30	2022.12.23 2022.08.30	2022.04.29 2021.07.30	2021.03.12 2020.08.07	2020.09.26 2020.08.07	2019.12.20 2019.04.26	2019.04.26 2018.08.08	2018.11.09 2018.08.08	2017.01.25 2016.11.03
Grant unit	40,000	150,000	398,400	173,670	426,330	267,000	69,430	319,000	750,000	8,000	692,000	680,000
Exercise price (NT\$) (Notes 1 and 2)	356.5	459.5	457.5	279.5	170	251	781	333.5	83.7	43.85	44.8	81.70
Share per unit (Note 2)	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share	1 ordinary share
Granted to	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements	The Company and subsidiaries' employees who meet specific requirements
Vesting conditions (Note 3)	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%
Duration (years)	10	10	10	10	10	10	10	10	10	10	10	10

Note 1: After the issuance of employee stock options, if there is a change in the Company's common shares or the Company distributes cash dividends, the exercise price of the stock options will be adjusted according to a specified formula. If the adjustment formula necessitates a re-measurement of the exercise price and if the adjusted exercise price exceeds the pre-adjustment exercise price, the exercise price will not be adjusted.

Note 2: After the issuance of employee stock options, if the Company undergoes a change in stock par value, the exercise price of the stock options will first be adjusted according to a specified formula, followed by an adjustment to the subscription ratio. However, stock options that have already been exercised will not be retroactively adjusted. In August 2021, the Company amended its articles of incorporation as resolved in the regular meeting of shareholders, changing the par value per share from NT\$10 to NT\$5, and completed the related conversion in October 2021. This resulted in the exercise price per share of stock options granted before October 2021 being adjusted to 50% of the original exercise price, with the number of shares each option could purchase adjusted from 1 share to 2 shares

Note 3: Calculated from the date the employee stock options were granted.

Information about employee share options was as follows:

Employee share options	For the Nine Months Ended September 30, 2024		For the Nine Months Ended September 30, 2023	
	Number of Options (Units)	Weighted-average Exercise Price (NT\$)	Number of Options (Units)	Weighted-average Exercise Price (NT\$)
Balance at January 1	1,942,348	\$ 257.72	1,754,073	\$ 188.65
Options granted	190,000	437.82	173,670	273.70
Options exercised	(126,323)	133.25	(158,600)	95.86
Options expired	(101,278)	284.93	(154,410)	174.08
Balance at September 30	<u>1,904,747</u>	<u>276.74</u>	<u>1,614,733</u>	<u>204.24</u>
Options exercisable, end of period	<u>427,635</u>	<u>201.73</u>	<u>267,363</u>	<u>215.55</u>

For the stock options executed by the Company from January 1 to September 30 in 2024 and 2023, the weighted average stock prices on the execution date were 446.7 and 245.42, respectively.

Information about outstanding options was as follows:

September 30, 2024			December 31, 2023			September 30, 2023		
Issue Date	Exercise Price (NT\$/unit)	Weighted Average Remaining Contractual Life (Years)	Issue Date	Exercise Price (NT\$/unit)	Weighted Average Remaining Contractual Life (Years)	Issue Date	Exercise Price (NT\$/unit)	Weighted Average Remaining Contractual Life (Years)
2018.11.09	\$ 41.60	4.11	2018.11.09	\$ 42.40	4.86	2018.11.09	\$ 42.40	5.12
2019.04.26	40.60	4.57	2019.04.26	41.40	5.32	2019.04.26	41.40	5.58
2019.12.20	77.60	5.22	2019.12.20	79.20	5.98	2019.12.20	79.20	6.23
2020.09.26	309.80	5.99	2020.09.26	316.00	6.74	2020.09.26	316.00	6.99
2021.03.12	725.00	6.45	2021.03.12	739.60	7.20	2021.03.12	739.60	7.45
2022.04.29	236.20	7.58	2022.04.29	240.90	8.33	2022.04.29	240.90	8.59
2022.12.23	163.20	8.24	2022.12.23	166.50	8.99	2022.12.23	166.50	9.24
2023.04.28	268.30	8.58	2023.04.28	273.70	9.33	2023.04.28	273.70	9.58
2023.12.22	448.50	9.23	2023.12.22	457.50	9.98			
2024.01.01	450.50	9.26						
2024.06.03	349.50	9.68						

