

**eMemory Technology Inc. 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
eMemory Technology Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of eMemory Technology Inc. and its subsidiaries (collectively referred to as the "Group") as of March 31, 2024 and 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statement"). 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.

Basis for Qualified Conclusion

As stated in Note 11 to the consolidated financial statements, The balance of investment accounted for using the equity method of eMemory Technology Inc. and its subsidiaries on March 31, 2024 and 2023 is \$11,199 thousand and \$14,291 thousand, respectively, and share of loss of associates for the three months then ended March 31, 2024 and 2023 is \$858 thousand and \$903 thousand, respectively. These investment amounts, as well as related information disclosed in Note 32 to the consolidated financial statements, were based on unreviewed financial statements of the investees for the same reporting periods as those of the Group.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the investment accounted for using the equity method and related share of loss of associates as described in the preceding paragraph been reviewed, 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 then 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 Cheng-Chih Lin and Ya-Yun Chang.

Deloitte & Touche
Taipei, Taiwan

Republic of China

May 2, 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 audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.

EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2024		December 31, 2023		March 31, 2023			March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
ASSETS							LIABILITIES AND EQUITY						
CURRENT ASSETS							CURRENT LIABILITIES						
Cash (Notes 6 and 27)	\$3,137,593	73	\$2,731,524	73	\$3,436,178	81	Short-term loans (Notes 16 and 27)	\$ -	-	\$ 30,000	1	\$ -	-
Accounts receivable - net (Notes 9, 21 and 27)	278,694	7	194,960	5	181,385	4	Contract liabilities – current (Notes 21 and 28)	100,887	2	77,268	2	99,440	3
Other receivables (Notes 27)	2,616	-	2,965	-	1,629	-	Other payables (Notes 17 and 27)	172,345	4	174,743	5	121,145	3
Prepayments (Notes 15)	19,422	1	20,170	1	14,976	1	Other payables - related parties (Notes 27 and 28)	-	-	-	-	25	-
Other current assets (Notes 15 and 27)	4,892	-	4,974	-	5,066	-	Bonuses payable to employees and directors (Notes 22)	361,064	9	349,031	9	374,060	9
Total current assets	<u>3,443,217</u>	<u>81</u>	<u>2,954,593</u>	<u>79</u>	<u>3,639,234</u>	<u>86</u>	Payables on equipment (Notes 27)	11,327	-	9,220	-	9,823	-
							Current tax liabilities (Notes 4 and 23)	123,186	3	44,486	1	183,616	4
NON-CURRENT ASSETS							Lease liabilities – current (Notes 13 and 27)	3,511	-	2,358	-	2,957	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 7 and 27)	5,379	-	5,369	-	4,976	-	Other current liabilities (Notes 17)	2,481	-	2,479	-	1,796	-
Financial assets at amortized cost – noncurrent (Notes 8, 27 and 29)	118	-	118	-	116	-	Total current liabilities	<u>774,801</u>	<u>18</u>	<u>689,585</u>	<u>18</u>	<u>792,862</u>	<u>19</u>
Investment accounted for using the equity method (Notes 11)	11,199	-	12,063	-	14,291	-							
Property, plant and equipment (Notes 12)	467,004	11	473,470	13	456,434	11	NON-CURRENT LIABILITIES						
Right-of-use assets (Notes 13)	9,660	-	3,607	-	4,624	-	Deferred tax liabilities (Notes 4 and 23)	920	-	-	-	-	-
Intangible assets (Notes 14)	111,562	3	79,299	2	101,086	3	Lease liabilities - noncurrent (Notes 13 and 27)	6,257	-	1,314	-	1,760	-
Deferred tax assets (Notes 4 and 23)	1,924	-	3,770	-	1,757	-	Net defined benefit liabilities – noncurrent (Notes 4 and 18)	12,838	1	13,010	1	15,552	-
Prepayments for equipment (Notes 15 and 30)	224,854	5	224,714	6	1,143	-	Guarantee deposits received	10	-	10	-	10	-
Refundable deposits	819	-	694	-	862	-	Total non-current liabilities	<u>20,025</u>	<u>1</u>	<u>14,334</u>	<u>1</u>	<u>17,322</u>	<u>-</u>
Total non-current assets	<u>832,519</u>	<u>19</u>	<u>803,104</u>	<u>21</u>	<u>585,289</u>	<u>14</u>	Total liabilities	<u>794,826</u>	<u>19</u>	<u>703,919</u>	<u>19</u>	<u>810,184</u>	<u>19</u>
							EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 19 and 20)						
							Ordinary shares	<u>746,521</u>	<u>17</u>	<u>746,423</u>	<u>20</u>	<u>761,885</u>	<u>18</u>
							Capital surplus	<u>117,527</u>	<u>3</u>	<u>114,313</u>	<u>3</u>	<u>211,939</u>	<u>5</u>
							Retained earnings						
							Legal reserve	761,844	18	761,844	20	635,956	15
							Special reserve	4,980	-	4,980	-	30,985	1
							Unappropriated earnings	<u>1,831,461</u>	<u>43</u>	<u>1,400,884</u>	<u>37</u>	<u>2,143,204</u>	<u>51</u>
							Total retained earnings	<u>2,598,285</u>	<u>61</u>	<u>2,167,708</u>	<u>57</u>	<u>2,810,145</u>	<u>67</u>
							Other equity						
							Exchange differences on the translation of the financial statements of foreign operations	143	-	61	-	669	-
							Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(5,221)	-	(5,231)	-	(5,624)	-
							Total other equity	(5,078)	-	(5,170)	-	(4,955)	-
							Treasury shares	-	-	-	-	(404,238)	(10)
							Total equity attributable to shareholders of the Company	3,457,255	81	3,023,274	80	3,374,776	80
							NON-CONTROLLING INTERESTS (Notes 19)	<u>23,655</u>	<u>-</u>	<u>30,504</u>	<u>1</u>	<u>39,563</u>	<u>1</u>
							Total equity	<u>3,480,910</u>	<u>81</u>	<u>3,053,778</u>	<u>81</u>	<u>3,414,339</u>	<u>81</u>
TOTAL	<u>\$4,275,736</u>	<u>100</u>	<u>\$3,757,697</u>	<u>100</u>	<u>\$4,224,523</u>	<u>100</u>	TOTAL	<u>\$4,275,736</u>	<u>100</u>	<u>\$3,757,697</u>	<u>100</u>	<u>\$4,224,523</u>	<u>100</u>

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

EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 21, 28 and 33)	\$ 802,764	100	\$ 667,751	100
OPERATING COSTS	-	-	-	-
GROSS PROFIT	<u>802,764</u>	<u>100</u>	<u>667,751</u>	<u>100</u>
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	63,829	8	49,996	7
General and administrative expenses	76,325	10	64,562	10
Research and development expenses	241,881	30	186,163	28
Expected credit loss (Reversal of expected credit loss) (Notes 9)	<u>108</u>	<u>-</u>	<u>(64)</u>	<u>-</u>
Total operating expenses	<u>382,143</u>	<u>48</u>	<u>300,657</u>	<u>45</u>
OPERATING INCOME	<u>420,621</u>	<u>52</u>	<u>367,094</u>	<u>55</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 22)	22,070	3	10,497	2
Other income (Notes 13,22 and 28)	373	-	373	-
Other gains and losses (Notes 22 and 25)	69,557	9	(5,505)	(1)
Finance costs (Notes 22)	(264)	-	(26)	-
Share of loss of associates (Notes 11)	(858)	-	(903)	-
Total non-operating income and expenses	<u>90,878</u>	<u>12</u>	<u>4,436</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	511,499	64	371,530	56
INCOME TAX EXPENSE (Notes 4 and 23)	<u>88,444</u>	<u>11</u>	<u>63,972</u>	<u>10</u>
NET PROFIT	<u>423,055</u>	<u>53</u>	<u>307,558</u>	<u>46</u>

(Continued)

EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
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 (Notes 19 and 27)	\$ 10	-	\$ 62	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on the translation of the financial statements of foreign operations (Notes 19)	172	-	(18)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method (Notes 11 and 19)	(10)	-	7	-
Other comprehensive income	<u>172</u>	<u>-</u>	<u>51</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 423,227</u>	<u>53</u>	<u>\$ 307,609</u>	<u>46</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Company	\$ 430,577	54	\$ 313,090	47
Non-controlling interests	(7,522)	(1)	(5,532)	(1)
	<u>\$ 423,055</u>	<u>53</u>	<u>\$ 307,558</u>	<u>46</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Company	\$ 430,669	54	\$ 313,115	47
Non-controlling interests	(7,442)	(1)	(5,506)	(1)
	<u>\$ 423,227</u>	<u>53</u>	<u>\$ 307,609</u>	<u>46</u>
EARNINGS PER SHARE (Notes 24)				
Basic	<u>\$ 5.77</u>		<u>\$ 4.20</u>	
Diluted	<u>\$ 5.76</u>		<u>\$ 4.18</u>	

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

(Concluded)

EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Company												
	Ordinary Shares		Capital Surplus	Legal Reserve	Retained Earnings			Other Equity		Treasury Shares	Total	Non-Controlling Interests	Total Equity
	Number of Shares (In Thousands)	Amount			Special Reserve	Unappropriated Earnings	Total	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE, JANUARY 1, 2023	76,185	\$ 761,845	\$ 210,522	\$ 635,956	\$ 30,985	\$ 1,830,114	\$ 2,497,055	\$ 706	(\$ 5,686)	(\$ 404,238)	\$ 3,060,204	\$ 33,120	\$ 3,093,324
Changes in percentage of ownership interests in subsidiaries	-	-	181	-	-	-	-	-	-	-	181	(181)	-
Change in capital surplus from investments in associates accounted for using the equity method	-	-	2	-	-	-	-	-	-	-	2	-	2
Net profit (loss) for the three months ended March 31, 2023	-	-	-	-	-	313,090	313,090	-	-	-	313,090	(5,532)	307,558
Other comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	-	-	-	(37)	62	-	25	26	51
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	-	313,090	313,090	(37)	62	-	313,115	(5,506)	307,609
Issuance of ordinary shares under employee share options	4	40	1,234	-	-	-	-	-	-	-	1,274	-	1,274
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	324	324
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	11,806	11,806
BALANCE, MARCH 31, 2023	76,189	\$ 761,885	\$ 211,939	\$ 635,956	\$ 30,985	\$ 2,143,204	\$ 2,810,145	\$ 669	(\$ 5,624)	(\$ 404,238)	\$ 3,374,776	\$ 39,563	\$ 3,414,339
BALANCE, JANUARY 1, 2024	74,643	\$ 746,423	\$ 114,313	\$ 761,844	\$ 4,980	\$ 1,400,884	\$ 2,167,708	\$ 61	(\$ 5,231)	\$ -	\$ 3,023,274	\$ 30,504	\$ 3,053,778
Changes in percentage of ownership interests in subsidiaries	-	-	203	-	-	-	-	-	-	-	203	(203)	-
Change in capital surplus from investments in associates accounted for using the equity method	-	-	4	-	-	-	-	-	-	-	4	-	4
Net profit (loss) for the three months ended March 31, 2024	-	-	-	-	-	430,577	430,577	-	-	-	430,577	(7,522)	423,055
Other comprehensive income (loss) for the three months ended March 31, 2024	-	-	-	-	-	-	-	82	10	-	92	80	172
Total comprehensive income (loss) for the three months ended March 31, 2024	-	-	-	-	-	430,577	430,577	82	10	-	430,669	(7,442)	423,227
Issuance of ordinary shares under employee share options	9	98	3,007	-	-	-	-	-	-	-	3,105	57	3,162
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	739	739
BALANCE, MARCH 31, 2024	74,652	\$ 746,521	\$ 117,527	\$ 761,844	\$ 4,980	\$ 1,831,461	\$ 2,598,285	\$ 143	(\$ 5,221)	\$ -	\$ 3,457,255	\$ 23,655	\$ 3,480,910

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

EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 511,499	\$ 371,530
Adjustments for:		
Depreciation expenses	11,510	9,831
Amortization expenses	24,241	15,756
Expected credit loss (Reversal of expected credit loss)	108	(64)
Finance costs	264	26
Interest income	(22,070)	(10,497)
Share-based payments	739	324
Share of loss of associates	858	903
Property, plant and equipment transferred to expenses	-	68
Net (gain) loss on foreign currency exchange	(62,971)	4,404
Intangible assets transferred to expenses	-	216
Changes in operating assets and liabilities		
Accounts receivable	(73,860)	57,018
Accounts receivable - related parties	-	3,038
Other receivables	-	(5)
Prepayments	2,750	5,689
Other current assets	82	(909)
Contract liabilities	23,619	31,932
Other payables	(2,392)	(60,749)
Other payables- related parties	-	15
Other current liabilities	2	(183)
Net defined benefit liabilities	(172)	(160)
Bonuses payable to employees and directors	<u>12,033</u>	<u>(10,921)</u>
Cash generated from operations	426,240	417,262
Interest received	22,419	9,891
Income tax paid	(<u>8,980</u>)	(<u>19,697</u>)
Net cash generated from operating activities	<u>439,679</u>	<u>407,456</u>

(Continued)

EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(\$ 2,076)	(\$ 2,384)
Increase in refundable deposits	(125)	(40)
Acquisition of intangible assets	(56,504)	(42,871)
Increase in prepayments for equipment	(140)	(1,143)
Net cash used in investing activities	(58,845)	(46,438)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(30,000)	-
Repayment of the principal portion of lease liabilities	(988)	(819)
Exercise of employee share options	3,162	1,274
Interest paid	(284)	(26)
Increase in non-controlling interests	-	11,806
Net cash (used in) generated from financing activities	(28,110)	12,235
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>53,345</u>	(<u>3,343</u>)
NET INCREASE IN CASH	406,069	369,910
CASH AT THE BEGINNING OF THE PERIOD	<u>2,731,524</u>	<u>3,066,268</u>
CASH AT THE END OF THE PERIOD	<u>\$ 3,137,593</u>	<u>\$ 3,436,178</u>

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

(Concluded)

EMEMORY TECHNOLOGY INC. 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

eMemory Technology Inc. (the “Company”) was incorporated in Hsinchu City, Republic of China, and commenced business in September 2000. The Company’s main business activities include researching, developing, manufacturing and selling embedded flash memory products, etc.

The Company’s shares have been listed on the Taipei Exchange (TPEX) since January 2011.

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 and authorized for issue on May 2, 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 Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company and the entities controlled by the Company (collectively, the “Group”) 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 Disclosure 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 IFRSs 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, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial

application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other 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

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

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 Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amount of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the Company.

See Note 10, Table 3 and Table 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

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

1) 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.

2) Income tax expense

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The material accounting judgments and key sources of estimation uncertainty followed in these consolidated financial statements refer to the consolidated financial statements for the year ended December 31, 2023.

6. CASH

	March 31, 2024	December 31, 2023	March 31, 2023
Bank deposits	\$ 3,137,556	\$ 2,731,487	\$ 3,436,143
Cash on hand	<u>37</u>	<u>37</u>	<u>35</u>
	<u>\$ 3,137,593</u>	<u>\$ 2,731,524</u>	<u>\$ 3,436,178</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Non-current</u>			
Investments in equity instruments at FVTOCI	<u>\$ 5,379</u>	<u>\$ 5,369</u>	<u>\$ 4,976</u>
Domestic investments			
Unlisted shares			
Ordinary shares - Syntrox Corporation	<u>\$ 5,379</u>	<u>\$ 5,369</u>	<u>\$ 4,976</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. 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.

