

EZconn Corporation and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2024 and 2023 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
EZconn Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of EZconn Corporation and its subsidiaries (collectively, the “Group”) as of March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chun-Hung Chen and Cheng-Hisu Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 8, 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 applied in the Republic of China.

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

EZCONN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 928,501	24	\$ 1,000,415	30	\$ 688,383	21
Financial assets at amortized cost - current (Note 8)	98,187	3	94,271	3	215,890	7
Notes receivable (Note 9)	5,466	-	5,246	-	3,045	-
Trade receivables from unrelated parties (Note 9)	438,623	12	440,962	13	664,310	21
Other receivables from unrelated parties (Note 9)	33,640	1	17,102	1	19,144	1
Inventories (Note 10)	814,834	21	602,362	18	693,827	22
Prepayments (Note 29)	40,270	1	44,544	1	16,362	-
Other current assets	3,700	-	4,336	-	5,785	-
Total current assets	2,363,221	62	2,209,238	66	2,306,746	72
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 7)	111,436	3	89,386	3	24,094	1
Financial assets at amortized cost - non-current (Notes 8 and 30)	3,309	-	2,309	-	2,284	-
Investments accounted for using the equity method (Note 12)	37,422	1	39,900	1	53,223	2
Property, plant and equipment (Notes 13 and 30)	1,107,483	29	556,492	17	596,603	18
Right-of-use assets (Note 14)	34,219	1	33,649	1	92,678	3
Intangible assets (Note 15)	7,584	-	7,591	-	9,197	-
Deferred tax assets (Notes 4 and 24)	137,155	4	125,218	4	122,252	4
Prepayments for equipment	1,493	-	988	-	1,848	-
Refundable deposits	1,368	-	3,046	-	3,126	-
Prepayments for building and land (Note 13)	-	-	280,000	8	-	-
Total non-current assets	1,441,469	38	1,138,579	34	905,305	28
TOTAL	\$ 3,804,690	100	\$ 3,347,817	100	\$ 3,212,051	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 16)	\$ 250,000	7	\$ 330,000	10	\$ 330,000	10
Notes payable (Note 17)	152,693	4	6	-	8,838	-
Trade payables to unrelated parties (Note 17)	171,603	5	187,396	6	153,377	5
Trade payables to related parties (Note 29)	271	-	-	-	2,250	-
Other payables (Note 18)	268,113	7	388,197	12	335,265	11
Current tax liabilities (Notes 4 and 24)	87,720	2	45,840	1	72,797	2
Provisions - current (Note 19)	-	-	-	-	8,055	-
Lease liabilities - current (Note 14)	7,575	-	8,090	-	14,482	1
Current portion of long-term borrowings (Notes 16 and 30)	-	-	12,000	-	12,000	-
Other current liabilities (Note 18)	61,606	2	62,742	2	62,460	2
Total current liabilities	999,581	27	1,034,271	31	999,524	31
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 16 and 30)	-	-	206,000	6	218,000	7
Deferred tax liabilities (Notes 4 and 24)	19,040	1	7,906	-	26,982	1
Lease liabilities - non-current (Note 14)	6,459	-	6,113	-	58,962	2
Net defined benefit liabilities (Notes 4 and 20)	12,900	-	33,545	1	43,116	1
Other non-current liabilities	9,383	-	9,256	1	9,744	-
Total non-current liabilities	47,782	1	262,820	8	356,804	11
Total liabilities	1,047,363	28	1,297,091	39	1,356,328	42
EQUITY (Note 21)						
Ordinary shares	756,000	20	663,000	20	663,000	21
Capital surplus	685,055	18	225,635	7	225,625	7
Retained earnings						
Legal reserve	276,278	7	276,278	8	243,893	7
Special reserve	117,072	3	117,072	4	117,072	4
Unappropriated earnings	969,122	26	850,197	25	713,592	22
Total retained earnings	1,362,472	36	1,243,547	37	1,074,557	33
Other equity	(46,200)	(2)	(81,456)	(3)	(107,459)	(3)
Total equity	2,757,327	72	2,050,726	61	1,855,723	58
TOTAL	\$ 3,804,690	100	\$ 3,347,817	100	\$ 3,212,051	100

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

EZCONN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
NET REVENUE (Note 22)	\$ 826,319	100	\$ 632,221	100
COST OF REVENUE (Notes 10, 20, 23 and 29)	<u>420,285</u>	<u>51</u>	<u>465,070</u>	<u>73</u>
GROSS PROFIT	<u>406,034</u>	<u>49</u>	<u>167,151</u>	<u>27</u>
OPERATING EXPENSES (Notes 9, 20, and 23)				
Selling and marketing expenses	164,063	20	71,039	11
General and administrative expenses	96,423	11	46,557	8
Research and development expenses	24,139	3	25,175	4
Expected credit (gain) loss	<u>(11)</u>	<u>-</u>	<u>4</u>	<u>-</u>
Total operating expenses	<u>284,614</u>	<u>34</u>	<u>142,775</u>	<u>23</u>
PROFIT FROM OPERATIONS	<u>121,420</u>	<u>15</u>	<u>24,376</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Note 23)				
Interest income	7,524	1	3,756	1
Other income	156	-	75	-
Other gains and losses	35,814	4	(16,350)	(3)
Finance costs	(3,662)	-	(3,177)	-
Share of loss of associates accounted for using the equity method	<u>(2,478)</u>	<u>-</u>	<u>(3,190)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>37,354</u>	<u>5</u>	<u>(18,886)</u>	<u>(3)</u>
PROFIT BEFORE INCOME TAX	158,774	20	5,490	1
INCOME TAX EXPENSE (Notes 4 and 24)	<u>39,849</u>	<u>5</u>	<u>1,973</u>	<u>1</u>
NET INCOME	<u>118,925</u>	<u>15</u>	<u>3,517</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	12,050	1	(5,983)	(1)
Income tax related to items that will not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>26</u>	<u>-</u>
	<u>12,050</u>	<u>1</u>	<u>(5,957)</u>	<u>(1)</u>

(Continued)

EZCONN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ 29,008	4	\$ 6,427	1
Income tax related to items that may be reclassified subsequently to profit or loss	<u>(5,802)</u>	<u>(1)</u>	<u>(1,285)</u>	<u>-</u>
	<u>23,206</u>	<u>3</u>	<u>5,142</u>	<u>1</u>
Other comprehensive (loss) income for the period, net of income tax	<u>35,256</u>	<u>4</u>	<u>(815)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 154,181</u>	<u>19</u>	<u>\$ 2,702</u>	<u>-</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 1.72</u>		<u>\$ 0.05</u>	
Diluted	<u>\$ 1.72</u>		<u>\$ 0.05</u>	

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

(Concluded)