Options granted in June 2024, January 2024, December 2023 and April 2023 were priced by using the binomial pricing model, and the inputs to the model were as follows:

Year of Offering	June 2024	January 2024	December 2023	April 2023
Fair value per option - grant date	NT\$135.33~\$191.37	NT\$181.15~\$245.51	NT\$180.44~\$247.78	NT\$105.05~\$151.06
Exercise price	NT\$356.50	NT\$459.50	NT\$457.50	NT\$279.50
Expected volatility	61.73%~65.59%	61.98%~66.26%	61.98%~66.32%	63.00%~65.36%
Expected life	6~7.5 years	6~7.5 years	6~7.5 years	6~7.5 years
Expected dividend yield	-	-	-	-
Risk-free interest rate	1.53%~1.57%	1.20%~1.21%	1.18%~1.20%	1.11%~1.14%

The expected volatility is calculated based on the historical stock price volatility of similar companies. The Company assumes that employees will exercise their stock options at the midpoint between the vesting period end and the expiration date of the options.

For the three months ended September 30, 2024, and 2023, the recognized compensation costs were \$14,604 thousands and \$7,883 thousands respectively. For the Nine months ended September 30, 2024, and 2023, the recognized compensation costs were \$44,530 thousands and \$21,394 thousands respectively.

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of equity of the Group (comprising share capital, capital surplus, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Management regularly reviews the Group's capital structure and considers the costs and risks of different capital structures. In general, the Group has a prudent risk management strategy.

27. FINANCIAL INSTRUMENTS

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

Management believed the carrying amounts of financial assets and financial liabilities not measured at fair value in the consolidated financial statements approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

September 30, 2024

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Investments in equity instruments	\$ -	\$ -	\$ 546,376	\$ 546,376

December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Investments in equity instruments	\$ 766,000	\$ -	\$ 373,267	\$ 1,139,267

September 30, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Investments in equity instruments	\$ 4,475	\$ -	\$ 254,507	\$ 258,982

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the Nine Months Ended September 30, 2024

<u>Financial Assets</u>	<u>Financial Assets at FVTPL Equity Instruments</u>
Balance at January 1, 2024	\$ 373,267
Acquisition	47,475
Recognized in profit or loss	125,634
Balance at September 30, 2024	<u>\$ 546,376</u>
Unrealized gain for the current year included in profit or loss relating to assets held at the end of the period	<u>\$ 125,634</u>

For the Nine Months Ended September 30, 2023

<u>Financial Assets</u>	<u>Financial Assets at FVTPL Equity Instruments</u>
Balance at January 1, 2023	\$ 250,639
Recognized in profit or loss	3,868
Balance at September 30, 2023	<u>\$ 254,507</u>
Unrealized gain for the current year included in profit or loss relating to assets held at the end of the period	<u>\$ 3,868</u>

3) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Unlisted company stock - domestic and foreign	<p>a) Fair values are estimated using the market approach, with reference to the company's valuation of similar companies and recent financing activities.</p> <p>b) Fair values are estimated using asset-based approach, with reference to the investee's net assets and business operation.</p> <p>c) Fair values are estimated using transaction prices from inactive markets within the past six months.</p>

c. Categories of financial instruments

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Financial assets</u>			
Financial assets at FVTPL			
Investments in equity instruments	\$ 546,376	\$ 1,139,267	\$ 258,982
Assets measured at amortized cost (Note 1)	9,367,810	9,932,611	10,008,982
<u>Financial liabilities</u>			
Assets measured at amortized cost (Note 2)	579,043	760,952	425,859

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, trade receivables, other receivables (excluding tax receivable), and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, accounts payable, other payables and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, trade receivables, other receivables, refundable deposits, accounts payables, other payables, lease liabilities, and guarantee deposits. The Group's financial management department provides services to the business unit and coordinates, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price risk (see (c) below).