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
<u>Non-current</u>			
Domestic investments			
Pledged time deposits	\$ <u>118</u>	\$ <u>118</u>	\$ <u>116</u>
a. Refer to Note 27 for information relating to the credit risk management and impairment of financial assets at amortized cost.			
b. Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.			

9. ACCOUNTS RECEIVABLE, NET

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Accounts receivable	\$ 278,845	\$ 195,003	\$ 181,418
Less: Allowance for impairment loss	<u>(151)</u>	<u>(43)</u>	<u>(33)</u>
	<u>\$ 278,694</u>	<u>\$ 194,960</u>	<u>\$ 181,385</u>

The average credit term was 30 to 60 days; and no interest was charged on accounts receivable. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

Credit exposure is controlled by counterparty limits that are reviewed and approved.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position and economic condition of the industry in which the customer operates. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off an account receivable when there is information indicating that the debtor is in severe financial difficulty, and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For accounts receivable 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 Group measures the loss allowance for accounts receivable, and the information is as follows:

March 31, 2024

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	\$ 246,625	\$ 17,532	\$ 13,248	\$ 1,440	\$ -	\$ 278,845
Loss allowance (lifetime ECLs)	<u>-</u>	<u>-</u>	<u>(151)</u>	<u>-</u>	<u>-</u>	<u>(151)</u>
Amortized cost	<u>\$ 246,625</u>	<u>\$ 17,532</u>	<u>\$ 13,097</u>	<u>\$ 1,440</u>	<u>\$ -</u>	<u>\$ 278,694</u>

December 31, 2023

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	\$ 184,840	\$ 9,702	\$ 461	\$ -	\$ -	\$ 195,003
Loss allowance (lifetime ECLs)	<u>-</u>	<u>(33)</u>	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>(43)</u>
Amortized cost	<u>\$ 184,840</u>	<u>\$ 9,669</u>	<u>\$ 451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,960</u>

March 31, 2023

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	\$ 173,940	\$ 7,478	\$ -	\$ -	\$ -	\$ 181,418
Loss allowance (lifetime ECLs)	<u>-</u>	<u>(33)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33)</u>
Amortized cost	<u>\$ 173,940</u>	<u>\$ 7,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,385</u>

The movements of the loss allowance of accounts receivable were as follows:

	For the Three Months Ended March 31	
	2024	2023
Balance at January 1	\$ 43	\$ 97
Add: Allowance for impairment loss	108	-
Less: Net remeasurement of loss allowance	<u>-</u>	<u>(64)</u>
Balance at March 31	<u>\$ 151</u>	<u>\$ 33</u>

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			March 31, 2024	December 31, 2024	March 31, 2023	
eMemory Technology Inc.	PUFsecurity Corporation	Product designing, software services, data processing services, intellectual property, etc.	75.36%	75.38%	76.17%	1
	eMemory Japan Corporation	Product designing, intellectual property management, technology services	100%	100%	100%	2
PUFsecurity Corporation	PUFsecurity USA Corporation	Sales promotion	100%	100%	100%	-
	PUFsecurity Technology (Shanghai) Corporation	Product designing and related services	100%	100%	100%	3

Remarks:

- 1) PUFsecurity Corporation increased its capital by issuing 3,000 thousand shares with a par value of NT\$10 in April 2023, and the paid in capital increased to NT\$113,430 thousand, which was divided into 113,430 thousand shares with a par value of NT\$1. The Company subscribed for 1,457 thousand shares in cash for NT\$14,568 thousand, but did not subscribe for the shares in accordance with its original shareholding proportion, which caused its proportion of ownership to decrease from 76.17% to 75.41%.

The employees of the Group exercised the employee share options issued by PUFsecurity Corporation in 2023. Therefore, the Company's shareholding percentage decreased from 75.41% to 75.38%.

The employees of the Group exercised the employee share options issued by PUFsecurity Corporation for the year ended March 31, 2024. Therefore, the Company's shareholding percentage decreased from 75.38% to 75.36%.

- 2) The Company invested and established eMemory Japan Corporation in March 2022, and remitted investment fund of JPY50,000 thousand on October 21, 2022 and February 3, 2023.
- 3) PUFsecurity Corporation invested and established PUFsecurity Technology (Shanghai) Corporation in July 2022, and PUFsecurity Corporation remitted investment fund of US\$250 thousand on February 3, 2023.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates

	March 31, 2024	December 31, 2023	March 31, 2023
Associates that is not individually material			
iMQ Technology Inc.	\$ 11,199	\$ 12,063	\$ 14,291

Although the shareholding ratio is less than 20%, the Company is able to exercise significant influence over iMQ Technology Inc. since the chairman of the Company is the same person as the chairman of iMQ Technology Inc.

For information about the nature of business, main operating location and country of incorporation of the associate, refer to Table 3.

The investments in the associates accounted for using the equity method, and the share of profit or loss and other comprehensive income (loss) of those investments have not been reviewed by CPA.

12. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2024	December 31, 2023	March 31, 2023
Assets used by the Group	\$ 466,688	\$473,153	\$ 456,113
Assets leased under operating leases	<u>316</u>	<u>317</u>	<u>321</u>
	<u>\$ 467,004</u>	<u>\$473,470</u>	<u>\$456,434</u>

a. Assets used by the Group

	Freehold Land	Buildings	Research and Development Equipment	Office Equipment	Total
<u>Cost</u>					
Balance at January 1, 2024	\$ 123,905	\$ 378,205	\$ 104,512	\$ 26,528	\$ 633,150
Additions	-	410	2,762	850	4,022
Disposals	-	-	(3,174)	(1,510)	(4,684)
Effect of exchange rate changes	-	-	-	(10)	(10)
Balance at March 31, 2024	<u>\$ 123,905</u>	<u>\$ 378,615</u>	<u>\$ 104,100</u>	<u>\$ 25,858</u>	<u>\$ 632,478</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2024	\$ -	\$ 105,658	\$ 44,149	\$ 10,190	\$ 159,997
Depreciation expense	-	2,665	6,379	1,434	10,478
Disposals	-	-	(3,174)	(1,510)	(4,684)
Effect of exchange rate changes	-	-	-	(1)	(1)
Balance at March 31, 2024	<u>\$ -</u>	<u>\$ 108,323</u>	<u>\$ 47,354</u>	<u>\$ 10,113</u>	<u>\$ 165,790</u>
Carrying amount at March 31, 2024	<u>\$ 123,905</u>	<u>\$ 270,292</u>	<u>\$ 56,746</u>	<u>\$ 15,745</u>	<u>\$ 466,688</u>
Carrying amount at December 31, 2023 and January 1, 2024	<u>\$ 123,905</u>	<u>\$ 272,547</u>	<u>\$ 60,363</u>	<u>\$ 16,338</u>	<u>\$ 473,153</u>
<u>Cost</u>					
Balance at January 1, 2023	\$ 123,905	\$ 394,320	\$ 89,651	\$ 22,613	\$ 630,489
Additions	-	-	4,553	176	4,729
Disposals	-	-	(12,267)	(1,952)	(14,219)
Reclassified	-	-	(49)	(21)	(70)
Effect of exchange rate changes	-	-	(1)	(6)	(7)
Balance at March 31, 2023	<u>\$ 123,905</u>	<u>\$ 394,320</u>	<u>\$ 81,887</u>	<u>\$ 20,810</u>	<u>\$ 620,922</u>

(Continued)