EZCONN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

								Other Equity (Note 21)			Treasury Shares (Note 21)	Total Equity
	Share Capital (Note 21)		Capital Surplus (Note 21)	Retained Earnings (Note 21)				Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Comprehensive Income	Total		
	Share (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total					
BALANCE AT JANUARY 1, 2023	69,300	\$ 693,000	\$ 234,872	\$ 243,893	\$ 117,072	\$ 920,911	\$ 1,281,876	\$ (88,935)	\$ (17,709)	\$ (106,644)	\$ (110,853)	\$ 1,992,251
Cancellation of treasury shares	(3,000)	(30,000)	(9,247)	-	-	(71,606)	(71,606)	-	-	-	110,853	-
Appropriation of 2022 earnings												
Cash dividends distributed by the Company	-	-	-	-	-	(139,230)	(139,230)	-	-	-	-	(139,230)
Net profit for the three months ended March 31, 2023	-	-	-	-	-	3,517	3,517	-	-	-	-	3,517
Other comprehensive income (loss) for the three months ended March 31, 2023, net of income tax	-	-	-	-	-	-	-	5,142	(5,957)	(815)	-	(815)
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	-	3,517	3,517	5,142	(5,957)	(815)	-	2,702
BALANCE AT MARCH 31, 2023	66,300	\$ 663,000	\$ 225,625	\$ 243,893	\$ 117,072	\$ 713,592	\$ 1,074,557	\$ (83,793)	\$ (23,666)	\$ (107,459)	\$ -	\$ 1,855,723
BALANCE AT JANUARY 1, 2024	66,300	\$ 663,000	\$ 225,635	\$ 276,278	\$ 117,072	\$ 850,197	\$ 1,243,547	\$ (97,004)	\$ 15,548	\$ (81,456)	\$ -	\$ 2,050,726
Issuance of ordinary shares for cash	9,300	93,000	459,420	-	-	-	-	-	-	-	-	552,420
Net profit for the three months ended March 31, 2024	-	-	-	-	-	118,925	118,925	-	-	-	-	118,925
Other comprehensive income for the three months ended March 31, 2024, net of income tax	-	-	-	-	-	-	-	23,206	12,050	35,256	-	35,256
Total comprehensive income for the three months ended March 31, 2024	-	-	-	-	-	118,925	118,925	23,206	12,050	35,256	-	154,181
BALANCE AT MARCH 31, 2024	75,600	\$ 756,000	\$ 685,055	\$ 276,278	\$ 117,072	\$ 969,122	\$ 1,362,472	\$ (73,798)	\$ 27,598	\$ (46,200)	\$ -	\$ 2,757,327

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

EZCONN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 158,774	\$ 5,490
Adjustments for:		
Depreciation expenses	19,998	21,929
Amortization expenses	857	891
Expected credit loss (reversed) recognized on trade receivables	(11)	4
Finance costs	3,662	3,177
Interest income	(7,524)	(3,756)
Share-based compensation	22,320	-
Share of loss of associates accounted for using the equity method	2,478	3,190
Loss on disposal of property, plant and equipment	327	84
Write-down of inventories	4,040	13,306
Changes in operating assets and liabilities		
Notes receivable	(220)	1,221
Trade receivables from unrelated parties	(1,737)	(41,997)
Other receivables from unrelated parties	(15,943)	434
Other receivables from related parties	-	1,500
Inventories	(218,417)	91,374
Prepayments	4,274	(1,637)
Other current assets	636	8,102
Notes payable	152,687	(17,650)
Trade payables to unrelated parties	(15,793)	(74,267)
Trade payables to related parties	271	2,250
Other payables	(114,788)	(107,445)
Other current liabilities	(1,136)	(3,784)
Net defined benefit liabilities	(20,645)	(1,356)
Cash used in operations	(25,890)	(98,940)
Interest received	6,929	2,831
Interest paid	(4,070)	(2,971)
Income tax paid	(4,443)	(6,242)
Net cash used in operating activities	(27,474)	(105,322)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets a fair value through other comprehensive income	(10,000)	-
Purchase of financial assets at amortized cost	(63,650)	(182,700)
Proceeds from sale of financial assets at amortized cost	63,250	-
Payments for property, plant and equipment	(288,178)	(6,587)
Proceeds from disposal of property, plant and equipment	83	3
Decrease in refundable deposits	1,681	29
Payments for intangible assets	(854)	(121)
Net cash used in investing activities	(297,668)	(189,376)

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EZCONN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS **(In Thousands of New Taiwan Dollars)**

	For the Three Months Ended March 31	
	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 920,000	\$ 350,000
Repayments of short-term borrowings	(1,000,000)	(350,000)
Repayments of long-term borrowings	(218,000)	-
Repayment of the principal portion of lease liabilities	(2,410)	(3,683)
Increase in other non-current liabilities	127	107
Proceeds from issuance of ordinary shares	<u>530,100</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>229,817</u>	<u>(3,576)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>23,411</u>	<u>3,064</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(71,914)	(295,210)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,000,415</u>	<u>983,593</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 928,501</u>	<u>\$ 688,383</u>

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

(Concluded)

EZCONN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

EZconn Corporation (the “Company”) was incorporated in the Republic of China (ROC) on September 4, 1996. The Company mainly manufactures and sells precision metal components and optical fiber components of various electronic products.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since July 14, 2015.

These consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) 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 Company’s board of directors on May 8, 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 “IFRS Accounting Standards”) endorsed and issued into effect by the FSC

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosures in Financial Statements”	January 1, 2027
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: 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.

IFRS 18 “Presentation and Disclosures in Financial Statements”

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

- 1) 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.
- 2) 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.
- 3) 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.
- 4) 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.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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, or other regulations 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 and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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 an 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 an asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 11, Tables 4 and 5 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other material accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2023.

1) Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- Liabilities for which the Group does not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

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

2) Retirement benefits

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

3) Income tax expense

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.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The accounting judgments and key sources of estimation uncertainty of these consolidated financial statements are the same as the consolidated financial statements for the year ended December 31, 2023.

6. CASH AND CASH EQUIVALENTS

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand	\$ 832	\$ 569	\$ 679
Checking accounts and demand deposits	694,648	868,356	678,842
Cash equivalents			
Time deposits with original maturities of three months or less	<u>233,021</u>	<u>131,490</u>	<u>8,862</u>
	<u>\$ 928,501</u>	<u>\$ 1,000,415</u>	<u>\$ 688,383</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Non-current</u>			
Domestic investments			
Listed shares			
TrueLight Corporation	\$ 39,500	\$ 27,450	\$ -
Unlisted shares			
TMY Technology Inc.	10,000	-	-
OpXion Tech. Incorporation	<u>5,602</u>	<u>5,602</u>	<u>8,153</u>
	<u>55,102</u>	<u>33,052</u>	<u>8,153</u>
Foreign investments			
Unlisted shares			
Lightel Technologies Inc.	<u>56,334</u>	<u>56,334</u>	<u>15,941</u>
	<u>\$ 111,436</u>	<u>\$ 89,386</u>	<u>\$ 24,094</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purpose. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In March 2024, the Group acquired the ordinary shares of TMY Technology Inc. via capital injection; since the shares are held for medium- to long-term strategic purposes, the management designated these investments as at FVTOCI.

In September 2023, the Group acquired the ordinary shares of TrueLight Corporation via capital injection; since the shares are held for medium- to long-term strategic purposes, the management designated these investments as at FVTOCI.

8. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Current</u>			
Time deposits with original maturities of more than 3 months	\$ 98,187	\$ 94,271	\$ 215,890
<u>Non-current</u>			
Pledged deposits	\$ 3,309	\$ 2,309	\$ 2,284

- The ranges of interest rates for time deposits with an original maturity of more than 3 months were approximately 2.40%-5.00%, 1.90%-5.35% and 2.40%-4.83% per annum as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively.
- The market interest rates of the pledged deposits were 1.575%, 1.575% and 1.200% per annum as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively.
- Refer to Note 30 for information relating to investments in financial assets at amortized cost pledged as security.