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

Several subsidiaries of the Group have foreign currency denominated sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the period are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency-denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit associated with the functional currency strengthening 5% against the relevant currency. For a 5% weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD Impact	
	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
profit and loss (i)	\$ 382,961	\$ 400,312

(i) Mainly derived from the consolidated company's US dollar-denominated bank deposits, time deposits, accounts receivable, other receivables, accounts payable, and other payables that are still circulating in the market and have not undergone cash flow hedging as of the balance sheet date.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Fair value interest rate risk			
Financial assets	\$ 8,038,847	\$ 8,504,950	\$ 8,245,298
Financial liabilities	71,446	335,857	35,803
Cash flow interest rate risk			
Financial assets	387,446	368,627	508,788

Sensitivity analysis

The sensitivity analysis of interest rate risk was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of each asset and liability outstanding at the end of the period was outstanding for the whole period. Had interest rates been 50 basis points higher and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2024 and 2023 would have increased by \$1,453 thousand and \$1,908 thousand, respectively, which was mainly attributable to the Group's exposure to interest rate changes on its variable-rate bank deposits.

c) Other price risk

The price risk of financial assets measured at fair value through profit or loss for the consolidated company from January 1 to September 30 in 2024 and 2023 mainly comes from the beneficiary certificate and equity instrument investments.

Sensitivity analysis

The sensitivity analysis below was determined based on the equity price at the end of the period.

If equity prices increase/decrease by 5%, the consolidated company's income before income tax for the nine months ended September 30, 2024, and 2023 will increase/decrease by \$27,319 thousand and \$12,949 thousand, respectively, due to the increase/decrease in the fair value of financial assets measured at fair value through profit or loss.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to the failure of the counterparty to discharge an obligation approximates the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk of the Consolidated Company is primarily concentrated on a few customers. As of September 30, 2024, December 31, 2023, and September 30, 2023, the accounts receivable balances exceeding 10% of the total are summarized as follows:

	<u>September 30, 2024</u>
Customer A	\$ 150,725
Customer B	67,197
Customer G	<u>50,713</u>
	<u>\$ 268,635</u>
	<u>December 31, 2023</u>
Customer D	\$ 181,366
Customer A	<u>160,633</u>
	<u>\$ 341,999</u>
	<u>September 30, 2023</u>
Customer A	\$ 326,002
Customer D	<u>120,753</u>
	<u>\$ 446,755</u>

To mitigate credit risk, the management of the Consolidated Company has assigned a dedicated team responsible for deciding on credit limits, approving credit, and other monitoring procedures to ensure that appropriate actions are

taken for the recovery of overdue receivables. Moreover, at the balance sheet date, the Consolidated Company reviews the recoverability of receivables to ensure that appropriate impairment losses are recognized for irrecoverable amounts. Based on this, the management of the Consolidated Company believes that the credit risk has been significantly reduced.

3) Liquidity risk

The Group's objectives of managing liquidity risk are to ensure that it has sufficient liquidity to continue operating in the following 12 months. The Group has maintained a level of cash and cash equivalents deemed adequate to finance its operations. The Group also adopted a series of control measures with respect to change in cash flow, net cash balance and major capital expenditure in order to know its available line of credit and to ensure its compliance with loan contract terms.

For the Group, bank loan is a significant source of liquidity. With respect to the Group's available line of credit, please refer to "(b) Line of credit" as follows:

a) Liquidity and interest rate risk tables

The following tables show the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The tables had been drawn up on the basis of the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

September 30, 2024

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Non-interest bearing	-	\$ 511,855	\$ 15,188	\$ -	\$ -
Lease liabilities	2.74%	3,440	7,774	10,848	-
Fixed rate instrument	2.19%	50,091	-	-	-
		<u>\$ 565,386</u>	<u>\$ 22,962</u>	<u>\$ 10,848</u>	<u>\$ -</u>

December 31, 2023

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Non-interest bearing	-	\$ 416,151	\$ 28,801	\$ -	\$ -
Lease liabilities	2.26%	16,693	9,619	10,114	-
Fixed rate instrument	1.81%	300,496	-	-	-
		<u>\$ 733,340</u>	<u>\$ 38,420</u>	<u>\$ 10,114</u>	<u>\$ -</u>

