

Leadtrend Technology Corporation and Subsidiaries

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

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
LEADTREND TECHNOLOGY CO. LTD.,

Introduction

We have reviewed the accompanying consolidated balance sheets of Leadtrend Technology Co.Ltd. and its subsidiaries (collectively referred to as the “Group”) as of June 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2024 and 2023, as well as the changes in equity and cash flows for the six months ended June 30, 2024 and 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the 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 June 30, 2024 and 2023, their consolidated financial performance for the three months and six months ended June 30, 2024 and 2023, as well as cash flows for the six months ended June 30, 2024 and 2023, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Yu-Feng Huang and Mei-zhen Cai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 1, 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.

LEADTREND TECHNOLOGY CO. LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In Thousands of New Taiwan Dollars)

Code	ASSETS	June 30, 2024 (Reviewed)		December 31, 2023 (Audited)		June 30, 2023 (Reviewed)	
		Amount	%	Amount	%	Amount	%
	Current asset						
1100	Cash and cash equivalents (Note 6)	\$ 494,099	25	\$ 457,745	24	\$ 305,898	17
1110	Financial Assets measured at fair value through profit and loss - Current (Note 7)	89,111	5	83,823	5	48,306	3
1170	Notes and Accounts Receivable (Note 8)	258,932	13	191,426	10	161,752	9
130X	Inventory (Note 9)	622,756	31	607,755	32	722,886	40
1470	Other current assets (Note 14)	14,640	1	19,210	1	23,894	1
11XX	Total current assets	<u>1,479,538</u>	<u>75</u>	<u>1,359,959</u>	<u>72</u>	<u>1,262,736</u>	<u>70</u>
	Non-Current Assets						
1600	Property, plant and equipment (Note 11)	470,452	24	477,962	26	495,059	28
1755	Right-of-use assets (Note 12)	16,646	1	20,748	1	19,148	1
1780	Intangible assets (Note 13)	9,757	-	11,132	1	15,883	1
1840	Deferred tax assets	-	-	541	-	-	-
1990	Other non-current assets (Note 14)	4,471	-	7,747	-	7,166	-
15XX	Total non-current assets	<u>501,326</u>	<u>25</u>	<u>518,130</u>	<u>28</u>	<u>537,256</u>	<u>30</u>
1XXX	Total assets	<u>\$ 1,980,864</u>	<u>100</u>	<u>\$ 1,878,089</u>	<u>100</u>	<u>\$ 1,799,992</u>	<u>100</u>
	Liabilities and Equity						
	Current liability						
2100	Short-term loans (Note 15)	\$ 35,000	2	\$ -	-	\$ -	-
2170	Accounts payable	127,120	6	107,636	6	67,164	4
2200	Remuneration payable to staff and directors (Note 21)	19,287	1	19,215	1	24,192	1
2216	Dividends payable (Note 18)	23,275	1	-	-	51,195	3
2230	Current tax liabilities (Note 4 and 22)	3,149	-	10,844	-	14,874	1
2280	Lease liabilities- current (Note 12)	8,379	1	11,785	1	11,109	-
2399	Other current liabilities (Note 16)	56,773	3	75,259	4	50,798	3
21XX	Total current liabilities	<u>272,983</u>	<u>14</u>	<u>224,739</u>	<u>12</u>	<u>219,332</u>	<u>12</u>
	Non-current liability						
2570	Deferred tax liabilities	202	-	-	-	111	-
2580	Lease liabilities - non-current (Note 12)	8,501	1	9,529	1	8,141	1
2645	Deposits received	6,117	-	860	-	923	-
25XX	Total non-current liabilities	<u>14,820</u>	<u>1</u>	<u>10,389</u>	<u>1</u>	<u>9,175</u>	<u>1</u>
2XXX	Total liabilities	<u>287,803</u>	<u>15</u>	<u>235,128</u>	<u>13</u>	<u>228,507</u>	<u>13</u>
	Equity (Notes 18 and 19)						
	Share capital						
3110	Common stock	589,003	30	589,178	31	568,528	31
3150	Stock dividends to be distributed	11,638	-	-	-	17,065	1
	Capital reserve						
3210	Share premium	240,702	12	254,672	14	245,361	13
3251	Donations received from shareholders	84,732	4	84,732	4	84,732	5
3273	Stocks with restricted employee's option	40,340	2	50,306	3	38,424	2
3280	Other	131	-	125	-	125	-
	Retained earnings						
3310	Statutory surplus reserves	218,171	11	215,284	11	215,284	12
3320	Special surplus reserve	786	-	-	-	-	-
3350	Undistributed earnings	524,994	27	485,253	26	426,527	24
	Other equity						
3410	Exchange differences in conversion of financial statements by foreign operating institutions	7,586	-	(786)	-	(2,198)	-
3491	Remuneration not gained by staff	(25,022)	(1)	(35,803)	(2)	(22,363)	(1)
3XXX	Total equity	<u>1,693,061</u>	<u>85</u>	<u>1,642,961</u>	<u>87</u>	<u>1,571,485</u>	<u>87</u>
	Total liabilities and equity	<u>\$ 1,980,864</u>	<u>100</u>	<u>\$ 1,878,089</u>	<u>100</u>	<u>\$ 1,799,992</u>	<u>100</u>

The notes below are an integral part of these consolidated financial statements.

LEADTREND TECHNOLOGY CO. LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

Code		Three Months Ended June 30				Six Months Ended June 30			
		2024		2023		2024		2023	
		Amount	%	Amount	%	Amount	%	Amount	%
	Operating revenues (Note 20)								
4110	Sales revenue	\$ 385,094	102	\$ 274,025	104	\$ 699,070	101	\$ 497,743	104
4170	Sales returns and allowances	(6,409)	(2)	(9,992)	(4)	(9,301)	(1)	(17,764)	(4)
4000	Net operating revenue	378,685	100	264,033	100	689,769	100	479,979	100
	Operating costs (Notes 9, 17 and 21)								
5110	Cost of goods sold	234,469	62	174,846	66	428,141	62	312,540	65
5900	Operating margin	144,216	38	89,187	34	261,628	38	167,439	35
	Operating expenses (Notes 17 and 21)								
6100	Marketing expenses	16,538	5	13,752	5	35,083	5	27,997	6
6200	Administrative expenses	27,526	7	23,990	9	60,546	9	45,750	9
6300	Research and development expenses	69,397	18	68,218	26	133,321	19	128,827	27
6000	Total operating expenses	113,461	30	105,960	40	228,950	33	202,574	42
6900	Net operating profit	30,755	8	(16,773)	(6)	32,678	5	(35,135)	(7)
	Non-operating income and expenditure (Note 21)								
7100	Interest income	1,868	1	839	-	3,154	1	1,353	-
7010	Other Income	1,486	-	563	-	2,986	-	1,711	-
7020	Other profits and losses	3,637	1	2,368	1	9,388	1	2,429	1
7050	Finance costs	(168)	-	(122)	-	(277)	-	(220)	-
7000	Total non-operating income and expenses	6,823	2	3,648	1	15,251	2	5,273	1
7900	Pre-tax net profit	37,578	10	(13,125)	(5)	47,929	7	(29,862)	(6)
7950	Income tax expense (Notes 4 and 22)	(7,123)	(2)	-	-	(7,123)	(1)	-	-
8200	Net profit for the year	44,701	12	(13,125)	(5)	55,052	8	(29,862)	(6)
	Other Comprehensive Income and loss								
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences arising on translation of foreign operations (Note 18)	2,639	-	(9,130)	(3)	8,372	1	(7,800)	(2)
8500	Total Comprehensive Income	\$ 47,340	12	(\$ 22,255)	(8)	\$ 63,424	9	(\$ 37,662)	(8)
	Earnings (loss) Per Share (NT\$, Note 23)								
9750	Basic earnings per share	\$ 0.75		(\$ 0.22)		\$ 0.93		(\$ 0.51)	
9850	Diluted earnings per share	\$ 0.75		(\$ 0.22)		\$ 0.92		(\$ 0.51)	

The notes below are an integral part of these consolidated financial statements.