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Notes receivable, net</u>			
At amortized cost			
Gross carrying amount	\$ 5,550	\$ 5,329	\$ 3,128
Less: Allowance for impairment loss	(84)	(83)	(83)
	\$ 5,466	\$ 5,246	\$ 3,045
Notes receivable - operating	\$ 5,466	\$ 5,246	\$ 3,045

(Continued)

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Trade receivables (a)</u>			
At amortized cost			
Gross carrying amount	\$ 539,669	\$ 537,932	\$ 765,493
Less: Allowance for impairment loss	<u>(101,046)</u>	<u>(96,970)</u>	<u>(101,183)</u>
	<u>\$ 438,623</u>	<u>\$ 440,962</u>	<u>\$ 664,310</u>
<u>Other receivables (b)</u>			
Tax refund receivable	\$ 26,184	\$ 10,594	\$ 14,171
Interest receivable	3,527	2,932	2,162
Receivables from sales of scrap and by-products	2,495	946	1,347
Others	<u>1,434</u>	<u>2,630</u>	<u>1,464</u>
	<u>\$ 33,640</u>	<u>\$ 17,102</u>	<u>\$ 19,144</u>
			(Concluded)

a. Trade receivables

The average credit period of sales of goods is 30 to 120 days. No interest was charged on 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 adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default records 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 writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, when the debtor has been placed under liquidation. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables 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 provision matrix:

March 31, 2024

	China	Asia	America	Europe	Others	Total
Gross carrying amount	\$ 42,454	\$ 207,476	\$ 156,226	\$ 32,972	\$ 100,541	\$ 539,669
Loss allowance (Lifetime ECLs)	<u>(43)</u>	<u>(311)</u>	<u>(78)</u>	<u>(73)</u>	<u>(100,541)</u>	<u>(101,046)</u>
Amortized cost	<u>\$ 42,411</u>	<u>\$ 207,165</u>	<u>\$ 156,148</u>	<u>\$ 32,899</u>	<u>\$ -</u>	<u>\$ 438,623</u>

December 31, 2023

	China	Asia	America	Europe	Others	Total
Gross carrying amount	\$ 35,767	\$ 223,535	\$ 159,007	\$ 23,151	\$ 96,472	\$ 537,932
Loss allowance (Lifetime ECLs)	<u>(36)</u>	<u>(335)</u>	<u>(79)</u>	<u>(48)</u>	<u>(96,472)</u>	<u>(96,970)</u>
Amortized cost	<u>\$ 35,731</u>	<u>\$ 223,200</u>	<u>\$ 158,928</u>	<u>\$ 23,103</u>	<u>\$ -</u>	<u>\$ 440,962</u>

March 31, 2023

	China	Asia	America	Europe	Others	Total
Gross carrying amount	\$ 65,151	\$ 317,777	\$ 233,905	\$ 48,256	\$ 100,404	\$ 765,493
Loss allowance (Lifetime ECLs)	<u>(82)</u>	<u>(473)</u>	<u>(117)</u>	<u>(107)</u>	<u>(100,404)</u>	<u>(101,183)</u>
Amortized cost	<u>\$ 65,069</u>	<u>\$ 317,304</u>	<u>\$ 233,788</u>	<u>\$ 48,149</u>	<u>\$ -</u>	<u>\$ 664,310</u>

The aging of receivables was as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Less than 30 days	\$ 291,700	\$ 158,055	\$ 239,015
31-60 days	43,688	122,077	169,317
61-90 days	45,920	62,867	110,658
91-120 days	37,902	73,530	75,719
Over 120 days	<u>120,459</u>	<u>121,403</u>	<u>170,784</u>
	<u>\$ 539,669</u>	<u>\$ 537,932</u>	<u>\$ 765,493</u>

The above aging schedule was based on the number of past due days from the invoice date.

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

	For the Three Months Ended March 31	
	2024	2023
Balance at January 1	\$ 96,970	\$ 102,042
Add: Impairment loss on receivables	-	4
Less: Impairment loss reversed on receivables	(11)	-
Foreign exchange gains and losses	<u>4,087</u>	<u>(863)</u>
Balance at March 31	<u>\$ 101,046</u>	<u>\$ 101,183</u>

PCT International Inc. (PCT), one of the Company's customers, filed for bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code in November 2019, and in June 2020, PCT also filed for a debt reorganization plan. In March 2021, the Company, PCT, the Official Committee of Unsecured Creditors ("Committee") and certain other parties entered into a settlement agreement. The Bankruptcy Court approved the debt reorganization plan associated with the settlement in November 2021. PCT made the first payment in December 2021, agreeing to pay the balance of the Company's claims in full within a 10-year schedule with options for early payments. Nevertheless, since the Company has recognized full impairment losses regarding PCT's debt for the past few years, the scheduled payments from PCT will be reversed in the future. As of December 31, 2024, the remaining US\$3,131 thousand was fully recognized as an allowance for impairment loss.

b. Other receivables

Other receivables were primarily tax refund receivable, receivable from sales of scrap and by-products and interest receivable. As of March 31, 2024, December 31, 2023 and March 31, 2023, the Group had assessed the impairment loss of other receivables based on expected credit losses.

10. INVENTORIES

	March 31, 2024	December 31, 2023	March 31, 2023
Finished goods	\$ 390,580	\$ 253,308	\$ 238,991
Work in progress	187,811	162,630	151,857
Raw materials	<u>236,443</u>	<u>186,424</u>	<u>302,979</u>
	<u>\$ 814,834</u>	<u>\$ 602,362</u>	<u>\$ 693,827</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2024 and 2023 was \$420,285 thousand and \$465,070 thousand, respectively. The cost of goods sold for the three months ended March 31, 2024 and 2023 included inventory write-downs of \$4,040 thousand and \$13,306 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership		
			March 31, 2024	December 31, 2023	March 31, 2023
The Company	EC-Link Technology Inc. (EC-Link)	Investment	100%	100%	100%
	EZconn Europe GmbH	Manufacture and sale of precision metal components and optical fiber components of various electronic products	100%	100%	100%
EC-Link	Light Master Technology Inc. (Light Master)	Investment	100%	100%	100%
EZconn Europe GmbH	EZconn Czech a.s.	Manufacture of various optical fiber components	100%	100%	100%
Light Master	Light Master Technology (Ningbo) Inc.	Manufacture and sale of optical fiber components and cable connector	100%	100%	100%
EZconn Czech a.s.	EZconn Technologies CZ s.r.o.	Manufacture and research of optical communication components	100%	100%	100%

The financial statements of subsidiaries included in the consolidated financial statements were reviewed by the independent auditors.

In order to expand its business, the Company proposed to set up a subsidiary in the U.S. with an estimated amount of US\$1,500 thousand, which was approved by the board of directors in their meeting on November 7, 2023, and US\$500 thousand was remitted in April 2024.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2024	December 31, 2023	March 31, 2023
Investments in associate that is not individually material			
AuthenX Inc.	\$ <u>37,422</u>	\$ <u>39,900</u>	\$ <u>53,223</u>

Associate is accounted for using the equity method.

Aggregate information of associate that is not individually material

	For the Three Months Ended March 31	
	2024	2023
The Group's share of:		
Loss for the current period/total comprehensive loss	\$ <u>(2,478)</u>	\$ <u>(3,190)</u>