September 30, 2023

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Non-interest bearing	-	\$ 321,092	\$ 88,767	\$ -	\$ -
Lease liabilities	2.17%	22,679	11,463	1,965	-
		<u>\$ 343,771</u>	<u>\$ 100,230</u>	<u>\$ 1,965</u>	<u>\$ -</u>

(2) Financing facilities

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Bank loan facilities			
Amount used	\$ 50,000	\$ 300,000	\$ -
Amount unused	742,173	610,575	1,084,050
	<u>\$ 792,173</u>	<u>\$ 910,575</u>	<u>\$ 1,084,050</u>

The operating capital and financing amount of the Consolidated Company are sufficient to support operational needs, thus there is no liquidity risk arising from the inability to raise funds to fulfill contractual obligations.

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries which are related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and its related parties are disclosed below.

a. Related parties and their relationships

Related Party	Relationship
Lyontek ONECENT TECHNOLOGY (SINGAPORE) PTE.	Associate Subsidiary of associates

b. Operating revenue

Line Item	Related Party Category/Name	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
Sales revenue	Associate	\$ 1,069	\$ 4,375	\$ 3,706	\$ 6,358
Service revenue	Subsidiary of associates	\$ -	\$ -	\$ -	\$ 1

Sales transactions between the Company and related parties are based on mutually agreed prices, and the collection period is comparable to general customers.

c. Receivables

Line Item	Related Party Category/Name	September 30, 2024	December 31, 2023	September 30, 2023
Trade receivables	Associate	\$ 1,113	\$ -	\$ 4,662

d. Compensation of key management personnel

	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	\$ 14,094	\$ 15,949	\$ 39,832	\$ 36,124
Post-employment benefits	81	81	243	243
Share-based payments	6,910	2,241	19,872	6,166
	<u>\$ 21,085</u>	<u>\$ 18,271</u>	<u>\$ 59,947</u>	<u>\$ 42,533</u>

The remuneration of board directors and salaries of other key management personnel are decided by remuneration and compensation committee based on individual performance and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets have been provided as collateral for customs duties on imported raw materials:

	September 30, 2024	December 31, 2023	September 30, 2023
Pledged deposits (classified as financial assets at amortized cost)	\$ 2,819	\$ 2,819	\$ 2,782

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of the balance sheet date were as follows:

Significant commitments

The Group entered into long-term purchase agreement of materials with its supplier in October 2021, which covers the period from October 2021 to December 2024. The Group provided \$443,440 thousand as the deposit for the purchase. The relative minimum purchase quantity per month and the compensation for shortfall in non-compliance purchases are specified in the agreements. Considering the current transaction patterns and actual transactions with suppliers, the Group assesses that there is no significant possibility of compensation, and therefore the related contracts do not have a significant impact on financial and operations.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

In Thousands of New Taiwan Dollars and Foreign Currencies

September 30, 2024

	Foreign Currencies	Exchange Rates	Book Value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 256,256	31.650(USD:NTD)	\$ 8,110,560
USD	2,156	6.998(USD:RMB)	68,218
			<u>\$ 8,178,778</u>
<u>Non-monetary items</u>			
Investments in equity instruments at FVTPL			
RMB	110,303	4.523(RMB:NTD)	<u>\$ 498,901</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	12,423	31.650 (USD:NTD)	\$ 393,206
USD	3,992	6.998 (USD:RMB)	126,355
			<u>\$ 519,561</u>

December 31, 2023

	Foreign Currencies	Exchange Rates	Book Value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 260,367	30.705 (USD:NTD)	\$ 7,994,579
USD	765	7.0961(USD:RMB)	23,490
			<u>\$ 8,018,069</u>
<u>Non-monetary items</u>			
Investments in equity instruments at FVTPL			
RMB	86,265	4.327(RMB:NTD)	<u>\$ 373,267</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	9,510	30.705 (USD:NTD)	\$ 291,987
USD	1,177	7.0961 (USD:RMB)	36,127
			<u>\$ 328,114</u>