LEADTREND TECHNOLOGY CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

		Capital Stock - Common Stock			Capital reserve				Retained Earnings				Others			
Code		Shares (In Thousands)	Amount	Common Stock Dividend Distributable	Share premium	Donations received on shareholders	Restricted employee's option	Other	Legal Capital Reserve	Special Reserve	Capital Reserve	Unappropriated Earnings	Total	Foreign Currency Translation Reserve	Unearned Stock-Based Employee Compensation	Total Equity
A1	Balance as of January 1, 2023	56,883	\$ 568,838	\$ -	\$ 258,027	\$ 84,732	\$ 47,567	\$ 106	\$ 199,793	\$ -		\$ 520,231	\$ 720,024	\$ 5,602	(\$ 31,945)	\$ 1,652,951
	Distribution of 2022 retained earnings :															
B1	Legal reserve	-	-	-	-	-	-	-	15,491	-		(15,491)	-	-	-	-
B5	Cash dividends to shareholders -\$0.550 per share	-	-	-	-	-	-	-	-	-		(31,286)	(31,286)	-	-	(31,286)
B9	Stock dividends to shareholders - \$0.300 per share	-	-	17,065	-	-	-	-	-	-		(17,065)	(17,065)	-	-	-
	Total earnings distribution	-	-	17,065	-	-	-	-	15,491	-		(63,842)	(48,351)	-	-	(31,286)
C15	Cash dividends allocated from capital reserves - 0.350 per share	-	-	-	(19,909)	-	-	-	-	-		-	-	-	-	(19,909)
C17	Changes in other capital reserves	-	-	-	-	-	-	19	-	-		-	-	-	-	19
D1	Net loss for the six months ended June 30, 2023	-	-	-	-	-	-	-	-	-		(29,862)	(29,862)	-	-	(29,862)
D3	Other comprehensive (profit) losses from January 1 to June 30, 2023	-	-	-	-	-	-	-	-	-		-	-	(7,800)	-	(7,800)
D5	Total comprehensive income for the six months ended June 30, 2023	-	-	-	-	-	-	-	-	-		(29,862)	(29,862)	(7,800)	-	(37,662)
N1	Acquired stocks with restricted employee's option	-	-	-	7,243	-	(7,243)	-	-	-		-	-	-	-	-
N1	Canceled stocks with restricted employee's option	(31)	(310)	-	-	-	310	-	-	-		-	-	-	-	-
N1	Compensation cost on stocks with restricted employee's option	-	-	-	-	-	(2,210)	-	-	-		-	-	-	9,582	7,372
Z1	Balance as of June 30, 2023	56,852	\$ 568,528	\$ 17,065	\$ 245,361	\$ 84,732	\$ 38,424	\$ 125	\$ 215,284	\$ -		\$ 426,527	\$ 641,811	(\$ 2,198)	(\$ 22,363)	\$ 1,571,485
A1	Balance as of January 1, 2024	58,918	\$ 589,178	\$ -	\$ 254,672	\$ 84,732	\$ 50,306	\$ 125	\$ 215,284	\$ -		\$ 485,253	\$ 700,537	(\$ 786)	(\$ 35,803)	\$ 1,642,961
	Distribution of 2023 retained earnings :															
B1	Legal reserve	-	-	-	-	-	-	-	2,887	-		(2,887)	-	-	-	-
B3	Special reserve	-	-	-	-	-	-	-	-	786		(786)	-	-	-	-
B9	Stock dividends to shareholders - \$0.200 per share	-	-	11,638	-	-	-	-	-	-		(11,638)	(11,638)	-	-	-
	Total earnings distribution	-	-	11,638	-	-	-	-	2,887	786		(15,311)	(11,638)	-	-	-
C15	Cash dividends allocated from capital reserves - 0.400 per share	-	-	-	(23,275)	-	-	-	-	-		-	-	-	-	(23,275)
C17	Changes in other capital reserves	-	-	-	-	-	-	6	-	-		-	-	-	-	6
D1	Net profit for the six months ended June 30, 2024	-	-	-	-	-	-	-	-	-		55,052	55,052	-	-	55,052
D3	Other comprehensive income for the six months ended June 30, 2024	-	-	-	-	-	-	-	-	-		-	-	8,372	-	8,372
D5	Total comprehensive income for the six months ended June 30, 2024	-	-	-	-	-	-	-	-	-		55,052	55,052	8,372	-	63,424
N1	Acquired stocks with restricted employee's option	-	-	-	9,305	-	(9,305)	-	-	-		-	-	-	-	-
N1	Canceled stocks with restricted employee's option	(18)	(175)	-	-	-	175	-	-	-		-	-	-	-	-
N1	Compensation cost on stocks with restricted employee's option	-	-	-	-	-	(836)	-	-	-		-	-	-	10,781	9,945
Z1	Balance as of June 30, 2024	58,900	\$ 589,003	\$ 11,638	\$ 240,702	\$ 84,732	\$ 40,340	\$ 131	\$ 218,171	\$ 786		\$ 524,994	\$ 743,951	\$ 7,586	(\$ 25,022)	\$ 1,693,061

The notes below are an integral part of these consolidated financial statements

LEADTREND TECHNOLOGY CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

Code		Six Months Ended June 30	
		2024	2023
	Cash flow from operating activities		
A10000	Pre-tax net profit	\$ 47,929	(\$ 29,862)
A20010	Revenue expense loss items:		
A20100	Depreciation expense	38,612	45,024
A20200	Amortization expense	3,476	5,347
A20400	Net benefit of financial assets and liabilities measured at fair value through profit and loss	(774)	(705)
A20900	Finance costs	277	220
A21200	Interest incomes	(3,154)	(1,353)
A21900	Compensation cost on stocks with restricted employee's option	9,945	7,372
A22500	Disposal and scrapping of immovable property, plant and equipment (profit)	8	(2,222)
A23700	Inventory price decline and sluggish loss	(1,766)	14,905
A24100	Net loss/gain on foreign currency exchange	(4,848)	2,840
A30000	Net changes in operating assets and liabilities		
A31150	Notes and accounts receivable, net	(63,270)	8,676
A31200	Inventories	(13,235)	70,213
A31240	Other current assets	7,481	(2,463)
A32150	Accounts payable	17,866	2,512
A32200	Remuneration payable to staff and directors	72	(13,316)
A32230	Other current liabilities	(18,738)	(43,466)
A32240	Net defined benefit liability	-	(4,840)
A33000	Cash generated from operations	19,881	58,882
A33300	Interest paid	(277)	(220)
A33500	Income tax paid	(2,761)	(44)
AAAA	Net cash generated by operating activities	<u>16,843</u>	<u>58,618</u>

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Code		Six Months Ended June 30	
		2024	2023
	Cash flow from investment activities		
B00100	Acquisition of financial assets measured at fair value through profit and loss	(\$ 26,670)	(\$ 21,410)
B00200	Dispose of financial assets measured at fair value through profit and loss	24,448	27,833
B02700	Acquisition of property, plant and equipment	(19,834)	(14,775)
B02800	Gains on disposals of property, plant and equipment	-	10,395
B03700	Increase in deposit margin	(34)	14,776
B04500	Acquisition of intangible assets	(2,101)	(7,401)
B07500	Interest received	<u>3,175</u>	<u>1,329</u>
BBBB	Net cash outflows from investment activities	(<u>21,016</u>)	<u>10,747</u>
	Cash flows from financing activities		
C00100	Increase in short-term loans	65,000	-
C00200	Decrease in short-term loans	(30,000)	-
C03000	Increase in deposits received	5,257	9
C04020	Repayment of lease principal	(6,832)	(6,748)
C09900	Other financing activities	<u>6</u>	<u>19</u>
CCCC	Net cash outflow to financing activities	<u>33,431</u>	(<u>6,720</u>)
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>7,096</u>	(<u>7,427</u>)
EEEE	Net increase in cash and cash equivalents	36,354	55,218
E00100	Cash and cash equivalents, beginning of period	<u>457,745</u>	<u>250,680</u>
E00200	Cash and cash equivalents, end of period	<u>\$ 494,099</u>	<u>\$ 305,898</u>

The notes below are an integral part of these consolidated financial statements.