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been reviewed. The Group's management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery Equipment	Mold Equipment	Transportation Equipment	Office Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>									
Balance at January 1, 2024	\$ 126,000	\$ 383,223	\$ 936,967	\$ 36,151	\$ 6,155	\$ 44,630	\$ 106,966	\$ 210	\$ 1,640,302
Additions	269,070	9,889	737	407	26	773	-	51	280,953
Disposals	-	-	(933)	(106)	(2,156)	(3)	-	-	(3,198)
Internal transfers	269,070	10,930	75	-	1,760	68	-	(51)	281,852
Effects of foreign currency exchange differences	-	9,455	16,751	-	223	811	351	8	27,599
Balance at March 31, 2024	\$ <u>664,140</u>	\$ <u>413,497</u>	\$ <u>953,597</u>	\$ <u>36,452</u>	\$ <u>6,008</u>	\$ <u>46,279</u>	\$ <u>107,317</u>	\$ <u>218</u>	\$ <u>2,227,508</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2024	\$ -	\$ 205,815	\$ 730,858	\$ 34,100	\$ 4,744	\$ 38,074	\$ 70,219	\$ -	\$ 1,083,810
Depreciation expenses	-	3,846	10,513	417	107	509	2,133	-	17,525
Disposals	-	-	(738)	(106)	(1,941)	(3)	-	-	(2,788)
Effects of foreign currency exchange differences	-	7,638	12,901	-	139	667	133	-	21,478
Balance at March 31, 2024	\$ <u>-</u>	\$ <u>217,299</u>	\$ <u>753,534</u>	\$ <u>34,411</u>	\$ <u>3,049</u>	\$ <u>39,247</u>	\$ <u>72,485</u>	\$ <u>-</u>	\$ <u>1,120,025</u>
Carrying amount at March 31, 2024	\$ <u>664,140</u>	\$ <u>196,198</u>	\$ <u>200,063</u>	\$ <u>2,041</u>	\$ <u>2,959</u>	\$ <u>7,032</u>	\$ <u>34,832</u>	\$ <u>218</u>	\$ <u>1,107,483</u>
Carrying amount at January 31, 2024	\$ <u>126,000</u>	\$ <u>177,408</u>	\$ <u>206,109</u>	\$ <u>2,051</u>	\$ <u>1,411</u>	\$ <u>6,556</u>	\$ <u>36,747</u>	\$ <u>210</u>	\$ <u>556,492</u>
<u>Cost</u>									
Balance at January 1, 2023	\$ 126,000	\$ 387,233	\$ 961,659	\$ 39,961	\$ 6,252	\$ 45,842	\$ 105,397	\$ 1,657	\$ 1,674,001
Additions	-	-	1,475	-	-	-	196	154	1,825
Disposals	-	-	(1,701)	(1,391)	-	(815)	-	-	(3,907)
Internal transfers	-	-	3,605	-	-	-	-	(1,045)	2,560
Effects of foreign currency exchange differences	-	1,177	5,623	-	29	106	45	30	7,010
Balance at March 31, 2023	\$ <u>126,000</u>	\$ <u>388,410</u>	\$ <u>970,661</u>	\$ <u>38,570</u>	\$ <u>6,281</u>	\$ <u>45,133</u>	\$ <u>105,638</u>	\$ <u>796</u>	\$ <u>1,681,489</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2023	\$ -	\$ 194,682	\$ 730,061	\$ 36,774	\$ 4,602	\$ 37,615	\$ 61,789	\$ -	\$ 1,065,523
Depreciation expenses	-	3,608	11,041	434	54	600	2,235	-	17,972
Disposals	-	-	(1,603)	(1,391)	-	(734)	-	-	(3,728)
Effects of foreign currency exchange differences	-	884	4,115	-	21	91	8	-	5,119
Balance at March 31, 2023	\$ <u>-</u>	\$ <u>199,174</u>	\$ <u>743,614</u>	\$ <u>35,817</u>	\$ <u>4,677</u>	\$ <u>37,572</u>	\$ <u>64,032</u>	\$ <u>-</u>	\$ <u>1,084,886</u>
Carrying amount at March 31, 2023	\$ <u>126,000</u>	\$ <u>189,236</u>	\$ <u>227,047</u>	\$ <u>2,753</u>	\$ <u>1,604</u>	\$ <u>7,561</u>	\$ <u>41,606</u>	\$ <u>796</u>	\$ <u>596,603</u>

On December 14, 2023, in order to meet operational needs and long-term development and planning, the Corporation's board of directors resolved to purchase the leased land and factory with a total contract amount of \$560,000 thousand. The transfer of ownership will be completed in January 2024.

No impairment assessment was performed for the three months ended March 31, 2024 and 2023, as there was no indication of impairment.

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

Buildings	4, 5, 20 and 40 years
Machinery equipment	2-10 years
Mold equipment	2 years
Transportation equipment	5 years
Office equipment	3, 5 and 10 years
Other equipment	2, 3, 5, 8-10 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 30.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Carrying amount</u>			
Land	\$ 20,564	\$ 19,934	\$ 20,891
Buildings	11,395	11,090	68,328
Transportation equipment	<u>2,260</u>	<u>2,625</u>	<u>3,459</u>
	<u>\$ 34,219</u>	<u>\$ 33,649</u>	<u>\$ 92,678</u>
		For the Three Months Ended March 31	
		2024	2023
Additions to right-of-use assets		<u>\$ 2,203</u>	<u>\$ 1,561</u>
Depreciation charge for right-of-use assets			
Land		\$ 172	\$ 172
Buildings		1,940	3,485
Transportation equipment		<u>361</u>	<u>300</u>
		<u>\$ 2,473</u>	<u>\$ 3,957</u>

b. Lease liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Carrying amount</u>			
Current	\$ 7,575	\$ 8,090	\$ 14,482
Non-current	\$ 6,459	\$ 6,113	\$ 58,962

Range of discount rate for lease liabilities was as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Buildings	1.45%-4.75%	1.45%-4.75%	1.45%-4.75%
Transportation equipment	1.45%-4.00%	1.45%-4.00%	1.45%-4.00%

c. Material leasing activities and terms

As lessee, the Group leases land and buildings for plants and offices and transportation equipment with lease terms of 2 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land, buildings and transportation equipment at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Three Months Ended March 31	
	2024	2023
Expenses relating to short-term leases	\$ 695	\$ 354
Total cash outflow for leases	\$ (3,189)	\$ (4,343)

15. INTANGIBLE ASSETS

The Group did not have intangible assets such as computer software. Except for amortization recognized, significant addition, disposal or impairment of other intangible assets during the three months ended March 31, 2024 and 2023, other intangible assets are amortized on a straight-line basis over their estimated useful lives of 1 to 10 years.

An analysis of amortization by function

	March 31, 2024	December 31, 2023	March 31, 2023
Operating costs	\$ 20	\$ 62	\$ 12
Selling and marketing expenses	13	36	4
General and administrative expenses	345	1,072	250
Research and development expenses	479	2,494	625
	<u>\$ 857</u>	<u>\$ 3,664</u>	<u>\$ 891</u>

16. BORROWINGS

a. Short-term borrowings

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>\$ 250,000</u>	<u>\$ 330,000</u>	<u>\$ 330,000</u>

The interest rate ranges of line of credit borrowings were 1.800%-1.980%, 1.800%-1.930% and 1.630%-1.960% per annum as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively.

b. Long-term borrowings (March 31, 2024: None)

	December 31, 2023	March 31, 2023
<u>Secured borrowings</u>		
Bank borrowings	\$ 218,000	\$ 230,000
Less: Current portion of long-term borrowings	<u>(12,000)</u>	<u>(12,000)</u>
Long-term borrowings	<u>\$ 206,000</u>	<u>\$ 218,000</u>

To increase medium- and long-term working capital, the Group entered into a loan contract with a bank for the period November 2020 to November 2027. As of March 2024, the effective interest rate was 2.35%-2.40% and interest is repayable on a monthly basis. The principal of the loan is repayable over a period of 2 years, where repayments of NT\$6,000 thousand are to be made semi-annually starting 2 years from the date of the initial drawdown, with the rest of the principal paid in one lump sum upon maturity. The Group provided property and plant as collateral for this loan (refer to Notes 13 and 30 for the details). In March 2024, the bank loan was paid off ahead of schedule.

For some of the loan agreements, the Group current ratio, debt ratio, and the net worth as stated in the financial statements are not to fall below specified ratios/amount, or else. The Group is required to propose improvement measures to the bank when failing to comply with the restrictions. As of March 2024, the Group was not in violation of any of the aforementioned financial restrictions.