September 30, 2023

	Foreign Currencies	Exchange Rates	Book Value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 257,209	32.27 (USD:NTD)	\$ 8,300,124
USD	149	7.3092 (USD:RMB)	4,802
			<u>\$ 8,304,926</u>
<u>Non-monetary items</u>			
Investments in equity instruments at FVTPL			
RMB	57,188	4.415 (RMB:NTD)	<u>\$ 252,487</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	8,220	32.27 (USD:NTD)	\$ 265,218
USD	1,037	7.3092 (USD:RMB)	33,470
JPY	65,236	0.2162 (JPY:NTD)	14,104
			<u>\$ 312,792</u>

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	For the Three Months Ended September 30, 2024		For the Three Months Ended September 30, 2023	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	31.301 (USD:NTD)	(\$ 193,793)	31.684 (USD:NTD)	\$ 286,238
USD	7.1720 (USD:RMB)	2,439	7.1730 (USD:RMB)	(2,027)
Others		(63)		923
		<u>(\$ 191,417)</u>		<u>\$ 285,134</u>

Foreign Currency	For the Nine Months Ended September 30, 2024		For the Nine Months Ended September 30, 2023	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	32.034 (USD:NTD)	\$ 237,896	30.550 (USD:NTD)	\$ 400,923
USD	7.2100 (USD:RMB)	(4,509)	6.9306 (USD:RMB)	(4,915)
Others		92		904
		<u>\$ 233,416</u>		<u>\$ 396,912</u>

32. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and b. Information on investees:
1. Financing provided to others. (None)
 2. Endorsements/guarantees provided. (None)
 3. Marketable securities held (excluding investments in subsidiaries). (Table 1)
 4. Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 5. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
 6. Disposal of individual real estate at prices 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. (Table 2)
 8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
 9. Trading in derivative instruments. (None)
 10. Other: Intercompany relationships and significant intercompany transactions. (Table 4)
 11. Information of investees. (Table 5)
- c. Information on investments in mainland China:
1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)
 2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 4)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds. (None)
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services. (Table 4)
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 7)

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker is for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments were as follows:

IoT business unit - Design, sales, and licensing of customized memory

AI business unit - Design, sales, and licensing of heterogeneous integrated chip solutions

- a. Segment revenue and results

The consolidated company's revenue and operating results according to the reportable segments are as follows:

For the Nine Months Ended September 30, 2024

	<u>IOT</u>	<u>AI</u>	<u>Total</u>
Segment revenue	\$ 2,428,362	\$ 538,638	\$ 2,967,000
Segment costs	(1,198,629)	(275,129)	(1,473,758)
Segment income	<u>\$ 1,229,733</u>	<u>\$ 263,509</u>	1,493,242
Operating expenses			(778,412)
Profit from operations			714,830
Other operating income and expenses			<u>603,691</u>
Profit before tax			<u>\$ 1,318,521</u>

For the Nine Months Ended September 30, 2023

	<u>IOT</u>	<u>AI</u>	<u>Total</u>
Segment revenue	\$ 2,836,843	\$ 227,102	\$ 3,063,945
Segment costs	(1,741,944)	(76,031)	(1,817,975)
Segment income	<u>\$ 1,094,899</u>	<u>\$ 151,071</u>	1,245,970
Operating expenses			(676,722)
Profit from operations			569,248
Other operating income and expenses			<u>667,011</u>
Profit before tax			<u>\$ 1,236,259</u>

- b. Revenue from major products and service
Refer to Note 21.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
MARKETABLE SECURITIES HELD

September 30, 2024

TABLE 1

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type/Name and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2024				Note
				Shares or Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
AP Memory Technology Corporation	Unlisted shares Haining Changmeng Technology Partnership Enterprise (Limited Partnership)	—	Financial assets at FVTPL - non-current	-	\$ 498,901	24.64%	\$ 498,901	
	GeneASIC Technologies Corporation	—	Financial assets at FVTPL - non-current	500,000	-	11.74%	-	
Apware Technology Corp.	Simple agreement for future equity PowerLattice Technologies Incorporated	—	Financial assets at FVTPL - non-current	-	\$ 47,475	not applicable	\$ 47,475	

Note: Refer to Tables 5 and 6 for information about subsidiaries and associates.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

For the Nine Months Ended September 30, 2024

TABLE 2

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note
			Purchase (Sale)	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsiidiary	Sale	(\$ 598,456)	(20.12%)	Net 90 days after monthly closing	\$ -	—	\$ 226,769	46.34%	Note 2
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Co. Limited	Subsidiary	Sale	(488,422)	(16.42%)	Net 60 days after monthly closing	-	—	126,355	25.82%	Note 2

Note 1: The Company's transactions with AP Memory Technology (Hong Kong) Co. Limited are carried out in accordance with the price and conditions agreed upon by both parties.