LEADTREND TECHNOLOGY CO. LTD. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

I. History of Company

Leadtrend Technology Co.Ltd. (hereinafter referred to as "the Company") was established on September 18, 2002, approved by the Ministry of Economic Affairs. It mainly engages in research, development, production, manufacturing, and sales of analog integrated circuits. The company offered its shares at the Taiwan Stock Exchange on August 14, 2009. These consolidated financial statements of the Company are expressed in the Company's functional currency - New Taiwan Dollar.

II. Date and Procedure of Adopting Financial Statements

These consolidated financial statements were approved and issued by the Board of directors on Aug 1, 2024.

III. Applicability of New and Amended Standards and Interpretations

(I) International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and Interpretation Notices (SIC) recognized and issued by the Financial Supervisory Commission (hereinafter referred to as "IFRSs") as applied initially.

The application of the revised IFRSs approved and issued by the FSC will not result in any material change in the accounting policies of Affiliated Companies.

(II) IFRS approved by the Financial Supervisory Commission applicable in 2024.

Newly issued/amended/revised criteria and interpretations	Effective date of IASB issued
Amendment to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 1)

Note1: Applicable to annual reporting periods starting after January 1, 2025. When this amendment is applied for the first time, the comparative period shall not be restated, but the impact shall be recognized in the retained earnings or exchange differences of foreign operating institutions under equity (as appropriate) on the date of initial application and the related affected assets and liabilities.

(III) IFRSs issued by IASB but not approved and issued by FSC.

Newly issued/amended/revised criteria and interpretations	Effective date of IASB issued (Note 1)
Annual Improvement of IFRS Accounting Standards - Volume 11"	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"	January 1, 2026
Amendments to IFRS 10 and IAS 28 "Sale or Investment of Assets Between Investors and Their Affiliates or Joint Ventures"	TBD
IFRS 17 "Insurance Contract"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IFRS 17 "First Application of IFRS 17 and IFRS 9- Comparative Information"	January 1, 2023
IFRS 18 "Presentation of Financial Statements and Disclosure"	January 1, 2027
IFRS 19 "Subsidiaries not publicly accountable: Disclosure"	January 1, 2027

Note1: Unless otherwise noted, the above new issued/amended/revised criteria or interpretation shall take effect during the annual reporting period commencing after such date.

As of the date of adopting these consolidated financial statements, the Company continues to evaluate the impact of amendments to other standards and interpretations on financial position and financial performance, and the relevant impact will be disclosed when the evaluation is completed.

IV. Summary of Major Accounting Policies

(I) Compliance statement

This consolidated financial report is prepared in accordance with the Financial Reporting Standards for Securities Issuers and IAS 34 "Interim Financial Reports" approved and issued effective by the Financial Supervisory Commission. This consolidated financial report does not contain all the disclosures required by IFRS accounting standards for the entire annual financial report.

(II) Preparation basis

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at present value of defined benefit obligations less the fair value of planned assets.

Fair value measurement is classified as Levels 1 through Level 3 according to the observable degree and importance of relevant input values:

1. Level 1 Input value: Refers to the quotation in the active market (without adjustment) of the same asset or liability available at the measurement date.
2. Level 2 Input value: Refers to the observable input value of an asset or liability, either directly (i.e., price) or indirectly (i.e., derived from price), except as quoted in level 1.
3. Level 3 Input value: Refers to the unobservable input value of an asset or liability.

(III) Consolidation basis

These consolidated financial statements cover the financial statements of the Company and the entities under its control (i.e. subsidiaries). The financial statements of the subsidiaries has been adjusted to bring their accounting policies in line with those of the Company. In the preparation of consolidated financial statements, all transactions between individual affiliates, account balances, gains and losses have been wiped out. Please refer to Notes 10 and 29 for details on the subsidiaries, shareholding ratios and operating items.

(IV) Other significant accounting policies

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

1. The standard for distinguishing between current and non-current assets and liabilities is as follows:

Current assets:

- (1) The assets held primarily for trading purposes.
- (2) Assets expected to be realized within 12 months after the balance sheet date.
- (3) Cash and cash equivalents (excluding those restricted for exchange or settlement of liabilities beyond 12 months from the balance sheet date).

Current liability:

- (1) The liabilities held primarily for trading purposes.
- (2) The liabilities due for settlement within 12 months after the balance sheet date.
- (3) Liabilities for which there is no substantive right at the balance sheet date to defer settlement to at least 12 months after the balance sheet date.

Those that are not current assets or current liabilities as mentioned above are classified as non-current assets or non-current liabilities.

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. Taxation

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.

V. Material Accounting Judgments and Key Sources of Estimation Uncertainty

Refer to the consolidated financial statements for the year ended December 31, 2023 for the material.

VI. Cash and Cash Equivalents

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Foreign currency deposits	\$ 100,174	\$ 63,089	\$ 82,575
Bank checks and demand deposits	47,625	51,337	47,980
Petty cash and cash on hand	400	619	729
Cash equivalents			
Time deposits	<u>345,900</u>	<u>342,700</u>	<u>174,614</u>
	<u>\$ 494,099</u>	<u>\$ 457,745</u>	<u>\$ 305,898</u>

The interest rate for cash and equivalent cash at the balance sheet date ranges as follows :

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Bank deposit	0.05%~3.93%	0.1%~4.05%	0.1%~1.52%

VII. Financial Instruments measured at fair value through profit and loss

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
<u>Financial Assets - Current</u>			
Non-derivative financial assets measured at fair value compulsively through profit and loss			
- Fund benefit certificate	<u>\$ 89,111</u>	<u>\$ 83,823</u>	<u>\$ 48,306</u>

VIII. Notes and Accounts Receivable

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
<u>Notes receivable</u>			
Measured at amortized cost			
Total book amount	<u>\$ 54,588</u>	<u>\$ 22,682</u>	<u>\$ 21,630</u>
<u>Accounts receivable</u>			
Measured at amortized cost			
Total book amount	<u>\$ 204,344</u>	<u>\$ 168,744</u>	<u>\$ 140,122</u>

The Company's average credit period for merchandise sales is 30 to 60 days per month, and accounts receivable are interest-free. The Company will use other publicly available financial information and historical transaction histories to grade major customers. The Company continuously monitors credit risks and the credit ratings of the other trading party. To mitigate credit risks, the management of the Company assigns a dedicated team to determine credit lines, approve credit lines and other monitoring procedures to ensure that appropriate actions are taken to collect overdue receivables. In addition, the Company reviews the recoverable amounts of receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been included in unrecoverable receivables. Accordingly, the Company's management believes that the Company's credit risk has been significantly reduced.

The Company recognizes allowance losses for accounts receivable on the basis of expected credit losses during the duration of existence. The expected credit loss during the life period is calculated using the reserve matrix, which takes into account the customer's past default record and the current financial position and industrial economic situation, as well as the GDP forecast and industrial outlook. As the Company's credit loss history shows that there is no significant difference in loss patterns among different customer groups, the reserve matrix does not further distinguish between customer groups and only sets the expected credit loss rate based on the overdue days of accounts receivable.

If there is evidence that the other trading party is in serious financial difficulties and the Company cannot reasonably expect the amount to be recovered, the Company will directly write off the relevant accounts receivable, but will continue to pursue recovery activities, as the amount recovered will be recognized as profit or loss.

Refer to the table below for an aging analysis of accounts receivable at the end of the reporting period.

Aging analysis of net accounts receivable

	June 30, 2024	December 31, 2023	June 30, 2023
No overdue nor derogation	<u>\$ 204,344</u>	<u>\$ 168,744</u>	<u>\$ 140,122</u>

IX. Inventory

	June 30, 2024	December 31, 2023	June 30, 2023
Finished goods	\$ 90,611	\$ 91,849	\$ 201,749
Products in process	384,052	351,405	331,459
Raw materials	<u>148,093</u>	<u>164,501</u>	<u>189,678</u>
	<u>\$ 622,756</u>	<u>\$ 607,755</u>	<u>\$ 722,886</u>

The inventory-related cost of goods sold in the period from April 1 to June 30 of 2024 and 2023 , and from January 1 to June 30 of 2024 and 2023 was \$234,469, \$ 174,846, \$428,141 and \$312,540 respectively.