	Freehold Land	Buildings	Research and Development Equipment	Office Equipment	Total
<u>Accumulated depreciation</u>					
Balance at January 1, 2023	\$ -	\$ 111,962	\$ 49,816	\$ 8,236	\$ 170,014
Depreciation expense	-	3,032	4,831	1,153	9,016
Disposals	-	-	(12,267)	(1,952)	(14,219)
Reclassified	-	-	(1)	(1)	(2)
Balance at March 31, 2023	<u>\$ -</u>	<u>\$ 114,994</u>	<u>\$ 42,379</u>	<u>\$ 7,436</u>	<u>\$ 164,809</u>
Carrying amount at March 31, 2023	<u>\$ 123,905</u>	<u>\$ 279,326</u>	<u>\$ 39,508</u>	<u>\$ 13,374</u>	<u>\$ 456,113</u> (Concluded)

b. Assets leased under operating leases

	Freehold Land	Buildings	Total
<u>Cost</u>			
Balance at January 1 and March 31, 2024	<u>\$ 114</u>	<u>\$ 265</u>	<u>\$ 379</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2024	\$ -	\$ 62	\$ 62
Depreciation expense	-	1	1
Balance at March 31, 2024	<u>\$ 114</u>	<u>\$ 63</u>	<u>\$ 63</u>
Carrying amount at March 31, 2024	<u>\$ 114</u>	<u>\$ 202</u>	<u>\$ 316</u>
Carrying amount at December 31, 2023 and January 1, 2024	<u>\$ 114</u>	<u>\$ 203</u>	<u>\$ 317</u>
<u>Cost</u>			
Balance at January 1 and March 31, 2023	<u>\$ 114</u>	<u>\$ 265</u>	<u>\$ 379</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ -	\$ 57	\$ 57
Depreciation expense	-	1	1
Balance at March 31, 2023	<u>\$ -</u>	<u>\$ 58</u>	<u>\$ 58</u>
Carrying amount at March 31, 2023	<u>\$ 114</u>	<u>\$ 207</u>	<u>\$ 321</u>

Operating leases are related to leases of buildings with lease terms of 1 year. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Year 1	<u>\$ 15</u>	<u>\$ 30</u>	<u>\$ 15</u>

There was no indication of impairment for the three months ended March 31, 2024 and 2023.

The Group's property, plant and equipment are depreciated on a straight-line basis over their useful lives as follows:

Buildings	
Office main buildings	35-50 years
Electrical power equipment	5-10 years
Air-conditioning equipment	5-8 years
Extinguishment equipment	5 years
Research and development equipment	3-8 years
Office equipment	3-10 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Carrying amount</u>			
Buildings	\$ 8,586	\$ 2,488	\$ 2,499
Office equipment	292	-	-
Transportation equipment	<u>782</u>	<u>1,119</u>	<u>2,125</u>
	<u>\$ 9,660</u>	<u>\$ 3,607</u>	<u>\$ 4,624</u>

	For the Three Months Ended March 31	
	2024	2023
Additions to right-of-use assets	<u>\$ 7,121</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 653	\$ 479
Office equipment	41	-
Transportation equipment	<u>337</u>	<u>335</u>
	<u>\$ 1,031</u>	<u>\$ 814</u>
Income from the subleasing of right-of-use assets (presented in other income)	<u>(\$ 358)</u>	<u>(\$ 358)</u>

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

b. Lease liabilities

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
<u>Carrying amount</u>			
Current	\$ 3,511	\$ 2,358	\$ 2,957
Non-current	<u>\$ 6,257</u>	<u>\$ 2,237</u>	<u>\$ 1,760</u>

Discount rates for lease liabilities were as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Buildings	1.38%~2.00%	1.38%~2.00%	1.38%~1.68%
Office equipment	3.00%	-	-
Transportation equipment	2.73%	2.73%	2.73%

c. Other lease information

Refer to Note 12 for operating leases related to leases arrangements of property, plant and equipment.

	<u>For the Three Months Ended March 31</u>	
	<u>2024</u>	<u>2023</u>
Expenses relating to short-term leases	\$ 865	\$ 1,225
Total cash outflow for leases	<u>(\$ 1,977)</u>	<u>(\$ 2,070)</u>

The Group's leases of certain parking space and machine rooms qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. INTANGIBLE ASSETS

	Patents	Software	Trademarks	Total
<u>Cost</u>				
Balance at January 1, 2024	\$ 180,937	\$ 85,100	\$ 3,000	\$ 269,037
Additions	3,000	53,504	-	56,504
Disposals	-	<u>(6,415)</u>	-	<u>(6,415)</u>
Balance at March 31, 2024	<u>\$ 183,937</u>	<u>\$ 132,189</u>	<u>\$ 3,000</u>	<u>\$ 319,126</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2024	\$ 123,077	\$ 63,696	\$ 2,965	\$ 189,738
Amortization expense	4,088	20,147	6	24,241
Disposals	-	<u>(6,415)</u>	-	<u>(6,415)</u>
Balance at March 31, 2024	<u>\$ 127,165</u>	<u>\$ 77,428</u>	<u>\$ 2,971</u>	<u>\$ 207,564</u>
Carrying amount at March 31, 2024	<u>\$ 56,772</u>	<u>\$ 54,761</u>	<u>\$ 29</u>	<u>\$ 111,562</u>
Carrying amount at December 31, 2023 and January 1,2024	<u>\$ 57,860</u>	<u>\$ 21,404</u>	<u>\$ 35</u>	<u>\$ 79,299</u>

(Continued)

	Patents	Software	Trademarks	Total
<u>Cost</u>				
Balance at January 1, 2023	\$ 168,765	\$ 33,193	\$ 3,000	\$ 204,958
Additions	2,662	40,209	-	42,871
Disposals	-	(2,826)	-	(2,826)
Reclassified	(216)	-	-	(216)
Balance at March 31, 2023	<u>\$ 171,211</u>	<u>\$ 70,576</u>	<u>\$ 3,000</u>	<u>\$ 244,787</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2023	\$ 106,556	\$ 21,284	\$ 2,931	\$ 130,771
Amortization expense	4,152	11,594	10	15,756
Disposals	-	(2,826)	-	(2,826)
Balance at March 31, 2023	<u>\$ 110,708</u>	<u>\$ 30,052</u>	<u>\$ 2,941</u>	<u>\$ 143,701</u>
Carrying amount at March 31, 2023	<u>\$ 60,503</u>	<u>\$ 40,524</u>	<u>\$ 59</u>	<u>\$ 101,086</u> (Concluded)

The Group's major products are NeoBit®, NeoFuse®, NeoPUF®, NeoEE® and NeoMTP®, etc. There are 1,319 patents currently owned or pending approval for the products mentioned above. According to the requirements of IAS 38, the research and development costs were recognized as research and development expenses, instead of capitalized, in the periods when incurred. The costs of the patents and the trademarks mentioned above were the costs of the relevant fees and professional service expenses for legal right applications.

The above intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives as follows:

Patents	5 years
Software	1-3 years
Trademarks	5 years

15. OTHER ASSETS

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
<u>Current</u>			
Prepayments			
Prepayments for annual fee on the patents	\$ 5,870	\$ 5,707	\$ 5,768
Prepayments for income tax	2,357	355	666
Prepayments for software	1,522	1,596	1,727
Prepayments for software maintenance	1,099	1,637	1,539
Prepayments for membership	1,014	1,303	751
Prepayments for outsourced testing	679	1,816	321
Others	6,881	7,756	4,204
	<u>\$ 19,422</u>	<u>\$ 20,170</u>	<u>\$ 14,976</u>
Other assets			
Temporary payments	<u>\$ 4,892</u>	<u>\$ 4,974</u>	<u>\$ 5,066</u>

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
<u>Non-current</u>			
Prepayments for equipment			
Prepayments for building purchase	\$ 224,714	\$ 224,714	\$ -
Prepayments for equipment	<u>140</u>	<u>-</u>	<u>1,143</u>
	<u>\$ 224,854</u>	<u>\$ 224,714</u>	<u>\$ 1,143</u>

16. SHORT-TERM LOANS

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
<u>Unsecured loans</u>			
Bank loans	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ -</u>

The interest rate on bank recurring loans was 2.185% on December 31, 2023.