Note 2: All amounts have been eliminated while preparing the consolidated financial statements.

Note 3: Paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value per share is not NT\$10, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES

Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital.

As of September 30, 2024

TABLE 3

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationships	Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	\$ 226,769	4.10	\$ -	-	\$ 65,498	\$ -
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Co. Limited	Subsidiary	126,355	8.02	-	-	-	-

Note 1: All amounts have been eliminated while preparing the consolidated financial statements.

Note 2: Paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value per share is not NT\$10, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

For the Nine Months Ended September 30, 2024

TABLE 4

(In Thousands of New Taiwan Dollars)

Number (Note 1)	Company Name	Counterparty	Flow of Transaction (Note 2)	Transaction Details			
				Account	Amount (Note 4)	Transaction Terms	Percentage of Transaction Amount to Consolidated Operating Revenue or Total Assets (Note 3)
0	AP Memory Technology Corporation	AP Memory Corp, USA	(a)	Research and development expenses	\$ 44,398	Note 5	1.5%
0	AP Memory Technology Corporation	AP Memory Corp, USA	(a)	Other payables	9,495	Note 5	0.08%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Co. Limited	(a)	Operating revenue	488,422	Note 5	16.46%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Co. Limited	(a)	Trade receivables	126,355	Note 5	1.02%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(a)	Operating revenue	598,456	Note 5	20.17%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(a)	Trade receivables	226,769	Note 5	1.83%
0	AP Memory Technology Corporation	VIVR Corporation	(a)	Research and development expenses	13,643	Note 5	0.46%
0	AP Memory Technology Corporation	CascadeTeq Inc.	(a)	Operating revenue	1,914	Note 5	0.06%
0	AP Memory Technology Corporation	CascadeTeq Inc.	(a)	Trade receivables	789	Note 5	0.01%
1	AP Memory Technology (Hangzhou) Co. Limited	AP Memory Technology (Hong Kong) Co. Limited	(c)	Service revenue	66,316	Note 5	2.24%
1	AP Memory Technology (Hangzhou) Co. Limited	AP Memory Technology (Hong Kong) Co. Limited.	(c)	Trade receivables	19,678	Note 5	0.16%

Note 1: The transactions between the parent company and subsidiaries should be identified in the numbering column. The parent company and subsidiaries are numbered as follows:

- a. Parent company: 0.
- b. Subsidiaries are numbered in an order starting from 1.

Note 2: The directional flow of the transactions are represented by the following numerals:

- a. From parent company to subsidiary.
- b. From subsidiary to parent company.
- c. Between subsidiaries.

Note 3: The accounts in the consolidated balance sheets and those in the consolidated statements of comprehensive income were based on the Company's consolidated total assets and total gross sales, respectively.

Note 4: Intercompany balances and transactions were eliminated upon consolidation.

Note 5: For the intercompany transactions, prices and terms were based on mutual agreements.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTEEES
For the Nine Months Ended September 30, 2024