The cost of goods sold in the period from April 1 to June 30 of 2024 and 2023 , and from January 1 to June 30 of 2024 and 2023 including losses on inventory decline and stagnation were (\$3,423), \$14,417, (\$1,766), and \$14,905 respectively.

X. Subsidiary

(I) Subsidiaries incorporated into consolidated financial statements

The subjects incorporated into preparation of these consolidated financial statements are listed below:

Name of company invested in	Name of Subsidiary	Nature of business	Percentage of Holdings			NOTE
			June 30, 2024	December 31, 2023	June 30, 2023	
LEADTREND TECHNOLOGY CO. LTD.	Leadtrend Technology (Samoa) Limited	Various investment business	-	-	100%	1 、 2
	LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD. ("LEADTREND SHENZHEN")	Computer software design service, computer system integration service, wholesale of integrated circuits and related electronic products, and agent import and export business activities.	100%	100%	100%	—

NOTE 1 : As of June 30, 2024, the financial statements of Leadtrend Technology (Samoa) Limited, a non-significant subsidiary of Leadtrend Technology (Samoa) Limited, have not been reviewed by accountants. However, the management believes that the aforementioned financial statements have not been reviewed by accountants, which will not have a significant impact.

NOTE 2 : Leadtrend Technology (Samoa) Limited was liquidated and deregistered in November 2023.

XI. Real Estate, Plant and Equipment

	June 30, 2024	December 31, 2023	June 30, 2023
Assets used by the Company	\$ 452,335	\$ 477,962	\$ 473,391
Assets subject to operating leases	18,117	-	21,668
	<u>\$ 470,452</u>	<u>\$ 477,962</u>	<u>\$ 495,059</u>

(I) Assets used by the Company

	Land	Buildings	R&D equipment	Office equipment	Molding equipment	Leased Improvements	Mask	Total
<u>Cost</u>								
Balance at January 1, 2024	\$ 84,099	\$ 341,041	\$ 291,902	\$ 36,144	\$ 28,168	\$ 24,732	\$ 245,857	\$1,051,943
Transfers to assets subject to operating leases	(4,314)	(16,186)	-	-	-	-	-	(20,500)
Increase	-	-	670	120	5,180	3,570	13,849	23,389
Reduce	-	-	(1,298)	(347)	-	-	-	(1,645)
Translation difference	-	1,172	362	111	42	100	-	1,787
Balance at June 30, 2024	<u>\$ 79,785</u>	<u>\$ 326,027</u>	<u>\$ 291,636</u>	<u>\$ 36,028</u>	<u>\$ 33,390</u>	<u>\$ 28,402</u>	<u>\$ 259,706</u>	<u>\$1,054,974</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2024	\$ -	\$ 62,689	\$ 213,209	\$ 30,793	\$ 25,474	\$ 20,357	\$ 221,459	\$ 573,981
Transfers to assets subject to operating leases	-	(2,221)	-	-	-	-	-	(2,221)
Increase	-	5,308	12,142	1,519	1,259	913	10,828	31,969
Reduce	-	-	(1,298)	(339)	-	-	-	(1,637)
Translation difference	-	108	236	96	7	100	-	547
Balance at June 30, 2024	<u>\$ -</u>	<u>\$ 65,884</u>	<u>\$ 224,289</u>	<u>\$ 32,069</u>	<u>\$ 26,740</u>	<u>\$ 21,370</u>	<u>\$ 232,287</u>	<u>\$ 602,639</u>
Net amount on June 30, 2024	<u>\$ 79,785</u>	<u>\$ 260,143</u>	<u>\$ 67,347</u>	<u>\$ 3,959</u>	<u>\$ 6,650</u>	<u>\$ 7,032</u>	<u>\$ 27,419</u>	<u>\$ 452,335</u>
Net amount on December 31, 2023 and January 1, 2024	<u>\$ 84,099</u>	<u>\$ 278,352</u>	<u>\$ 78,693</u>	<u>\$ 5,351</u>	<u>\$ 2,694</u>	<u>\$ 4,375</u>	<u>\$ 24,398</u>	<u>\$ 477,962</u>
<u>Cost</u>								
Balance at January 1, 2023	\$ 86,200	\$ 347,845	\$ 284,890	\$ 35,386	\$ 26,082	\$ 26,192	\$ 275,274	\$1,081,869
Transfers to assets subject to operating leases	(5,064)	(19,001)	-	-	-	-	-	(24,065)
Increase	-	-	4,916	637	-	-	7,869	13,422
Reduce	(2,101)	(7,055)	(8)	-	-	-	-	(9,164)
Translation difference	-	(1,251)	(395)	(110)	-	(107)	-	(1,863)
Balance at June 30, 2023	<u>\$ 79,035</u>	<u>\$ 320,538</u>	<u>\$ 289,403</u>	<u>\$ 35,913</u>	<u>\$ 26,082</u>	<u>\$ 26,085</u>	<u>\$ 283,143</u>	<u>\$1,060,199</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2023	\$ -	\$ 52,752	\$ 188,290	\$ 27,388	\$ 24,610	\$ 20,266	\$ 239,033	\$ 552,339
Transfers to assets subject to operating leases	-	(2,182)	-	-	-	-	-	(2,182)
Increase	-	5,272	13,001	1,977	411	740	16,763	38,164
Reduce	-	(983)	(8)	-	-	-	-	(991)
Translation difference	-	(82)	(236)	(97)	-	(107)	-	(522)
Balance at June 30, 2023	<u>\$ -</u>	<u>\$ 54,777</u>	<u>\$ 201,047</u>	<u>\$ 29,268</u>	<u>\$ 25,021</u>	<u>\$ 20,899</u>	<u>\$ 255,796</u>	<u>\$ 586,808</u>
Net amount on June 30, 2023	<u>\$ 79,035</u>	<u>\$ 265,761</u>	<u>\$ 88,356</u>	<u>\$ 6,645</u>	<u>\$ 1,061</u>	<u>\$ 5,186</u>	<u>\$ 27,347</u>	<u>\$ 473,391</u>

No impairment losses were recognized or reversed in the period from January 1 to June 30 of 2024 and 2023.

(II) Assets leased under operating leases

	Land	Buildings	Total
<u>Cost</u>			
Balance as of January 1, 2024	\$ -	\$ -	\$ -
From used by the Company itself	4,314	16,186	20,500
Balance as of June 30, 2024	<u>\$ 4,314</u>	<u>\$ 16,186</u>	<u>\$ 20,500</u>
<u>Accumulated depreciation</u>			
Balance as of January 1, 2024	\$ -	\$ -	\$ -
From used by the Company itself	-	2,221	2,221
Depreciation Expense	-	162	162
Balance as of June 30, 2024	<u>\$ -</u>	<u>\$ 2,383</u>	<u>\$ 2,383</u>
Net amount on June 30, 2024	<u>\$ 4,314</u>	<u>\$ 13,803</u>	<u>\$ 18,117</u>
Net amount on December 31, 2023 and January 1, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cost</u>			
Balance as of January 1, 2023	\$ -	\$ -	\$ -
From used by the Company itself	5,064	19,001	24,065
Balance as of June 30, 2023	<u>\$ 5,064</u>	<u>\$ 19,001</u>	<u>\$ 24,065</u>
<u>Accumulated depreciation</u>			
Balance as of January 1, 2023	\$ -	\$ -	\$ -
From used by the Company itself	-	2,182	2,182
Depreciation Expense	-	215	215
Balance as of June 30, 2023	<u>\$ -</u>	<u>\$ 2,397</u>	<u>\$ 2,397</u>
Net amount on June 30, 2023	<u>\$ 5,064</u>	<u>\$ 16,604</u>	<u>\$ 21,668</u>

The company leases parking spaces on an operating lease basis, with a lease period of one year. All operating lease contracts include a clause that the lessee will adjust the rent based on the market rent when exercising the right to renew the lease. The lessee does not have preferential purchase rights for the asset at the end of the lease period.