17. OTHER LIABILITIES

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
<u>Current</u>			
Other payables			
Bonuses	\$ 124,384	\$ 123,990	\$ 76,791
Payable for professional service fees	1,991	1,969	1,518
Payable for annual leave	1,896	5,737	1,760
Others	<u>44,074</u>	<u>43,047</u>	<u>41,076</u>
	<u>\$ 172,345</u>	<u>\$ 174,743</u>	<u>\$ 121,145</u>
Other liabilities			
Receipt under custody	\$ 1,954	\$ 1,895	\$ 1,747
Receipts in advance	524	582	-
Temporary receipts	<u>3</u>	<u>2</u>	<u>49</u>
	<u>\$ 2,481</u>	<u>\$ 2,479</u>	<u>\$ 1,796</u>

18. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined contribution retirement plans which calculated using the projected pension cost stated on December 31, 2023 and 2022 actuarial reports were \$39 thousand and \$57 thousand for the three months ended March 31, 2024 and 2023, respectively.

19. EQUITY

a. Ordinary shares

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Numbers of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Shares 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>74,652</u>	<u>74,643</u>	<u>76,189</u>
Shares issued	<u>\$ 746,521</u>	<u>\$ 746,423</u>	<u>\$ 761,885</u>

For the three months ended March 31, 2024, the shares changed due to the employees' exercise of their

employee share options and the reduction in the retirement of treasury stock.

b. Capital surplus

	March 31, 2024	December 31, 2023	March 31, 2023
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Arising from issuance of ordinary shares	\$ 10,640	\$ 7,633	\$ 61,655
Arising from issuance of ordinary-exercised/invalid employee share options	15,976	14,451	63,263
<u>May be used to offset a deficit only</u>			
Arising from changes in percentage of ownership interests in subsidiaries (2)	22,451	22,248	14,064
Arising from share of changes in capital surplus of associates (2)	63,138	63,134	62,950
<u>May not be used for any purpose</u>			
Arising from employee share option	<u>5,322</u>	<u>6,847</u>	<u>10,007</u>
	<u>\$ 117,527</u>	<u>\$ 114,313</u>	<u>\$ 211,939</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 share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries and associates resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries and associates accounted for using the equity method.

c. Retained earnings and dividend policy

Based on the Company's Articles of Incorporation state that, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations; however, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock 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 after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 22 (g).

The Company shall distribute dividend with considerations of the market situation and development stage, as well as future capital needs, long-term corporate development and the shareholders' cash flow needs. Based on the Company's dividend policy, in principle, the total dividends distributed shall not be less than 50% of distributable earnings, of which at least 10% will be paid as cash dividend and the remainder will be in the form of stock dividend. The board of directors shall map out the distribution proposal in consideration of future operation and capital expenditure and present the proposal at the shareholders' meeting for approval.

An appropriation of earnings to the legal reserve shall be made before 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 2023 and 2022 which had been approved in the board of directors on February 21, 2024 and the shareholders' meeting on June 9, 2023, respectively, were as follows:

	Appropriation of Earnings	
	For the Years Ended December 31	
	2023	2022
Legal reserve	\$ -	\$ 125,888
Reversal of special reserve	(\$ 190)	(\$ 26,005)
Cash dividends	<u>\$1,306,409</u>	<u>\$1,417,769</u>
Cash dividends per share (NT\$)	\$ 17.05	\$ 19.00

The Company's shareholders also resolved to issue cash dividends from the capital surplus of \$111,929 thousand in the shareholders' meeting on June 9, 2023.

The appropriations of earnings for 2023 will be presented to the shareholders for their approval in their meeting on June 19, 2024

d. Other equity items

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

	For the Three Months Ended March 31	
	2024	2023
Balance at January 1	\$ 61	\$ 706
Recognized for the period		
Exchange differences on the translation of the financial statements of foreign operations	92	(44)
Share from associates accounted for using the equity method	(10)	7
Other comprehensive gain (loss) recognized for the period	<u>82</u>	<u>(37)</u>
Balance at March 31	<u>\$ 143</u>	<u>\$ 669</u>

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

	For the Three Months Ended March 31	
	2024	2023
Balance at January 1	\$ (5,231)	\$ (5,686)
Recognized for the period		
Unrealized gain (loss) - equity instruments	10	62
Other comprehensive income (loss) recognized for the period	<u>10</u>	<u>62</u>
Balance at March 31	<u>\$ (5,221)</u>	<u>\$ (5,624)</u>

e. Non-controlling interests

	For the Three Months Ended March 31	
	2023	2022
Balance at January 1	\$ 30,504	\$ 33,120
Change in percentage of ownership interests in subsidiaries	(203)	(181)
Share in loss for the period	(7,522)	(5,532)
Other comprehensive income (loss) during the period		
Exchange differences on the translation of the financial statements of foreign operations	80	26
Share-based payments	739	324
Exercise of employee share options by subsidiaries	57	-
Non-controlling interests	<u>-</u>	<u>11,806</u>
Balance at March 31	<u>\$ 23,655</u>	<u>\$ 39,563</u>

f. Treasury shares

Purpose of Buy-Back	Unit: In Thousands of Shares			
	Number of Shares at January 1	Increase During the Period	Decrease During the Period	Number of Shares at March 31
<u>2023</u>				
Shares transferred to employees	<u>1,567</u>	<u>-</u>	<u>-</u>	<u>1,567</u>

In September 2018, for the purpose of transferring shares to its employees, the Company's board of directors resolved to buy back 2,500 thousand shares of the Company's ordinary shares from the TPEX market from September 14, 2018 to November 13, 2018, with a price interval ranging from NT\$177.80 to NT\$400 per share. The Company has bought back 1,567 thousand shares at a total cost of NT\$404,238 thousand. Under the Securities and Exchange Act, shares not transferred within the said time limit shall be deemed not issued by the Company, and amendment registration shall be processed. The Company's board of directors resolved to reduce the capital on October 24, 2023, and the effective date of the capital reduction was October 31, 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.

20. SHARE-BASED PAYMENTS

The Company did not issue employee share options for the three months ended March 31, 2024 and 2023. The information of employee share options was as follows:

	For the Three Months Ended March 31			
	2024		2023	
	Number of Options (thousand)	Weighted- average Exercise Price (NT\$)	Number of Options (thousand)	Weighted- average Exercise Price (NT\$)
Balance at January 1	44	\$ 318.4	69	\$ 318.4
Options exercised	<u>(9)</u>	318.4	<u>(4)</u>	318.4
Balance at March 31	<u>35</u>	318.4	<u>65</u>	318.4
Options exercisable, end of period	<u>35</u>	318.4	<u>65</u>	318.4

Compensation cost recognized were both NT\$0 thousand for the three months ended March 31, 2024 and 2023.

Qualified employees of PUFsecurity Corporation were granted 4,089 options in September 2021. Each option entitles the holder to subscribe for one thousand ordinary shares of PUFsecurity Corporation. The options granted are valid for 5 years and exercisable at certain percentages two year after the grant date. The options were granted at an exercise price of NT\$2. For any subsequent changes in PUFsecurity Corporation's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	For the Three Months Ended March 31			
	2024		2023	
	Number of Options	Weighted- average Exercise Price (NT\$)	Number of Options	Weighted- average Exercise Price (NT\$)
Balance at January 1	3,418	\$ 2	3,995	\$ 2
Options exercised	(28)	2	-	-
Options forfeited	<u>(44)</u>	2	<u>(532)</u>	2
Balance at March 31	<u>3,346</u>	2	<u>3,463</u>	2
Options exercisable, end of period	<u>952</u>	2	<u>-</u>	-

Compensation cost recognized were NT\$8 thousand and NT\$3 thousand for the three months ended March 31, 2024 and 2023, respectively.