TABLE 5

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2024			Net (Loss) Income of the Investee (Note 2)	Share of (Loss) Profit (Note 2 and 3)	Note
				September 30, 2024	December 31, 2023	Number of Shares	Percentage of Ownership (%)	Carrying Amount (Note 1 and 3)			
AP Memory Technology Corporation	AP Memory Corp, USA	Suite 251,BG Plaza,3800 S.W. Cedar Hills Blvd, Beaverton OR. 97005, USA	IC design and development services	\$ 60,521 (USD 2,000,000)	\$ 60,521 (USD 2,000,000)	2,000,000	100%	\$ 28,970	(\$ 6,919) (USD -215,978)	(\$ 6,919)	Subsidiary
	Lyontek Inc.	No. 17, Industry East 2nd Road, East District, Hsinchu City	IC design and sales	75,060	75,060	3,600,000	30%	91,192	37,348	11,205	Associate
	APware Technology Corp.	Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, Cayman Islands	Investment activities	50,207 (USD 1,549,846)	-	10,000	100%	48,506	(553) (USD -17,272)	(553)	Subsidiary
	ONECENT TECHNOLOGY LTD.	4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands	Design, development, and sales of wireless radio frequency identification systems	64,027 (USD 2,064,994)	33,771 (USD 1,128,000)	7,347,974	28%	72,446	(33,051) (USD -1,031,755)	(9,336)	Associate
	VIVR Corporation	Suite W 100 North Howard Street, Spokane Washington, 99201, US	IC design, development, and sales	32,140 (USD 1,000,000)	32,140 (USD 1,000,000)	1,000,000	100%	23,277	(7,275) (USD -227,104)	(7,275)	Subsidiary
	CascadeTeq Inc.	8F.-5, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	IC sales	10,000	5,000	1,000,000	100%	3,756	(2,366)	(2,366)	Subsidiary
	M3 Technology Inc.	9F., No. 36, Aly. 38, Ln. 358, Ruiguang Rd., Neihu Dist., Taipei City	IC design, development, and sales	500,000	-	4,000,000	9.35%	721,905	77,156	7,229	Subsidiary
AP Memory Technology (Hangzhou) Co. Limited	AP Memory Technology (Hong Kong) Co. Limited	Rm.19C,Lockhart Ctr.,301-307 Lockhart Rd.,Wan Chai, Hong Kong.	IC sales	275 (USD 10,000)	275 (USD 10,000)	10,000	100%	8,241	3,831 (USD 119,600)	3,831	Subsidiary

Note 1: Translation was based on the exchange rate at September 30, 2024.

Note 2: Translation was based on the average exchange rate for the nine months ended September 30, 2024.

Note 3: Apart from Lyontek Inc. and ONECENT TECHNOLOGY LTD., the amounts were recognized based on the reviewed financial statements for the same period.

AP MEMORY TECHNOLOGY CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
For the Nine Months Ended September 30, 2024

TABLE 6

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2024	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2024 (Note 1)	Net Income (Loss) of the Investee (Note 3)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3 and 5)	Carrying Amount as of September 30, 2024 (Note 4 and 5)	Accumulated Inward Remittance of Earnings as of September 30, 2024
					Outward	Inward						
AP Memory Technology (Hangzhou) Co. Limited	IC design, development, and sales	\$ 58,009 (USD 2,000,000)	Note 2	\$ 58,009 (USD 2,000,000)	\$ -	\$ -	\$ 58,009 (USD 2,000,000)	\$ 55,886 (RMB 12,578,356)	100%	\$ 55,886	\$ 158,258	\$ -

Accumulated Investments in Mainland China as of September 30, 2024	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 58,009 (USD 2,000,000)	\$ 58,009 (USD 2,000,000)	\$ 6,828,311 (Note 6)

Note 1: The calculation is based on the original investment costs.

Note 2: A direct investment to AP Memory Technology (Hangzhou) Limited Co. by AP Memory Technology Corporation.

Note 3: Translation was based on the exchange rate for the nine months ended September 30, 2024.

Note 4: Translation was based on the exchange rate at September 30, 2024.

Note 5: The amount was recognized based on the reviewed financial statements prepared for the same period.

Note 6: The calculation is made based on 60% of the Company's net value at September 30, 2024, in accordance with Letter No. 09704604680 issued by the Ministry of Economic Affairs.

Note 7: Intercompany balances and transactions were eliminated upon consolidation.

AP MEMORY TECHNOLOGY CORPORATION
INFORMATION OF MAJOR SHAREHOLDERS

September 30, 2024

TABLE 7

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Shanyi Investment Co., Ltd.	26,706,668	16.46%

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of differences in the basis of preparation.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the Market Observation Post System website of the TWSE.