Depreciation costs are calculated on a straight-line basis for the following service life:

	Used by the Company itself	Assets leased under operating leases
Buildings and structures	10 ~ 50 years	50 years
R&D equipment	2 ~ 8 years	-
Office equipment	4 ~ 9 years	-
Molding equipment	3 years	-
Leased Improvements	2 ~ 6 years	-
Mask	2 ~ 3 years	-

XII. Lease Agreement

(I) Right-of-use assets:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Carrying amount of right-of-use assets			
Buildings	<u>\$ 16,646</u>	<u>\$ 20,748</u>	<u>\$ 19,148</u>
	<u>Three Months Ended June 30</u>	<u>Six Months Ended June 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Additions to right-of-use asset			<u>\$ 2,161</u>
Depreciation expense of right-of-use assets			<u>\$ 6,156</u>
Buildings	<u>\$ 3,255</u>	<u>\$ 3,501</u>	<u>\$ 6,481</u>
			<u>\$ 6,645</u>

Besides the additions and depreciation disclosed above, there was no significant sublease transactions and indication of impairment for the six months ended June 30, 2024 and 2023.

(II) Lease liability

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
<u>Carrying amount of lease liabilities</u>			
Current	<u>\$ 8,379</u>	<u>\$ 11,785</u>	<u>\$ 11,109</u>
Non-Current	<u>\$ 8,501</u>	<u>\$ 9,529</u>	<u>\$ 8,141</u>

The discount rate for lease liabilities ranges as follows:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Buildings	<u>1.96%~2.10%</u>	<u>1.96%~2.10%</u>	<u>1.96%~2.10%</u>

(III) Major leasing activities and terms

The Company has leased several buildings for office use for 3~5 years. At the end of the lease term, the Company has no preferential right to purchase the leased land and buildings and agrees that the Company shall not sublease or transfer all or part of the leased property without the prior consent of the Lessor.

(IV) Other Lease Information

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Short-term lease charges	\$ 168	\$ 438	\$ 313	\$ 837
Low-value asset leasing costs	\$ 5	\$ 5	\$ 11	\$ 10
Total cash (outflow) from leases	(\$ 3,375)	(\$ 3,987)	(\$ 7,362)	(\$ 7,815)

XIII、Intangible Assets

	Computer Software	Specialized Technology	Right of Patent	Other	Total
<u>Cost</u>					
Balance as of January 1, 2024	\$ 102,517	\$ 33,434	\$ 8,383	\$ 2,922	\$ 147,256
Increase	847	1,254	-	-	2,101
Conversion adjustment	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Balance as of June 30, 2024	<u>\$ 103,365</u>	<u>\$ 34,688</u>	<u>\$ 8,383</u>	<u>\$ 2,922</u>	<u>\$ 149,358</u>
<u>Cumulative amortization</u>					
Balance as of January 1, 2024	\$ 95,961	\$ 32,979	\$ 4,262	\$ 2,922	\$ 136,124
Increase	2,080	978	418	-	3,476
Conversion adjustment	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Balance as of June 30, 2024	<u>\$ 98,042</u>	<u>\$ 33,957</u>	<u>\$ 4,680</u>	<u>\$ 2,922</u>	<u>\$ 139,601</u>
Net amount on June 30, 2024	<u>\$ 5,323</u>	<u>\$ 731</u>	<u>\$ 3,703</u>	<u>\$ -</u>	<u>\$ 9,757</u>
Net amount on December 31, 2023 and January 1, 2024	<u>\$ 6,556</u>	<u>\$ 455</u>	<u>\$ 4,121</u>	<u>\$ -</u>	<u>\$ 11,132</u>
<u>Cost</u>					
Balance as of January 1, 2023	\$ 100,162	\$ 27,972	\$ 8,383	\$ 2,922	\$ 139,439
Increase	1,939	5,462	-	-	7,401
Conversion adjustment	(<u>3</u>)	<u>-</u>	<u>-</u>	<u>-</u>	(<u>3</u>)
Balance as of June 30, 2023	<u>\$ 102,098</u>	<u>\$ 33,434</u>	<u>\$ 8,383</u>	<u>\$ 2,922</u>	<u>\$ 146,837</u>
<u>Cumulative amortization</u>					
Balance as of January 1, 2023	\$ 92,279	\$ 26,984	\$ 3,425	\$ 2,922	\$ 125,610
Increase	1,685	3,244	418	-	5,347
Conversion adjustment	(<u>3</u>)	<u>-</u>	<u>-</u>	<u>-</u>	(<u>3</u>)
Balance as of June 30, 2023	<u>\$ 93,961</u>	<u>\$ 30,228</u>	<u>\$ 3,843</u>	<u>\$ 2,922</u>	<u>\$ 130,954</u>
Net amount on June 30, 2023	<u>\$ 8,137</u>	<u>\$ 3,206</u>	<u>\$ 4,540</u>	<u>\$ -</u>	<u>\$ 15,883</u>

The above-mentioned intangible assets with limited durable life shall be amortized on a straight-line basis based on the following years of durability:

Computer software	3~6 years
Specialized technology	5 years
Right of patent	10 years
Other	3 ~ 5 years

XIV. Other Assets

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Current</u>			
Payment in advance	\$ 5,347	\$ 4,396	\$ 4,028
temporary payments	1,359	1,408	7,940
Tax retained	-	4,522	3,102
Tax refund receivable.	-	813	-
Others	7,934	8,071	8,824
	<u>\$ 14,640</u>	<u>\$ 19,210</u>	<u>\$ 23,894</u>
<u>Non-Current</u>			
Refundable deposit	\$ 3,517	\$ 3,483	\$ 3,996
Prepayment for equipment	954	4,264	3,170
	<u>\$ 4,471</u>	<u>\$ 7,747</u>	<u>\$ 7,166</u>

XV. Loan

Short-term Loan

	June 30, 2024	December 31, 2023	June 30, 2023
Bank loan (NOTE 1)	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 1 : The interest rate for bank working capital loans was 0.5% as of June 30, 2024 .

XVI. Other Current Liabilities

	June 30, 2024	December 31, 2023	June 30, 2023
Bonuses payable	\$ 26,879	\$ 38,349	\$ 22,308
Unpaid leave benefits payable	4,478	5,687	5,985
Insurance premium payable	3,849	3,853	4,125
Labor expenses payable	3,441	3,296	3,676
Payable for equipment	245	-	-
Others	17,881	24,074	14,704
	<u>\$ 56,773</u>	<u>\$ 75,259</u>	<u>\$ 50,798</u>

XVII. Post-Retirement Welfare Plan

(I) Identified allocation plan

The Company's applicable pension program under the Workers' Pensions Ordinance is a defined-contribution retirement scheme administered by the government, which contributes 6% of an employee's monthly salary to the individual account of the Workers' Insurance Bureau. In addition, the basic pension premium paid by LEADTREND SHENZHEN under the government management fund program shall be recognized as the current annual expense at the time of provision. Subject to the above relevant provisions, the amounts recognized as expenses in the consolidated income statement of the Company were \$2,681 and \$2,762 for the three months ended June 30, 2024 and 2023, and were \$5,363 and \$5,564 for the six months ended June 30, 2024 and 2023.

(II) Identified welfare plans

The Company's pension system in accordance with Labor Standards Law is a defined benefit retirement plan administered by the government. Payment of employee's pension is calculated on the basis of the service duration and the average salary of the 6 months prior to approved retirement. The Company shall allocate 2% of the total monthly salary to the employee's pension, which shall be deposited into a special account of the Bank of Taiwan by the Labor Retirement Reserve Supervision Committee in the name of the committee. Before the end of the year, if the estimated balance of the special account is not enough to pay the employees who are expected to reach the retirement conditions within the next year, the difference will be allocated in a lump sum before the end of March of the next year. This special account is entrusted by the Labor Fund Management Bureau of the Ministry of Labor, and the Company has no right to affect the investment management strategy.

The Company reached an agreement with its employees in August 2023 to settle the seniority under the old system and settle pensions in accordance with relevant regulations, which was approved by the competent authority.

For the three months ended June 30, 2023 and for the six months ended June 30, 2023, the pension expenses of defined benefit plans were \$86 and \$216 respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2022.