Qualified employees of PUFsecurity Corporation were granted 2,090 options in June 2022. Each option entitles the holder to subscribe for one thousand ordinary shares of PUFsecurity Corporation. The options granted are valid for 5 years and exercisable at certain percentages two year after the grant date. The options were granted at an exercise price of NT\$4. For any subsequent changes in PUFsecurity Corporation's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	For the Three Months Ended March 31			
	2024		2023	
	Number of Options	Weighted- average Exercise Price (NT\$)	Number of Options	Weighted- average Exercise Price (NT\$)
Balance at January 1	2,080	\$ 4	2,080	\$ 4
Options forfeited	<u>(30)</u>	4	<u>-</u>	-
Balance at March 31	<u>2,050</u>	4	<u>2,080</u>	4
Options exercisable, end of period	<u>-</u>	-	<u>-</u>	-

Compensation cost recognized were NT\$240 thousand and NT\$268 thousand for the three months ended March 31, 2024 and 2023, respectively.

Qualified employees of PUFsecurity Corporation were granted 420 options in September 2022. Each option entitles the holder to subscribe for one thousand ordinary shares of PUFsecurity Corporation. The options granted are valid for 5 years and exercisable at certain percentages two year after the grant date. The options were granted at an exercise price of NT\$4. For any subsequent changes in PUFsecurity Corporation's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	For the Three Months Ended March 31			
	2024		2023	
	Number of Options	Weighted- average Exercise Price (NT\$)	Number of Options	Weighted- average Exercise Price (NT\$)
Balance at January 1	282	\$ 4	420	\$ 4
Options forfeited	<u>-</u>	-	<u>(8)</u>	4
Balance at March 31	<u>282</u>	4	<u>412</u>	4
Options exercisable, end of period	<u>-</u>	-	<u>-</u>	-

Compensation cost recognized were NT\$37 thousand and NT\$53 thousand for the three months ended March 31, 2024 and 2023, respectively.

In March 2023, PUFsecurity Corporation issued shares, out of which some were reserved for employees' subscription. The Black-Scholes pricing model was used to price the shares, which was also used to calculate the compensation costs as NT\$0; the inputs of the model were as follows:

Grant-date share price (NT\$)	\$ 3.84
Exercise price (NT\$)	\$ 10
Expected volatility	58.88%
Expected life	12 days
Expected dividend yield	-
Risk-free interest rate	0.97%

Qualified employees of PUFsecurity Corporation were granted 2,968 options in August 2023. Each option entitles the holder to subscribe for one thousand ordinary shares of PUFsecurity Corporation. The options granted are valid for 5 years and exercisable at certain percentages two year after the grant date. The options were granted at an exercise price of NT\$5. For any subsequent changes in PUFsecurity Corporation's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	For the Three Months Ended March 31	
	Number of Options	Weighted- average Exercise Price (NT\$)
Balance at January 1	2,965	\$ 5
Options forfeited	<u>(35)</u>	5
Balance at March 31	<u>2,930</u>	5
Options exercisable, end of period	<u>-</u>	-

Compensation cost recognized was NT\$454 thousand for the three months ended March 31, 2024.

21. REVENUE

	For the Three Months Ended March 31	
	2024	2023
Royalty revenue	\$ 574,435	\$ 524,702
Technical service revenue	<u>228,329</u>	<u>143,049</u>
	<u>\$ 802,764</u>	<u>\$ 667,751</u>

a. Contract balances

	March 31, 2024	December 31, 2023	March 31, 2023	January 1, 2023
Accounts receivable (including related parties) (Note 9)	<u>\$ 278,694</u>	<u>\$ 194,960</u>	<u>\$ 181,385</u>	<u>\$ 242,452</u>
Contract liabilities				
Technical service revenue	<u>\$ 100,887</u>	<u>\$ 77,268</u>	<u>\$ 99,440</u>	<u>\$ 67,508</u>

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

Revenue of the reporting period recognized from the beginning contract liabilities in the previous periods is as follows:

	For the Three Months Ended March 31	
	2024	2023
From contract liabilities at the beginning of the year		
Technical service revenue	<u>\$ 25,673</u>	<u>\$ 12,402</u>

b. Partially completed contracts

	For the Three Months Ended March 31	
	2024	2023
Domestic	\$ 486,698	\$ 446,033
Asia	281,363	205,498
Others	<u>34,703</u>	<u>16,220</u>
	<u>\$ 802,764</u>	<u>\$ 667,751</u>

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Three Months Ended March 31	
	2024	2023
Bank deposits	\$ 22,064	\$ 10,492
Others	<u>6</u>	<u>5</u>
	<u>\$ 22,070</u>	<u>\$ 10,497</u>

b. Other income

**For the Three Months Ended
March 31**

	2024	2023
Rental income	\$ <u>373</u>	\$ <u>373</u>

c. Other gains and losses

**For the Three Months Ended
March 31**

	2024	2023
Net foreign exchange gain (loss)	\$ 69,516	\$ (5,505)
Other	<u>41</u>	<u>-</u>
	<u>\$ 69,557</u>	<u>\$ (5,505)</u>

d. Finance costs

**For the Three Months Ended
March 31**

	2024	2023
Interest on lease liabilities	\$ 124	\$ 26
Interest on bank loans	<u>140</u>	<u>-</u>
	<u>\$ 264</u>	<u>\$ 26</u>

e. Depreciation and amortization

**For the Three Months Ended
March 31**

	2023	2022
An analysis of depreciation by function		
Operating expenses	<u>\$ 11,510</u>	<u>\$ 9,831</u>
An analysis of amortization by function		
Selling and marketing expenses	\$ 8	\$ 8
General and administrative expenses	1,375	1,490
Research and development expenses	<u>22,858</u>	<u>14,258</u>
	<u>\$ 24,241</u>	<u>\$ 15,756</u>

For the information on the amortization of intangible assets allocated to each single item, please refer to Note 14.

f. Employee benefits expense

	For the Three Months Ended March 31	
	2024	2023
Post-employment benefits (Note 18)		
Defined contribution plans	\$ 6,197	\$ 5,776
Defined benefit plans	<u>39</u>	<u>57</u>
	6,236	5,833
Share-based payments (Note 20)		
Equity-settled	739	324
Other employee benefits	<u>304,977</u>	<u>239,615</u>
 Total employee benefits expense	 <u>\$ 311,952</u>	 <u>\$ 245,772</u>
 An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 311,952</u>	<u>\$ 245,772</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 1-25% and no higher than 2%, 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 are as follows:

Accrual rate

	For the Three Months Ended March 31	
	2024	2023
Employees' compensation	15%	15%
Remuneration of directors	1.5%	1.5%

Amount

	For the Three Months Ended March 31	
	2024	2023
Employees' compensation	<u>\$ 93,216</u>	<u>\$ 67,698</u>
Remuneration of directors	<u>\$ 9,322</u>	<u>\$ 6,770</u>

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

The employees' compensation and remuneration of directors for the years ended December 31, 2023 and 2022 which were approved by the Company's board of directors on February 21, 2024 and February 22, 2023, respectively, are as follows:

	For the Year Ended December 31	
	2024	2023
	Cash	Cash
Employees' compensation	<u>\$ 302,977</u>	<u>\$ 344,259</u>
Remuneration of directors	<u>\$ 30,298</u>	<u>\$ 34,426</u>

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 years 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.

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2024	2023
Current tax		
In respect of the current period	\$ 85,682	\$ 62,949
Adjustments for prior years' tax	<u>(4)</u>	<u>37</u>
	<u>\$ 85,678</u>	<u>\$ 62,986</u>
Deferred tax		
In respect of the current period	<u>2,766</u>	<u>986</u>
Income tax expense recognized in profit or loss	<u>\$ 88,444</u>	<u>\$ 63,972</u>

b. Income tax assessments

The tax returns through 2022 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2024	2023
Basic earnings per share	<u>\$ 5.77</u>	<u>\$ 4.20</u>
Diluted earnings per share	<u>\$ 5.76</u>	<u>\$ 4.18</u>

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 March 31	
	2024	2023
Earnings used in the computation of basic earnings per share	\$ 430,577	\$ 313,090
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Employee share options	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 430,577</u>	<u>\$ 313,090</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Three Months Ended March 31	
	2024	2023
Weighted average number of ordinary shares used in the computation of basic earnings per share	74,651	74,620
Effect of potentially dilutive ordinary shares:		
Employees' compensation	96	152
Employee share options	<u>31</u>	<u>54</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>74,778</u>	<u>74,826</u>

Since the Company can offer to settle bonus to employees in cash or shares, the Company assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

25. GOVERNMENT GRANTS

PUFsecurity Corporation applied for A+ Industrial Innovation R&D Program “PUF-based AIoT Chip Secure Element R&D Project”, proposed by the Ministry of Economic Affairs, and the program was approved on January 14, 2022. The total funds approved amounted to NT\$70,000 thousand, and the subsidies amounted to NT\$28,000 thousand. The collateral provided by PUFsecurity Corporation included cashier checks whose drawees are banking industries and the amount was NT\$28,000 thousand. The accumulated government grants income recognized until March 31, 2024 was NT\$21,003 thousand.