17. NOTES PAYABLE AND TRADE PAYABLES

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Notes payable</u>			
Non-operating	<u>\$ 152,693</u>	<u>\$ 6</u>	<u>\$ 8,838</u>
<u>Trade payables</u>			
Operating	<u>\$ 171,603</u>	<u>\$ 187,396</u>	<u>\$ 153,377</u>

The average credit period of purchases of goods is 60-90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

18. OTHER LIABILITIES

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Other payables</u>			
Payables for commissions	\$ 84,274	\$ 142,696	51,527
Payables for salaries or bonuses	62,413	138,302	58,444
Payables for employees' compensation and remuneration of directors	38,800	23,500	39,400
Payables for employees' insurance	13,642	11,771	6,575
Payables for cash dividends	-	-	139,230
Others	<u>68,984</u>	<u>71,928</u>	<u>40,089</u>
	<u>\$ 268,113</u>	<u>\$ 388,197</u>	<u>\$ 335,265</u>
<u>Other current liabilities</u>			
Refund liabilities	\$ 49,520	\$ 48,809	\$ 48,944
Contract liabilities	8,223	10,585	10,687
Others	<u>3,863</u>	<u>3,348</u>	<u>2,829</u>
	<u>\$ 61,606</u>	<u>\$ 62,742</u>	<u>\$ 62,460</u>

19. PROVISIONS

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Current</u>			
Warranties	\$ <u>-</u>	\$ <u>-</u>	\$ <u>8,055</u>

Provision for warranty is estimated based on the Group's obligations for warranties under local regulations on sale of goods.

20. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plans was calculated using the actuarially determined pension cost rate at the end of the prior financial year, which was stated in the respective 2023 and 2022 actuarial reports; the employee benefits expenses for the three months ended March 31, 2024 and 2023 were \$130 thousand and \$144 thousand, respectively.

21. EQUITY

a. Share capital

Ordinary shares

	March 31, 2024	December 31, 2023	March 31, 2023
Number of authorized shares (in thousands)	180,000	180,000	180,000
Amount of authorized shares	\$ 1,800,000	\$ 1,800,000	\$ 1,800,000
Number of issued and fully paid shares (in thousands)	75,600	66,300	66,300
Amount of issued and fully paid shares	\$ 756,000	\$ 663,000	\$ 663,000

The holders of issued ordinary shares with a par value of \$10 are entitled the right to vote and receive dividends.

The board of directors of the Company resolved to cancel 3,000 thousand treasury shares on March 14, 2023, and the registration change was approved by the competent authority.

In order to enrich working capital and repay bank borrowings, the Company's board of directors resolved to issue 9,300 thousand new shares through a cash capital increase with a par value of \$10 on November 21, 2023. The issue price is \$57 per share, and the total issued and fully paid cash capital increased to \$756,000 thousand. The base date for cash capital increase was March 5, 2024, and the change of registration was completed on March 29, 2024.

b. Capital surplus

	March 31, 2024	December 31, 2023	March 31, 2023
May be used to offset a deficit, distributed as cash dividends, or transferred to <u>share capital (1)</u>			
Issuance of ordinary shares	\$ 672,009	\$ 212,589	\$ 212,589
<u>May only be used to offset a deficit (2)</u>			
Exercising the right of imputation	10	10	-
<u>May not be used for any purpose (3)</u>			
Changes in percentage of ownership interests in subsidiaries	13,036	13,036	13,036
	\$ 685,055	\$ 225,635	\$ 225,625

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 share capital (limited to a certain percentage of the Company's capital surplus and once a year).

2) Such capital surplus arises from the right of imputation is exercised, which may only be used to offset a deficit.

- 3) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposal or acquisition. Such capital surplus may not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth 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 a legal reserve of 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 the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to employees' compensation and remuneration of directors and supervisors in Note 23-g.

The Company's dividends policy is based on the shareholders' long-term interests. In formulating its dividends policy, the Company takes into account the overall business and industry conditions and trends, present and future operational expansion and to satisfy the shareholders' need for cash inflow. The Company's dividends policy states that cash dividends should be at least 10% of total dividends. A distribution plan is also to be made by the board of directors and passed for resolution in the shareholders' meeting.

Under the Company's dividends policy in the Articles, the proposed distribution of dividends can be distributed fully or partially by cash and is subject to the approval of the Company's board of directors with the attendance of more than two-thirds of the directors and with the consent of at least half of the attending directors; in addition, it shall be reported in 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 deficits. 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 2022 were as follows:

	2022
Legal reserve	\$ <u>32,385</u>
Cash dividends	\$ <u>139,230</u>
Cash dividends per share (NT\$)	\$ 2.1

The above appropriations of earnings as cash dividends were resolved by the Company's board of directors on March 14, 2023. The proposed appropriations of earnings for the year ended December 31, 2023 were resolved by the shareholders in their meeting on June 6, 2023, respectively.

The board of directors of the Company on May 8, 2024 proposed the following distribution of fiscal 2023 earnings:

	2023
Legal reserve	\$ <u>10,090</u>
Special reserve	\$ <u>(35,616)</u>
Cash dividends	\$ <u>158,760</u>
Cash dividends per share (NT\$)	\$ 2.1

The cash dividend described above is subject to a resolution at a regular meeting of shareholders expected to be held on June 18, 2024.

d. Special reserve

Additional special reserve relating to exchange differences on translating the financial statements of foreign operations (including the subsidiaries of the Company) should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated. Any special reserve appropriated may be reversed to the extent that the debit balance reverses and, thereafter, distributed.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

The exchange differences arising on translation of the net assets of foreign operation from their functional currencies to the Company's presentation currency (the New Taiwan dollar) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

2) Unrealized valuation gain/(loss) on financial assets at FVTOCI

	For the Three Months Ended March 31	
	2024	2023
Balance at January 1	\$ 15,548	\$ (17,709)
Recognized for the period		
Equity instruments	<u>12,050</u>	<u>(5,957)</u>
Balance at March 31	<u>\$ 27,598</u>	<u>\$ (23,666)</u>

f. Treasury shares (for the three months ended March 31, 2024: None)

In order to motivate employees and increase their loyalty to the Company, the board of directors resolved to purchase treasury shares on January 20, 2020. The planned repurchase period was January 21 to March 20, 2020, and the number of shares repurchased was 3,000 thousand shares. In March 2020, the Company completed its repurchase of shares for a total cost of \$110,853 thousand.

Unit: In Thousands of Shares

Items	For the Three Months Ended March 31, 2023
Number of shares at January 1	3,000
Shares cancelled during the period	<u>(3,000)</u>
Number of shares at March 31	<u>—</u>

The Company cancelled the treasury shares overdue that had not yet been transferred to employees pursuant to the law, and the board of directors of the Company resolved to decrease its capital by \$30,000 thousand in March 2023 through cancellation of 3,000 thousand issued shares on March 20, 2023.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

22. REVENUE

Contract Balances

	March 31, 2024	December 31, 2023	March 31, 2023	January 1, 2023
Contract liabilities (classified under other current liabilities)	<u>\$ 8,223</u>	<u>\$ 10,585</u>	<u>\$ 10,687</u>	<u>\$ 13,411</u>

The changes in the contract liabilities balances primarily result from the timing difference between the satisfaction of performance obligations and respective the customer's payment.

23. NET INCOME FROM CONTINUING OPERATIONS

a. Interest income

	For the Three Months Ended March 31	
	2024	2023
Bank deposits	\$ 7,524	\$ 3,751
Others	<u>-</u>	<u>5</u>
	<u>\$ 7,524</u>	<u>\$ 3,756</u>

b. Other income

	For the Three Months Ended March 31	
	2024	2023
Grant income	\$ 46	\$ 8
Others	<u>110</u>	<u>67</u>
	<u>\$ 156</u>	<u>\$ 75</u>

c. Other gains and losses

	For the Three Months Ended March 31	
	2024	2023
Loss on disposal of property, plant and equipment	\$ (327)	\$ (84)
Net foreign exchange gains (losses)	36,167	(16,244)
Others	<u>(26)</u>	<u>(22)</u>
	<u>\$ 35,814</u>	<u>\$ (16,350)</u>

d. Finance costs

	For the Three Months Ended March 31	
	2024	2023
Interest on bank borrowings	\$ 3,578	\$ 2,871
Interest on lease liabilities	<u>84</u>	<u>306</u>
	<u>\$ 3,662</u>	<u>\$ 3,177</u>