XVIII. Equity

(I) Capital stock

Common stock

	June 30, 2024	December 31, 2023	June 30, 2023
Rated number of shares (thousands)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Authorized stock	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid up (thousands)	<u>58,900</u>	<u>58,918</u>	<u>56,852</u>
Issued share capital	<u>\$ 589,003</u>	<u>\$ 589,178</u>	<u>\$ 568,528</u>

For each share of the common stock of the Company, with a face value of \$10 per share, the holder is entitled to one vote and the right to receive dividends.

The capital stock reserved for the issuance of employee stock warrants out of the rated capital stock is 7,800 thousand shares.

(II) Capital reserves

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
<u>Used to cover losses,</u>			
<u>distribute cash or allocate</u>			
<u>capital stock (1)</u>			
Share premium (including			
exercised or lapsed			
employee stock options)	\$ 240,702	\$ 254,672	\$ 245,361
Donations received from			
shareholders (2)	84,732	84,732	84,732
<u>Used only to cover losses</u>			
Other	131	125	125
<u>Not used for any purpose</u>			
Employee restricted stock			
award shares	40,340	50,306	38,424
	<u>\$ 365,905</u>	<u>\$ 389,835</u>	<u>\$ 368,642</u>

1. Such capital reserves may be used to cover losses or, if the company has no losses, to issue cash or to make up capital stock, subject to a certain percentage of the paid-in capital stock each year.
2. Donations in cash from Delaware Asia Pacific Investment Company.

(III) Retained earnings and dividend policy

In accordance with the earnings distribution policy of the Articles of Association of the Company, if there is any net profit after tax in the current period in the general accounts of each year, it shall be distributed in the following order:

1. Making good of accumulated loss (including adjustment of the amount of undistributed earnings).
2. To provision 10% of the statutory surplus reserve, unless such surplus reserves have reached the amount of the Company's paid-in capital.
3. To provision or reverse special surplus reserves as required by law or the regulatory authority.
4. Any other surpluses, together with undistributed surplus at the beginning of the period (including adjusted amount of undistributed surplus), shall be subject to a resolution on distribution proposed by the board of directors, or be proposed to the board of shareholders for resolution on distribution if it is distributed by issuing new shares.
Company shall distribute all or part of dividends and dividends or statutory surplus reserves and capital reserves, in the form of cash, by authorizing the Board of Directors to report to the shareholders' meeting with the consent of more than two-thirds of the directors present and more than half of the directors present.

Directors to report to the shareholders' meeting with the consent of more than two-thirds of the directors present and more than half of the directors present.

For the remuneration allocation policy in the Articles of Association of the Company, refer to Note 21 (7) Remuneration of employees and directors. The distribution of dividends of the Company shall be based on the current year's earnings. As per the principle of dividend stability, the distribution ratio shall not be less than 30% of the current year's after-tax earnings, and the annual cash dividend shall not be less than 10% of the total cash and stock dividends of the current year. The statutory surplus reserve shall be withdrawn till the balance reaches the total amount of paid-in capital stock of the Company. Statutory surplus reserves may be used to cover losses. When the Company has no loss, the portion of the statutory surplus reserve exceeding 25% of the total paid-up capital stock can be distributed in cash in addition to increasing capital stock.

The Company's earnings distribution plans for 2023 and 2022 are as follows:

	2023	2022
Allocated legal reserve	\$ 2,887	\$ 15,491
Allocated Special reserve	\$ 786	\$ -
Cash dividends	\$ -	\$ 31,286
Stock dividends	\$ 11,638	\$ 17,065
Cash dividends per share (\$)	\$ -	\$ 0.550
Stock dividends per share (\$)	\$ 0.200	\$ 0.300

In addition, on April 11, 2024, the board of directors of the Company decided to distribute cash dividends of \$23,275 (\$0.4 per share) from the capital reserves of 2023. Besides the cash dividends, the remaining surplus distribution items were also decided at the regular meeting of shareholders on May 28, 2024.

On May 2, 2023, the board of directors of the Company decided to distribute cash dividends of \$19,909 (\$0.350 per share) from the capital reserves of 2022. Besides the cash dividends, the remaining surplus distribution items were also decided at the regular meeting of shareholders on June 13, 2023.

(IV) Other equity

1. Foreign Currency Translation Reserve

	Six Months Ended June 30	
	2024	2023
Balance at January 1	(\$ 786)	\$ 5,602
Current year		
Difference in conversion of foreign operators	8,372	(7,800)
Other comprehensive gains and losses in current year	8,372	(7,800)
Balance at June 30	\$ 7,586	(\$ 2,198)

The relevant exchange difference resulting from the conversion of the net assets of the foreign operators from its functional currency to the Company's expressed currency (i.e., New Taiwan dollar) is the exchange difference directly recognized as the conversion of the financial statements of the foreign operating institution under other comprehensive income and loss items. The previously accumulated conversion difference in the financial statements of the foreign operators shall be reclassified to profit or loss when disposed of by the foreign operators.

2. Unearned Stock-Based Employee Compensation

The Board of Shareholders of the Company decided on June 13, 2023, June 9, 2022 and June 23, 2020 respectively to issue new shares with restricted employee option, as explained in Note 19.

	Six Months Ended June 30	
	2024	2023
Balance at January 1	(\$ 35,803)	(\$ 31,945)
Recognized share-based payment	9,945	7,372
Recovered and canceled in current year	836	2,210
Balance at June 30	(\$ 25,022)	(\$ 22,363)

XIX. Share-based payment

Stocks with restricted employee's option

Information on the Company's issued new shares with restricted employee option is given below:

Date of approval by the shareholders' meeting	Number of shares expected to be issued (thousand shares)	Number of shares resolved by the board of directors (thousand shares)	Grant date	Base date for capital increase	Number of actually issued shares (thousand shares)	Fair value on the grant date
2020/06/23	1,200	900	2020/09/11	2020/11/06	900	\$ 34.35
2020/06/23	1,200	300	2021/08/03	2021/08/03	300	122
2022/06/09	420	420	2022/10/07	2022/10/12	420	47.1
2023/06/13	420	420	2023/10/06	2023/10/11	420	66.5

Issuance of restricted stock award shares in a total amount of \$12,000 and was resolved at the shareholders' meeting of the Company on June 23, 2020. A total of 1,200 thousand shares were issued. Issuance regulations are summarized as follows:

Employees to whom restricted stock award shares have been allocated shall satisfy the Personal Performance requirement by obtaining the result of "Satisfactory" or above in the latest personal performance assessment prior to the vesting date.

If the employees still work at the Company upon expiration of any of the following vesting periods, they will receive award shares at the granting ratio as scheduled below:

Vesting period	Granting ratio
From the grant date to Oct. 15 of the 1st year following the grant date	1/6
From the grant date to Apr. 15 of the 2nd year following the grant date	1/6
From the grant date to Oct. 15 of the 2nd year following the grant date	1/6
From the grant date to Apr. 15 of the 3rd year following the grant date	1/6
From the grant date to Oct. 15 of the 3rd year following the grant date	1/6
From the grant date to Apr. 15 of the 4th year following the grant date	1/6

Measures Taken for Employee Failing to Satisfy the Vesting Conditions:

- (I) If the employees resigns, are dismissed or laid off, retire, die, take leave without pay or are transferred to any affiliated enterprise after the grant date and prior to the expiration of the vesting period, the Company will take back, without payment, the award shares that have been granted to the employees (for the current year) and have not vested in the employees.
- (II) If the employees fail to meet the required personal performance immediately prior to the vesting date, the Company will take back, without payment, the award shares that have not vested in the employees that time.
- (III) The Company will give to the employees, without payment, the dividends allocated based on the award shares prior to the expiration of the vesting period.
- (IV) If the employees terminate or cancel, before their satisfaction of the vesting conditions, the authorization given to the Company in violation of the rule saying that the trust contract or other similar agreements shall be negotiated, signed, revised, extended, cancelled or terminated, and the trust property shall be delivered, used and disposed, by the Company on behalf of the employees and the stock trust agency in the period for which restricted stock award shares are trusted, the Company shall take back, without payment, the award shares from the employees.

The restricted stock award shares taken back by the Company without payment will be revoked by the Company.