26. CAPITAL MANAGEMENT

The objectives, policies and procedures of the Group's capital risk management and the composition of the Group's capital structure are the same as those described in the consolidated financial report for the year ended December 31, 2023, please refer to Note 26 of the consolidated financial report for the year ended December 31, 2023.

27. FINANCIAL INSTRUMENTS

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

The management believes the carrying amount of financial assets and financial liabilities not carried at fair value approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments that are 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				
Unlisted shares	\$ _____ -	\$ _____ -	\$ <u>5,379</u>	\$ <u>5,379</u>

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ _____ -	\$ _____ -	\$ <u>5,369</u>	\$ <u>5,369</u>

March 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ _____ -	\$ _____ -	\$ <u>4,976</u>	\$ <u>4,976</u>

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

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

Financial Assets	Financial Assets at FVTOCI Equity Instruments For the Three Months Ended March 31	
	2024	2023
Balance at January 1	\$ 5,369	\$ 4,914
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	<u>10</u>	<u>62</u>
Balance at March 31	<u>\$ 5,379</u>	<u>\$ 4,976</u>

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

Financial Instruments	Valuation Techniques and Inputs
Unlisted shares - ROC	Income approach: utilizing discounted cash flows to determine the present value of the expected future economic benefits that will be derived from investment

c. Categories of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
Financial asset at amortized cost (Note 1)	\$ 3,423,904	\$ 2,934,532	\$ 3,624,361
Investment in equity instrument at FVTOCI	5,379	5,369	4,976
<u>Financial liabilities</u>			
Amortized cost (Note 2)	39,005	71,333	36,467

Note 1: The balances include financial assets measured at amortized cost, which comprise cash, accounts receivable (including related parties), other receivables and other current assets.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term loans, other payables (including related parties) and payables on equipment.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity investments, accounts receivable (including related parties), lease liabilities and other payables (including related parties). The Group's corporate financial management function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group's main financial plans are reviewed by the board of directors in accordance with relevant regulations and internal control system.

1) Market risk

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

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

a) Foreign currency risk

The Group's operating activities are partially denominated in foreign currencies and apply the natural hedge. The purpose of the Group's management of the foreign currency risk is to hedge the risk instead of making a profit.

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

Sensitivity analysis

The Group is mainly exposed to the exchange rate fluctuations of the USD, CNY, EUR and JPY.

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 an increase in pre-tax profit associated with the New Taiwan dollar weakening 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative. The sensitivity analysis included cash, accounts receivable (including related parties) and other payables (including related parties).

	<u>USD Impact</u>		<u>CNY Impact</u>		<u>EUR Impact</u>		<u>JPY Impact</u>	
	<u>For the Three Months Ended March 31</u>							
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Profit or loss	\$59,566	\$38,552	(\$ 67)	\$ 460	(\$ 8)	\$ -	(\$ 19)	\$ 242

b) Interest rate risk

The Group is exposed to interest rate risk arising from financial assets and liabilities at both fixed and floating interest rates.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting periods were as follows.

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Fair value interest rate risk			
Financial assets	\$ 2,794,518	\$ 2,281,888	\$ 2,971,817
Cash flow interest rate risk			
Financial assets	343,156	449,717	464,442
Financial liabilities	-	30,000	-

Sensitivity analysis

The sensitivity analyses below are 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 the asset and liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If the market interest rates had increased/decreased by 0.1% and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2024 and 2023 would increase/decrease by \$86 thousand and \$116 thousand, respectively, mainly due to the Group's exposure to floating interest rate assets.

2) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations and result in 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 mainly arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to minimize credit risk, the Group has made credit and receivable management regulations 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 allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The credit risk on liquid funds was limited because the counterparties are banks with good credit.

Apart from the customers whose balances exceeded 5% of the accounts receivable, the Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The customers whose balances exceeded 5% of the accounts receivable are creditworthy counterparties. Therefore, the credit risk is limited.

3) Liquidity risk

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

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on 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.

March 31, 2024

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 28,646	\$ 7,544	\$ 2,825	\$ -	\$ 39,015
Lease liabilities	371	741	2,753	6,506	10,371
	<u>\$ 29,017</u>	<u>\$ 8,285</u>	<u>\$ 5,578</u>	<u>\$ 6,506</u>	<u>\$ 49,386</u>

Additional information about the maturity analysis for financial liabilities:

	Less than 1 Year	1-5 Years	5+ Years
Lease liabilities	<u>\$ 3,865</u>	<u>\$ 6,506</u>	<u>\$ -</u>

December 31, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 16,727	\$ 24,300	\$ 316	\$ -	\$ 41,343
Lease liabilities	239	478	1,919	1,396	4,032
Variable interest rate liabilities	55	30,088	-	-	30,143
	<u>\$ 17,021</u>	<u>\$ 54,866</u>	<u>\$ 2,235</u>	<u>\$ 1,396</u>	<u>\$ 75,518</u>

Additional information about the maturity analysis for financial liabilities:

	Less than 1 Year	1-5 Years	5+ Years
Lease liabilities	\$ 2,636	\$ 1,396	\$ -
Variable interest rate liabilities	30,143	-	-
	<u>\$ 32,779</u>	<u>\$ 1,396</u>	<u>\$ -</u>

March 31, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing Lease liabilities	\$ 26,001 <u>281</u>	\$ 9,331 <u>563</u>	\$ 1,145 <u>2,175</u>	\$ - <u>1,776</u>	\$ 36,477 <u>4,795</u>
	<u>\$ 26,282</u>	<u>\$ 9,894</u>	<u>\$ 3,320</u>	<u>\$ 1,776</u>	<u>\$ 41,272</u>

Additional information about the maturity analysis for financial liabilities:

	Less than 1 Year	1-5 Years	5+ Years
Lease liabilities	<u>\$ 3,019</u>	<u>\$ 1,776</u>	<u>\$ -</u>

b) Financing facilities

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured bank overdraft facilities			
Amount used	\$ -	\$ 30,000	\$ -
Amount unused	<u>330,000</u>	<u>170,000</u>	<u>200,000</u>
	<u>\$ 330,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>

28. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
HeFeChip Corporation Limited	Substantive related parties (substantive related parties before September 28, 2023)
Chipwon Technology Co., Ltd.	Substantive related parties (substantive related parties from September 28, 2023 to February 29, 2024)
T.C. Chen	Key management personnel

b. Operating revenue

Line Item	Related Party Category	For the Three Months Ended March 31	
		2024	2023
Sales	Substantive related parties	\$ <u> -</u>	\$ <u> 750</u>

The prices that the Group transferred and granted the professional technology to related parties were decided by the two sides. The payment term was open account 30 days.

c. Operating Expenses

Line Item	Related Party Category	For the Three Months Ended March 31	
		2024	2023
Research experiment and material expenses	Substantive related parties	\$ <u> 5,714</u>	\$ <u> -</u>

The Group's operating expenses are determined by negotiation between the parties.