e. Depreciation and amortization

	For the Three Months Ended March 31	
	2024	2023
Property, plant and equipment	\$ 17,525	\$ 17,972
Right of use assets	2,473	3,957
Intangible assets	<u>857</u>	<u>891</u>
	<u>\$ 20,855</u>	<u>\$ 22,820</u>
An analysis of depreciation by function		
Operating costs	\$ 13,352	\$ 14,769
Operating expenses	<u>6,646</u>	<u>7,160</u>
	<u>\$ 19,998</u>	<u>\$ 21,929</u>
An analysis of amortization by function		
Operating costs	\$ 20	\$ 12
Operating expenses	<u>837</u>	<u>879</u>
	<u>\$ 857</u>	<u>\$ 891</u>

f. Employee benefits expense

	For the Three Months Ended March 31	
	2024	2023
Post-employment benefits (Note 20)		
Defined contribution plans	\$ 6,718	\$ 6,516
Defined benefit plans	<u>130</u>	<u>144</u>
	6,848	6,660
Insurance expense	12,291	13,005
Remuneration of directors	3,732	576
Other employee benefits	<u>176,694</u>	<u>129,737</u>
Total employee benefits expense	<u>\$ 199,565</u>	<u>\$ 149,978</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 107,888	\$ 97,779
Operating expenses	<u>91,677</u>	<u>52,199</u>
	<u>\$ 199,565</u>	<u>\$ 149,978</u>

g. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The employees' compensation and the remuneration of directors for the three months ended March 31, 2024, and 2023 were as follows:

Accrual rate

	For the Three Months Ended March 31	
	2024	2023
Compensation of employees	7.63%	5.36%
Remuneration of directors	2.02%	1.79%

Amount

	For the Three Months Ended March 31	
	2024	2023
Compensation of employees	\$ 12,100	\$ 300
Remuneration of directors	\$ 3,200	\$ 100

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.

The employees' compensation and remuneration of directors for the year ended December 31, 2023, which were approved by the Company's board of directors on March 14, 2024, were as follows:

	For the Year Ended December 31	
	2023	2022
	Cash	Cash
Compensation of employees	\$ 18,000	\$ 30,000
Remuneration of directors	5,500	9,000

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

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

- h. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31	
	2024	2023
Foreign exchange gains	\$ 36,944	\$ 26,066
Foreign exchange losses	<u>(777)</u>	<u>(42,310)</u>
	<u>\$ 36,167</u>	<u>\$ (16,244)</u>

24. INCOME TAXES

- a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended March 31	
	2024	2023
Current tax		
In respect of the current period	\$ 51,551	\$ 14,775
Adjustments for prior years	<u>(5,741)</u>	<u>-</u>
	<u>45,810</u>	<u>14,775</u>
Deferred tax		
In respect of the current period	<u>(5,961)</u>	<u>(12,802)</u>
Income tax expense recognized in profit or loss	<u>\$ 39,849</u>	<u>\$ 1,973</u>

- b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2024	2023
<u>Deferred tax</u>		
In respect of the current period		
Translation of foreign operations	\$ (5,802)	\$ (1,285)
Fair value changes of financial assets at FVTOCI	<u>-</u>	<u>26</u>
Total income tax recognized in other comprehensive income	<u>\$ (5,802)</u>	<u>\$ (1,259)</u>

- c. Income tax assessments

The tax returns of the Company through 2021 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2024	2023
Basic earnings per share	<u>\$ 1.72</u>	<u>\$ 0.05</u>
Diluted earnings per share	<u>\$ 1.72</u>	<u>\$ 0.05</u>

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

Net Profit for the Period

	For the Three Months Ended March 31	
	2024	2023
Net profit for the period	<u>\$ 118,925</u>	<u>\$ 3,517</u>

	For the Three Months Ended March 31	
	2024	2023
<u>Number of shares (in thousands)</u>		
Weighted average number of ordinary shares used in the computation of basic earnings per share	69,059	66,300
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>195</u>	<u>482</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>69,254</u>	<u>66,782</u>

The Group may settle compensation paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be 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.

26. CAPITAL 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 net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, and other equity).

Key management personnel of the Group review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, and the amount of new debt issued or existing debt redeemed.

27. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee stock option plan

The grant date of the cash capital increase for retained basic employee stock option transaction is based on the date when the number of shares subscribed by employees is recognized. The Group recognized the amount of \$22,320 thousand for employee compensation cost and capital surplus for the period from January 1, 2024 to March 31, 2024, based on the fair value of the equity instruments granted on the grant date for the measurement of the fair value of the labor acquired.

b. Restricted stock awards to employees

On May 8, 2024, the board of directors proposed the issuance of 400,000 new shares of stock with restricted employee rights, and such issuance is subject to a resolution by the shareholders in their regular meeting.

28. FINANCIAL INSTRUMENTS

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

The management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair value cannot be reliably measured.

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

1) Fair value hierarchy

March 31, 2024

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 39,500	\$ -	\$ -	\$ 39,500
Domestic unlisted shares	-	-	15,602	15,602
Foreign unlisted shares	-	-	56,334	56,334
	<u>\$ 39,500</u>	<u>\$ -</u>	<u>\$ 71,936</u>	<u>\$ 111,436</u>

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 27,450	\$ -	\$ -	\$ 27,450
Domestic unlisted shares	-	-	5,602	5,602
Foreign unlisted shares	-	-	56,334	56,334
	<u>\$ 27,450</u>	<u>\$ -</u>	<u>\$ 61,936</u>	<u>\$ 89,386</u>

March 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic unlisted shares	\$ -	\$ -	\$ 8,153	\$ 8,153
Foreign unlisted shares	-	-	15,941	15,941
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,094</u>	<u>\$ 24,094</u>

There were no transfers between Levels 1 and 2 in the three months ended March 31, 2024 and 2023.

2) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of foreign and domestic unlisted equity investments were estimated using the market approach, either by the method of comparable listed companies or by the comparable transaction method, while the fair values of the preference shares were estimated using the option pricing method. The fair values of domestic unlisted equity investments of the ordinary shares were estimated using the Royalties Savings Act method. The significant unobservable inputs used were the discount for lack of marketability and discount for non-controlling interests. An increase in the discount for lack of marketability or non-controlling interests would result in an increase in the fair value.

c. Categories of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 1,482,910	\$ 1,552,757	\$ 1,582,011
Financial assets at FVTOCI - equity instruments	111,436	89,386	24,094
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (2)	741,467	961,797	822,656

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables (excluding tax refund receivable), and refundable deposits.
- 2) The balances included financial liabilities at amortized cost, which comprise long-term loans, short-term loans, notes payable, trade payables and other payables (excluding payables for salaries or bonuses and payables for employees' compensation and remuneration of directors and dividends payable).

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, borrowings and lease liabilities. According to business nature and the degree and magnitude of risks, the Group monitors and manages the financial risks relating to the operations. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group minimizes the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the market risks of changes in foreign currency exchange rates and interest rates.

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

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed 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 reporting period are set out in Note 31.

Sensitivity analysis

The Group's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 5% strengthening/weakening of the functional currency against U.S. dollars, the net income before tax for the three months ended March 31, 2024 and 2023 would have increased/decreased by \$55,837 thousand and \$69,191 thousand, respectively.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Group was exposed to fair value and cash flow interest rate risk because the Group held both fixed-rate financial assets and financial liabilities. The Group's management monitors fluctuations in market interest rate regularly. If it is needed, the management performs necessary procedures to control significant interest rate risks from fluctuations in market interest rates.

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:

	March 31, 2024	December 31, 2023	March 31, 2023
Fair value interest rate risk			
Financial assets	\$ 334,517	\$ 228,070	\$ 227,036
Financial liabilities	264,034	562,203	633,444
Cash flow interest rate risk			
Financial assets	694,616	868,090	677,508

The changes in interest rates did not have significant influence on the Group, so there was no sensitivity analysis.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes, the Group does not actively trade these investments. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The changes in equity securities did not have significant influence on the Group, so there was no sensitivity analysis.