Shares granted under the aforementioned stock option plan are summarized as follows:

	Employee restricted stock award shares for 2020-1 Unit (Thousand)	Employee restricted stock award shares for 2020-2 Unit (Thousand)
<u>Six Months Ended June 30.,2024</u>		
Outstanding at the beginning of the year	132.0	105.0
Granted in current year	(132.0)	(35.0)
Recovered for the year	-	(2.0)
Outstanding at the end of the year	-	68.0
Weighted average fair value (NTD)	\$ 34.35	\$ 122

	Employee restricted stock award shares for 2020-1	Employee restricted stock award shares for 2020-2
	Unit (Thousand)	Unit (Thousand)
<u>Six Months Ended June 30.,2023</u>		
Outstanding at the beginning of the year	424.5	192.5
Granted in current year	(136.5)	(35.0)
Recovered for the year	(15.0)	(17.5)
Outstanding at the end of the year	<u>273.0</u>	<u>140.0</u>
Weighted average fair value (NTD)	<u>\$ 34.35</u>	<u>\$ 122</u>

Issuance of restricted stock award shares in a total amount of \$ 4,200 was resolved at the shareholders' meeting of the Company on June 9, 2022. A total of 420 thousand shares were issued. Issuance regulations are summarized as follows:

Employees to whom restricted stock award shares have been allocated shall satisfy the Personal Performance requirement by obtaining the result of "Satisfactory" (i.e. a performance assessment scale score ≥ 5.8) or above in the latest personal performance assessment prior to the vesting date. If the employees still work at the Company upon expiration of any of the following vesting periods, they will receive award shares at the granting ratio as scheduled below:

Vesting period	Granting ratio
From the grant date to Oct. 11 of the 1st year following the grant date	1/6
From the grant date to Apr. 11 of the 2nd year following the grant date	1/6
From the grant date to Oct. 11 of the 2nd year following the grant date	1/6
From the grant date to Apr. 11 of the 3rd year following the grant date	1/6
From the grant date to Oct. 11 of the 3rd year following the grant date	1/6
From the grant date to Apr. 11 of the 4th year following the grant date	1/6

Measures Taken for Employees Failing to Satisfy the Vesting Conditions:

- (I) If the employees resigns, are dismissed or laid off, retire, die, take leave without pay or are transferred to any affiliated enterprise after the grant date and prior to the expiration of the vesting period, the Company will take back, without payment, the award shares that have been granted to the employees (for the current year) and have not vested in the employees.
- (II) If the employees fail to meet the required personal performance immediately prior to the vesting date, the Company will take back, without payment, the award shares that have not vested in the employees that time.
- (III) The employees are not entitled to any stocks, cash dividends or capital reserve allocated before the expiration of the vesting period.
- (IV) If the employees terminate or cancel, before their satisfaction of the vesting conditions, the authorization given to the Company in violation of the rule saying that the trust contract or other similar agreements shall be negotiated, signed, revised, extended, cancelled or terminated, and the trust property shall be delivered, used and disposed, by the Company on behalf of the employees and the stock trust agency in the period for which restricted stock award shares are trusted, the Company shall take back, without payment, the award shares from the employees.

The restricted stock award shares taken back by the Company without payment will be revoked by the Company.

Shares granted under the aforementioned stock option plan are summarized as follows:

	Employee restricted stock award shares for 2022
	Unit (Thousand)
<u>Six Months Ended June 30,2024</u>	
Outstanding at the beginning of the year	292.5
Granted in current year	(58.5)
Outstanding at the end of the year	<u>234.0</u>
Weighted average fair value (NTD)	<u>\$ 47.1</u>
<u>Six Months Ended June 30,2023</u>	
Outstanding at the beginning of the year	420.0
Recovered for the year	(42.0)
Outstanding at the end of the year	<u>378.0</u>
Weighted average fair value (NTD)	<u>\$ 47.1</u>

Issuance of restricted stock award shares in a total amount of \$ 4,200 was resolved at the shareholders' meeting of the Company on June 13, 2023. A total of 420 thousand shares were issued. Issuance regulations are summarized as follows:

Employees to whom restricted stock award shares have been allocated shall satisfy the Personal Performance requirement by obtaining the result of "Satisfactory" (i.e. a performance assessment scale score ≥ 5.8) or above in the latest personal performance assessment prior to the vesting date. If the employees still work at the Company upon expiration of any of the following vesting periods, they will receive award shares at the granting ratio as scheduled below:

Vesting period	Granting ratio
From the grant date to Oct. 11 of the 1st year following the grant date	1/6
From the grant date to Apr. 11 of the 2nd year following the grant date	1/6
From the grant date to Oct. 11 of the 2nd year following the grant date	1/6
From the grant date to Apr. 11 of the 3rd year following the grant date	1/6
From the grant date to Oct. 11 of the 3rd year following the grant date	1/6
From the grant date to Apr. 11 of the 4th year following the grant date	1/6

Measures Taken for Employees Failing to Satisfy the Vesting Conditions:

- (I) If the employees resigns, are dismissed or laid off, retire, die, take leave without pay or are transferred to any affiliated enterprise after the grant date and prior to the expiration of the vesting period, the Company will take back, without payment, the award shares that have been granted to the employees (for the current year) and have not vested in the employees.
- (II) If the employees fail to meet the required personal performance immediately prior to the vesting date, the Company will take back, without payment, the award shares that have not vested in the employees that time.
- (III) The employees are not entitled to any stocks, cash dividends or capital reserve allocated before the expiration of the vesting period.
- (IV) If the employees terminate or cancel, before their satisfaction of the vesting conditions, the authorization given to the Company in violation of the rule saying that the trust contract or other similar agreements shall be negotiated, signed, revised, extended, cancelled or terminated, and the trust property shall be delivered, used and disposed, by the Company on behalf of the employees and the stock trust agency in the period for which restricted stock award shares are trusted, the Company shall take back, without payment, the award shares from the employees.

The restricted stock award shares taken back by the Company without payment will be revoked by the Company.

Shares granted under the aforementioned stock option plan are summarized as follows:

	Employee restricted stock award shares for 2023 <u>Unit (Thousand)</u>
<u>Six Months Ended June 30,,2024</u>	
Outstanding at the beginning of the year	420.0
Recovered for the year	(<u>33.0</u>)
Outstanding at the end of the year	<u>387.0</u>
Granted weighted average fair value (NTD)	<u>\$ 66.5</u>

From January 1 to June 30, 2024 and 2023, 35 and 74.5 thousand shares with restricted employee rights were recovered due to employee resignations, respectively.

The compensation costs for the new shares with restricted option as recognized for the six months ended June 30 of 2024 and 2023 are \$9,945 and \$7,372 respectively.

XX. Operating Revenue

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenue from contracts with customers				
Integrated circuits	<u>\$ 378,685</u>	<u>\$ 264,033</u>	<u>\$ 689,769</u>	<u>\$ 479,979</u>

(I) Contractual balance

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Notes and accounts receivable (Note 8)	\$ 258,932	\$ 191,426	\$ 161,752	\$ 169,644

(II) Itemized Revenue from Contracts with Customers

Itemized by Areas

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Taiwan (where the Company is located)	\$ 200,900	\$ 150,710	\$ 354,170	\$ 256,168
Mainland China	177,220	111,237	334,242	217,936
Korea	565	437	1,357	835
Other countries	-	1,649	-	5,040
	\$ 378,685	\$ 264,033	\$ 689,769	\$ 479,979

XXI. Net Profit(loss) of Operations

(I) Interest Income

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Bank deposits	\$ 1,847	\$ 824	\$ 3,104	\$ 1,313
Deposit interest	9	8	19	18
Commercial paper	12	7	31	22
	\$ 1,868	\$ 839	\$ 3,154	\$ 1,353

(II) Other Incomes

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Lease income				
Other operating leases	\$ 497	\$ 567	\$ 990	\$ 1,182
Government subsidy	696	-	696	-
Others	293	(4)	1,300	529
	\$ 1,486	\$ 563	\$ 2,986	\$ 1,711

(III) Other Gains and Losses

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Gains and losses on financial assets				
Financial asset at fair value through profit	\$ 361	\$ 374	\$ 774	\$ 705
Net gain (loss) on foreign exchange	3,276	(628)	8,622	(1,462)
Disposal of property, plant and equipment (losses)	(8)	2,222	(8)	2,222
Others	8	400	-	964
	\$ 3,637	\$ 2,368	\$ 9,388	\$ 2,429