d. Contract Liabilities

Related Party Category	March 31, 2024	December 31, 2023	March 31, 2023
Substantive related parties	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 750</u>

e. Payables to related parties

Line Item	Related Party Category	March 31, 2024	December 31, 2023	March 31, 2023
Other payables - related parties	Key Management Personnel T.C. Chen	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 25</u>

f. Compensation of key management personnel

The compensations to directors and the key management personnel were as follows:

	For the Three Months Ended March 31	
	2024	2023
Short-term employee benefits	\$ 35,165	\$ 29,236
Post-employment benefits	200	263
Share-based payment transactions	<u>103</u>	<u>13</u>
	\$ <u>35,468</u>	\$ <u>29,512</u>

The remuneration of directors and key management personnel, as determined by the remuneration committee, was based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Group were provided as deposits for the tariff of imported raw materials:

	March 31, 2024	December 31, 2023	March 31, 2023
Pledged time deposits (classified as financial assets at amortized cost)	<u>\$ 118</u>	<u>\$ 118</u>	<u>\$ 116</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENT

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

Detail of significant outstanding contracts of property, plant and equipment as of March 31, 2024, including tax were as follows:

Contract	Contract Amount	Payment	Unpaid Amount
Purchase of property, plant and equipment	<u>\$ 1,815,000</u>	<u>\$ 235,950</u>	<u>\$ 1,579,050</u>

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 and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

March 31, 2024

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 37,426	32.00 (USD:NTD)	\$ 1,197,644
USD	50	7.095 (USD: CNY)	1,565
CNY	3	4.408	12
JPY	5,537	0.2115	<u>1,171</u>
			<u>\$ 1,200,392</u>
<u>Financial liabilities</u>			
Monetary items			
USD	247	32.00	\$ 7,916
CNY	308	4.408	1,358
EUR	5	34.46	159
JPY	7,304	0.2115	<u>1,545</u>
			<u>\$ 10,978</u>

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 56,481	30.705 (USD:NTD)	\$ 1,734,252
USD	50	7.0827 (USD: CNY)	1,533
CNY	906	4.327	3,919
JPY	8,196	0.2172	<u>1,780</u>
			<u>\$ 1,741,484</u>

Financial liabilities

Monetary items			
USD	353	30.705	\$ 10,825
JPY	6,316	0.2172	<u>1,372</u>
			<u>\$ 12,197</u>

March 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 25,404	30.45	\$ 773,546
CNY	2,075	4.431	9,194
JPY	35,415	0.2288	<u>8,103</u>
			<u>\$ 790,843</u>

Financial liabilities

Monetary items			
USD	83	30.45	\$ 2,514
JPY	14,237	0.2288	<u>3,257</u>
			<u>\$ 5,771</u>

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

Foreign Currency	For the Three Months Ended March 31			
	2024		2023	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	32.00 (USD:NTD)	<u>\$ 4,786</u>	30.45 (USD:NTD)	<u>\$ (1,535)</u>

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 investments 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: None
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
 - 9) Trading in derivative instruments: None
 - 10) Intercompany relationships and significant intercompany transactions: Table 2
- b. Information on investees: Table 3
- 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 year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 4
 - 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: None
- 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 5

33. SEGMENT INFORMATION

The Group's chief operating decision maker reviews the operating results regularly for the purpose of resource allocation and performance assessment. The Group's segments are aggregated into a single reportable segment.

The measurement basis of segment information presented to the chief operating decision maker is the

same as that of the consolidated financial statements. The segment revenues and operating results for the three months ended March 31, 2024 and 2023 can be found in the consolidated statements of comprehensive income for the three months ended March 31, 2024 and 2023. The segment assets as of March 31, 2024 and 2023, December 31,2023 can be found in the consolidated balance sheets as of March 31, 2024 and 2023, December 31,2023.

EMEMORY TECHNOLOGY INC. 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 (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
The Company	<u>Shares</u> Syntronix Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	1,210	\$ 5,379	2.81	\$ 5,379	Note 2

Note 1: Marketable securities mentioned in the table include shares, bonds, beneficiary certificates and the derivative securities from aforementioned items, which is under the definition of IFRS 9.

Note 2: The market value was based on the fair value as of March 31, 2024.

Note 3: As of March 31, 2024, the above marketable securities had not been pledged or mortgaged.

EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

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

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	The Company	PUFsecurity Corporation	1	Sales	\$ 1,555	-	0.19%
			1	Other income	206	-	0.03%
			1	Other gains and losses	2,706	-	0.34%
			1	Contract liabilities	1,555	-	0.04%
			1	Other receivables - related parties	5,075	-	0.12%
		eMemory Japan	1	Other current liabilities	88	-	-
			1	Operating expense	4,207	-	0.52%
			1	Other receivables - related parties	3	-	-
			1	Other payables - related parties	1,429	-	0.03%
1	PUFsecurity Corporation	PUFsecurity USA Corporation	3	Operating expense	4,363	-	0.54%
			3	Other receivables - related parties	5	-	-
		PUFsecurity Technology (Shanghai) Corporation	3	Other payables - related parties	4,363	-	0.10%
			3	Operating expense	1,359	-	0.17%
			3	Other payables - related parties	1,359	-	0.03%

Note 1: Information about intercompany relationships should be indicated in the “No.” column, and the method of filling in the number is as follows:

1. Parent company is numbered as 0 in the “No.” column.
2. Subsidiaries are numbered sequentially according to their company name and the number starts from 1.

Note 2: There are three types of “Relationship”:

1. Parent company to subsidiaries
2. Subsidiaries to parent company
3. Subsidiaries to subsidiaries

Note 3: If financial statement accounts are classified as items in the balance sheets, the calculation of the ratio is that ending balance is divided by total assets. If the financial statement accounts are classified as items in the income statement, the calculation of the ratio is that the accumulated amount in the interim period is divided by total sales.

EMEMORY TECHNOLOGY INC. 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		Balance as of March 31, 2024			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				March 31, 2024	December 31, 2023	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
The Company.	PUFsecurity Corporation	Hsinchu County	Product designing, software services, data processing services, intellectual property, etc.	\$ 275,634	\$ 275,634	82,563	75.36	\$ 66,694	\$ (30,535)	\$ (23,006)	Subsidiary
	eMemory Japan Corporation	Japan	Product designing, intellectual property management, technology services	22,255	22,255	-	100.00	4,766	(988)	(988)	Subsidiary
	iMQ Technology Inc.	Hsinchu City	Electronic parts and components manufacturing	27,900	27,900	2,057	2.28	11,199	(34,146)	(858)	Investment accounted for using the equity method
PUFsecurity Corporation	PUFsecurity USA Corporation	USA	Sales promotion	7,777	7,777	-	100.00	5,081	157	157	Subsidiary

EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND AND 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	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 March 31, 2024	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of March 31, 2024	Accumulated Repatriation of Investment Income as of March 31, 2024
					Outward	Inward						
PUFsecurity Technology (Shanghai) Corporation	Product designing, related services	\$ 7,445 (USD 250)	Notes 1 and 2	\$ 7,445 (USD 250)	\$ -	\$ -	\$ 7,445 (USD 250)	\$ 29	100	\$ 29	\$ 6,765	\$ -

Accumulated Outward Remittance for Investments in Mainland China as of March 31, 2024	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 7,445 (USD 250)	\$ 7,445 (USD 250)	\$ 2,074,353

Note 1: Direct investment in mainland China.

Note 2: PUFsecurity Corporation invested and established PUFsecurity Technology (Shanghai) Corporation in July 2022, and PUFsecurity Corporation remitted investment fund of US\$250 thousand on February 3, 2023.

EMEMORY TECHNOLOGY INC.

**INFORMATION OF MAJOR SHAREHOLDERS
MARCH 31, 2024**

No.	Name	Shares	
		Number of Shares Held	Ownership Percentage
1	SmallCap World Fund Inc.	5,251,919	7.03%
2	Government of Singapore	4,493,093	6.01%

Note: 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.