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. As at the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation with financial guarantees provided by the Group, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group uses other 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.

The Group transacted with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by maintaining a level of cash and cash equivalents and bank loan facilities deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the earliest date on which the Group can be required to pay.

March 31, 2024

	On Demand or Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 491,467	\$ -	\$ -
Lease liabilities	7,803	6,607	-
Fixed interest rate liabilities	<u>250,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 749,270</u>	<u>\$ 6,607</u>	<u>\$ -</u>

December 31, 2023

	On Demand or Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 413,797	\$ -	\$ -
Lease liabilities	8,326	6,207	-
Fixed interest rate liabilities	<u>342,000</u>	<u>206,000</u>	<u>-</u>
	<u>\$ 764,123</u>	<u>\$ 212,207</u>	<u>\$ -</u>

March 31, 2023

	On Demand or Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 401,886	\$ -	\$ -
Lease liabilities	14,801	70,627	-
Fixed interest rate liabilities	<u>342,000</u>	<u>218,000</u>	<u>-</u>
	<u>\$ 758,687</u>	<u>\$ 288,627</u>	<u>\$ -</u>

b) Financing facilities

The Group relies on bank loans as a significant source of liquidity. As of the balance sheet date, the unused amounts of bank loan facilities were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Bank loan facilities			
Amounts unused	<u>\$ 1,400,409</u>	<u>\$ 1,094,113</u>	<u>\$ 1,097,699</u>

29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation and are not disclosed in this note. Besides the information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Category</u>
AuthenX Inc.	Associate

b. Purchases

<u>Related Party Category</u>	<u>For the Three Months Ended March 31</u>	
	<u>2024</u>	<u>2023</u>
Associate	<u>\$ 3,311</u>	<u>\$ 73</u>

The purchase transactions between the Company and related parties were based on agreements; the purchase prices of the products could not be compared with those of unrelated parties.

c. Trade payables

<u>Related Party Category/Name</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Associate			
AuthenX Inc.	<u>\$ 271</u>	<u>\$ -</u>	<u>\$ 2,250</u>

d. Prepayments

<u>Related Party Category</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Associate	<u>\$ 140</u>	<u>\$ 140</u>	<u>\$ 536</u>

e. Others

Related Party Category	For the Three Months Ended March 31	
	2024	2023
Cost of goods sold		
Associate	<u>\$ 230</u>	<u>\$ 2,250</u>

f. Remuneration of key management personnel

	For the Three Months Ended March 31	
	2024	2023
Short-term employee benefits	\$ 22,372	\$ 9,361
Post-employment benefits	<u>264</u>	<u>233</u>
	<u>\$ 22,636</u>	<u>\$ 9,594</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral and guarantees for the tariff of imported raw materials and goods (see Notes 8 and 13):

	March 31, 2024	December 31, 2023	March 31, 2023
Pledged deposits (classified as financial assets at amortized cost - non-current)	\$ 3,309	\$ 2,309	\$ 2,284
Land	126,000	126,000	126,000
Buildings	<u>130,271</u>	<u>131,166</u>	<u>133,848</u>
	<u>\$ 259,580</u>	<u>\$ 259,475</u>	<u>\$ 262,132</u>

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

March 31, 2024

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 32,509	32.0000 (USD:NTD)	\$ 1,040,283
JPY	74,431	0.2115 (JPY:NTD)	15,742
USD	15,104	7.095 (USD:RMB)	483,329
RMB	5,922	4.5102 (RMB:NTD)	26,709
EUR	255	25.1983 (EUR:CZK)	8,786
Non-monetary items			
USD	-	32.0000 (USD:NTD)	-
<u>Financial liabilities</u>			
Monetary items			
USD	12,651	32.0000 (USD:NTD)	404,832
USD	64	7.095 (USD:RMB)	2,049

December 31, 2023

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 37,477	30.7050 (USD:NTD)	\$ 1,150,727
JPY	78,096	0.2172 (JPY:NTD)	16,962
USD	14,244	7.0827 (USD:RMB)	437,350
RMB	5,914	4.3352 (RMB:NTD)	25,639
Non-monetary items			
USD	-	30.7050 (USD:NTD)	-
<u>Financial liabilities</u>			
Monetary items			
USD	8,936	30.7050 (USD:NTD)	274,385
USD	604	7.0827 (USD:RMB)	18,534

March 31, 2023

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 39,814	30.4500 (USD:NTD)	\$ 1,212,339
JPY	80,347	0.2288 (JPY:NTD)	18,383
USD	12,742	6.8717 (USD:RMB)	387,979
RMB	6,024	4.4312 (RMB:NTD)	26,694
EUR	322	23.5180 (EUR:CZK)	10,681
Non-monetary items			
USD	524	30.4500 (USD:NTD)	15,941
<u>Financial liabilities</u>			
Monetary items			
USD	6,130	30.4500 (USD:NTD)	186,665
USD	980	6.8717 (USD:RMB)	29,830

32. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures) (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) Intercompany relationships and significant intercompany transactions (Table 6)

- b. Information on investees (Table 4)
- 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, net income of investees, 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 5)
 - 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: (Table 7)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - 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.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - 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 receiving of services.
- 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 8)

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments under IFRS 8 "Operating Segments" are described below.

Segments, Revenues and Results

The following is an analysis of the Group's revenues and results from continuing operations by reportable segment:

	Optical Fiber Component	Radio Frequency Connector	Total
<u>For the three months ended March 31, 2024</u>			
Segment revenues	<u>\$ 732,528</u>	<u>\$ 93,791</u>	<u>\$ 826,319</u>
Segment income (loss)	<u>\$ 151,321</u>	<u>\$ (29,901)</u>	\$ 121,420
Interest income			7,524
Other income			156
Other gains and losses			35,814
Finance costs			(3,662)
Share of associate's loss accounted for using the equity method			<u>(2,478)</u>
Profit before tax (continuing operations)			<u>\$ 158,774</u>
<u>For the three months ended March 31, 2023</u>			
Segment revenues	<u>\$ 432,054</u>	<u>\$ 200,167</u>	<u>\$ 632,221</u>
Segment income (loss)	<u>\$ 15,265</u>	<u>\$ 9,111</u>	\$ 24,376
Interest income			3,756
Other income			75
Other gains and losses			(16,350)
Finance costs			(3,177)
Share of associate's loss accounted for using the equity method			<u>(3,190)</u>
Profit before tax (continuing operations)			<u>\$ 5,490</u>

The segment revenues were all generated from external customers. There were no inter-segment transactions for the three months ended March 31, 2024 and 2023.

Segment profit represented the profit before tax earned by each segment without interest income, other income, other gains and losses and finance costs. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

However, the measure of segment assets was not provided to the chief operating decision maker.

TABLE 1

EZCONN CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2024				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
EZconn Corporation	Enablence Technology Inc. - ordinary shares	-	Investments in equity instruments at FVTOCI - non-current	1	\$ -	-	\$ -	2
	Lightel Technologies Inc. - preference shares	-	As above	1,250	56,334	5.88	56,334	-
	OpXion Tech. Incorporation - ordinary shares	-	As above	6,000	5,602	17.14	5,602	-
	TrueLight Corporation	-	As above	1,000	39,500	0.90	39,500	-
	TMY TECHNOLOGY INC.	-	As above	200	10,000	0.44	10,000	-

Note 1: The marketable securities were not pledged.

Note 2: The carrying amount was zero as of the balance sheet date due to the impairment loss recognized in prior years.

TABLE 2

EZCONN CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount (Note)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% to Total	
EZconn Corporation	Light Master Technology (Ningbo) Inc.	Sub-subsidiary	Purchases	\$ 243,246 (US\$ 7,735 thousand)	43	T/T 90 days	-	-	\$ (356,106) (US\$ 11,128 thousand)	57	

Note: All intercompany transactions have been eliminated in consolidation.

TABLE 3

EZCONN CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Notes 2 and 3)	Allowance for Impairment Loss
					Amount	Actions Taken		
Light Master Technology (Ningbo) Inc.	EZconn Corporation	Parent company	Trade receivables from related parties \$ 356,106 (US\$ 11,128 thousand)	-	\$ -	-	\$ 53,399	Note 1

Note 1: No impairment loss was recognized on trade receivables from related parties.

Note 2: Subsequent period was from April 1, 2023 to May 8, 2023.

Note 3: All intercompany transactions have been eliminated in consolidation.

TABLE 4

EZCONN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2024			Net Income (Loss) of the Investee (Foreign Currencies in Thousands)	Share of Profit (Loss)	Note
				March 31, 2024 (Foreign Currencies in Thousands)	December 31, 2023 (Foreign Currencies in Thousands)	Number of Shares (In Thousands)	%	Carrying Amount (Foreign Currencies in Thousands)			
EZconn Corporation	EC-Link Technology Inc.	Samoa Islands	Investment	\$ 679,543	\$ 679,543	\$ -	100.00	\$ 750,203	\$ 51,229	\$ 43,242	Note 2
	EZconn Europe GmbH	Germany	Manufactures and sale of precision metal components and optical fiber components of various electronic products	185,143	185,143	-	100.00	66,426	(US\$ 1,629) (2,637)	(2,637)	Note 2
	AuthenX Inc.	Taiwan	Manufacturing of Electronic products	61,015	61,015	7,625	29.52	37,422	(US\$ -84) (4,533)	(2,478)	Note 3
EC-Link Technology Inc.	Light Master Technology Inc.	Samoa Islands	Investment	732,064 (US\$ 22,877)	732,064 (US\$ 22,877)	-	100.00	749,058 (US\$ 23,408)	51,229 (US\$ 1,629)		
EZconn Europe GmbH	EZconn Czech a.s.	Czech	Manufacturing of various optical fiber components	65,819 (EUR 1,910)	65,819 (EUR 1,910)	-	100.00	69,738 (EUR 2,024)	(2,673) (EUR -78)		
EZconn Czech a.s.	EZconn technologies CZ s.r.o.	Czech	Manufacturing and research of optical communication components	13,676 (CZK 10,000)	13,676 (CZK 10,000)	-	100.00	8,692 (CZK 6,356)	202 (CZK 149)		

Note 1: For information on invested company in mainland China, please refer to Table 5.

Note 2: All intercompany transactions have been eliminated in consolidation.

Note 3: Refer to Note 12 for more information.

TABLE 5

EZCONN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Foreign Currencies in Thousands) (Note 3)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2024 (Foreign Currencies in Thousands) (Note 3)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2024 (Foreign Currencies in Thousands) (Note 3)	Net Income (Loss) of the Investee (Foreign Currencies in Thousands) (Notes 4 and 6)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Foreign Currencies in Thousands) (Notes 4, 6, 7 and 8)	Carrying Amount as of March 31, 2024 (Foreign Currencies in Thousands) (Notes 3, 6 and 8)	Accumulated Repatriation of Investment Income as of March 31, 2024 (Note 2)
					Outflow	Inflow						
Light Master Technology (Ningbo) Inc.	Manufacture and sale of optical fiber components and cable connector	\$ 480,000 (US\$ 15,000)	Note 1	\$ 676,384 (US\$ 21,137)	\$ -	\$ -	\$ 676,384 (US\$ 21,137)	\$ 50,207 (US\$ 1,597)	100	\$ 51,229 (US\$ 1,629)	\$ 746,299 (US\$ 23,322)	\$ 588,542

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2024 (Foreign Currencies in Thousands) (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Foreign Currencies in Thousands) (Notes 1 and 3)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$676,384 (US\$21,137)	\$730,464 (US\$22,827)	\$1,654,396 (Note 5)

Note 1: The Company indirectly invested in Light Master Technology (Ningbo) Inc. through EC-Link Technology Inc. by investing via 3rd region. The amount included capital surplus of US\$1,690 thousand of Light Master Technology (Ningbo) Inc.

Note 2: The board of directors of Light Master Technology (Ningbo) Inc. adopt a resolution to distribute dividends in cash of \$118,359 thousand (RMB27,301 thousand), \$81,943 thousand (RMB19,074 thousand), \$119,269 thousand (RMB28,528 thousand), \$117,566 thousand (RMB27,063 thousand), \$151,405 thousand (RMB34,201 thousand) on November 2018, November 2019, September 2020, October 2021, and August 2023 respectively. The Company repatriated of Investment Income through EC-Link Technology Inc. The accumulated repatriation of investment income as of March 31, 2024 was \$588,542 thousand.

Note 3: The calculation was based on the spot exchange rate of March 31, 2024.

Note 4: The calculation was based on the average exchange rate from January 1, 2024 to March 31, 2024.

Note 5: The calculation was based on 60% of the Company’s net worth on March 31, 2024.

Note 6: The basis for investment income (loss) recognition is the financial statements reviewed and attested by parent company’s CPA in the ROC.

Note 7: The share of profits/losses of investee included the effect of unrealized gross profit on intercompany transaction.

Note 8: All intercompany transactions have been eliminated in consolidation.

TABLE 6

EZCONN CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount (Note 3)	Payment Terms	% to Total Sales or Assets (Note 4)
0	EZconn Corporation	Light Master Technology (Ningbo) Inc.	a	Trade payables to related parties	\$ 356,106	No significant difference to others	9.36
		Light Master Technology (Ningbo) Inc.	a	Cost of goods sold	243,246	No significant difference to others	29.44
		Light Master Technology (Ningbo) Inc.	a	Payables for equipment to related parties	736	No significant difference to others	0.02
		EZconn Czech a.s.	a	Trade payables to related parties	635	No significant difference to others	0.02
1	EZconn Europe GmbH	EZconn Czech a.s.	c	Trade receivables from related parties	605	No significant difference to others	0.02
		EZconn Czech a.s.	c	Other income	598	No significant difference to others	0.07
2	EZconn Czech a.s.	EZconn Technologies CZ s.r.o.	c	Trade payables to related parties	614	No significant difference to others	0.02
		EZconn Technologies CZ s.r.o.	c	Cost of goods sold	1,623	No significant difference to others	0.20
3	Light Master Technology (Ningbo) Inc.	EZconn Czech a.s.	c	Sales revenue	114	No significant difference to others	0.01

Note 1: The information about the transactions between the Company and the subsidiaries are marked in the note column as follows:

- a. The Company: 0.
- b. The subsidiaries were marked in numerical order from 1.

Note 2: Investment types as follows:

- a. The Company to the subsidiaries.
- b. The subsidiaries to the Company.
- c. Between the subsidiaries.

Note 3: All intercompany transactions have been eliminated upon consolidation.

Note 4: The ratio of transaction amounts to total sales revenue or assets is calculated as follows: (1) asset or liability: The ratio was calculated based on the ending balance over the total consolidated assets; (2) income or loss: The ratio was calculated based on the midterm accumulated amounts over the total consolidated sales revenue.

TABLE 7

EZCONN CORPORATION AND SUBSIDIARIES

**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
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized Loss	Note
		Amount	% to Total		Payment Term	Comparison with Normal Transaction	Ending Balance	% to Total		
Light Master Technology (Ningbo) Inc.	Purchases	\$ 243,246	43	No significant difference to others	No significant difference to others	No significant difference to others	\$ (356,106)	57	\$ 28,652	Note

Note: All intercompany transactions have been eliminated upon consolidation.

TABLE 8**EZCONN CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****MARCH 31, 2024**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
CabTel Corporation Investment Accounts commissioned to CTBC Bank	6,295,555	8.32

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 preferred 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 different preparation basis.

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, refer to Market Observation Post System.