(IV) Financial Cost

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Interest expense on lease liabilities	\$ 97	\$ 122	\$ 206	\$ 220
Bank loans	<u>71</u>	<u>-</u>	<u>71</u>	<u>-</u>
	<u>\$ 168</u>	<u>\$ 122</u>	<u>\$ 277</u>	<u>\$ 220</u>

(V) Depreciation and Amortization

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
<u>Summary of depreciation expenses by function</u>				
Operating costs	\$ 4,756	\$ 6,505	\$ 9,411	\$ 10,156
Operating Expenses	<u>14,266</u>	<u>19,629</u>	<u>29,201</u>	<u>34,868</u>
	<u>\$ 19,022</u>	<u>\$ 26,134</u>	<u>\$ 38,612</u>	<u>\$ 45,024</u>
<u>Summary of Amortization expenses by function</u>				
Operating costs	\$ 253	\$ 299	\$ 506	\$ 596
Operating Expenses	<u>1,325</u>	<u>2,218</u>	<u>2,970</u>	<u>4,751</u>
	<u>\$ 1,578</u>	<u>\$ 2,517</u>	<u>\$ 3,476</u>	<u>\$ 5,347</u>

(VI) Employee benefit expenses

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Post-retirement benefits (Note 17)				
Identified allocation plan	\$ 2,681	\$ 2,762	\$ 5,363	\$ 5,564
Identified benefit plan	<u>-</u>	<u>86</u>	<u>-</u>	<u>216</u>
	2,681	2,848	5,363	5,780
Share-based payment (Note 19)				
Delivery of equity	4,467	4,450	9,945	7,372
Other employee benefits	<u>87,335</u>	<u>74,462</u>	<u>167,860</u>	<u>140,442</u>
Total employee benefit expenses	<u>\$ 94,483</u>	<u>\$ 81,760</u>	<u>\$ 183,168</u>	<u>\$ 153,594</u>
Summary by function				
Operating costs	\$ 14,463	\$ 13,740	\$ 26,622	\$ 25,928
Operating Expenses	<u>80,020</u>	<u>68,020</u>	<u>156,546</u>	<u>127,666</u>
	<u>\$ 94,483</u>	<u>\$ 81,760</u>	<u>\$ 183,168</u>	<u>\$ 153,594</u>

(VII) Remuneration of employees and directors

In accordance with the Articles of Association, the Company shall set aside no less than 5% and no more than 2% of the pre-tax profit of the current period before deducting the remuneration of employees and directors respectively.

The period from April 1 to June 30, 2023 and from January 1 to June 30, 2023 are net losses before tax, so employee compensation and director compensation are not estimated. The estimated employee remuneration and directors' remuneration from April 1 to June 30, 2024 and from January 1 to June 30, 2024 are as follows:

Estimated recognized proportion

	<u>Six Months Ended June 30</u>	
	<u>2024</u>	<u>2023</u>
Employee remuneration	17%	-
Director's remuneration	2%	-

Amount

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Employee remuneration	\$ 8,046	\$ -	\$ 9,909	\$ -
Director's remuneration	\$ 758	\$ -	\$ 933	\$ -

If there is still any change in the amount after issuance of annual consolidated financial statements, it will be handled according to the change in accounting estimates and adjusted and recorded in the next year. The annual employee remuneration and directors' remuneration for 2023 and 2022 were resolved by the Board on February 29, 2024 and March 16, 2023 respectively as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cash</u>	<u>Stock</u>	<u>Cash</u>	<u>Stock</u>
Employee remuneration	\$ 5,197	\$ -	\$ 32,060	\$ -
Director's remuneration	489	-	2,581	-

There is no difference between the actual amounts allocated for employee remuneration in 2023 and 2022 and the amounts recognized in the annual financial statements of 2023 and 2022.

For information on employee compensation and director compensation as determined by the Board of Directors of the Company, please visit the "Open Information Observatory" of the Taiwan Stock Exchange.

(VIII) Gains/loss in foreign currency exchange

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Foreign currency exchange gains	\$ 174	\$ 3,043	\$ 8,885	\$ 5,063
Foreign currency exchange loss	3,102	(3,671)	(263)	(6,525)
Net (loss) profit	\$ 3,276	(\$ 628)	\$ 8,622	(\$ 1,462)

XXII. Income Tax

(I) Income tax recognized in profit and loss

The tax benefits mainly comprises the items listed as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Current income tax				
Incurred in current year	\$ 2,265	(\$ 33)	\$ 1,350	(\$ 202)
Undistributed Surplus				
Earnings Additional	678	-	678	-
Adjustments from				
previous years	(9,894)	-	(9,894)	-
Deferred income tax				
Incurred in current year	(172)	33	743	202
Income tax benefits				
recognized as profit	(\$ 7,123)	\$ -	(\$ 7,123)	\$ -

(II) Approval of income tax

The Company's profit-seeking business income tax declaration cases as of 2022 have been approved by the tax authority.

XXIII. Earnings(loss) per share

Unit: \$ per share

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Basic earnings(loss) per share	\$ 0.75	(\$ 0.22)	\$ 0.93	(\$ 0.51)
Diluted earnings(loss) per share	\$ 0.75	(\$ 0.22)	\$ 0.92	(\$ 0.51)

In calculating earnings per share, the impact of allotment of shares without compensation has been retroactively adjusted and the base date for the allotment on July 17, 2024. Due to retroactive adjustment, the changes in basic and diluted earnings per share for the period from April 1 to June 30 of 2023 and January 1 to June 30 of 2023 are as follows:

Unit: \$ per share

	Before retroactive adjustment		After retroactive adjustment	
	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023
Basic earnings(loss) per share	(\$ 0.23)	(\$ 0.52)	(\$ 0.22)	(\$ 0.51)
Diluted earnings(loss) per share	(\$ 0.23)	(\$ 0.52)	(\$ 0.22)	(\$ 0.51)

The net (Loss) profit and weighted average shares of common stock used to calculate (Loss) earnings per share are as follows:

Net Profit of the Year

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Net loss used to calculate basic and diluted earnings (loss) per share	\$ 44,701	(\$ 13,125)	\$ 55,052	(\$ 29,862)

Number of Shares

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
The weighted average number of common shares used to calculate basic (Loss) earnings per share	59,302	58,846	59,210	58,756
Impact of dilutive potential common stock:				
Stocks with restricted employee's option	362	-	549	-
Employee remuneration	111	-	126	-
The weighted average number of common shares used to calculate diluted (Loss) earnings per share	59,775	58,846	59,885	58,756

If the Company selects to pay employee remuneration in stock or cash, diluted earnings per share will be calculated on the assumption that employee compensation will be paid in stock and will be included in the weighted average number of outstanding shares to calculate diluted earnings per share at the time when the potential common stock is dilutive. The dilution effect of such potential ordinary shares also continues to be taken into account in calculating diluted earnings per share prior to the determination of the number of shares to be paid to employees in the next year.

The Company is loss from April 1 to June 30 of 2023 and January 1 to June 30 of 2023, and if the impact of employee compensation and employee rights restricted stock is included, it will have a counter-dilution effect, calculated on the basis of excluding diluted earnings per share.

XXIV. Capital Risk Management

The Company manages its capital to ensure that it is able to maximize shareholders' returns as a going concern. There has been no significant change in the Company's overall strategy.

The capital structure of the Company consists of capital stock, capital reserves, retained earnings and other benefits.

The Company is not subject to other external capital requirements.

XXV. Financial Instruments

(I) Information of Fair Value - Financial Instruments Not Measured at Fair Value.

The management of the Company believes that the book amounts of the financial assets and financial liabilities not measured at fair value are close to fair value.

(II) Fair Value information - financial instruments measured at fair value on a recurring basis.

Fair value hierarchy

June 30, 2024

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at fair value through profit and loss</u>				
Fund benefit certificate	\$ 89,111	\$ -	\$ -	\$ 89,111

December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at fair value through profit and loss</u>				
Fund benefit certificate	\$ 83,823	\$ -	\$ -	\$ 83,823

June 30, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at fair value through profit and loss</u>				
Fund benefit certificate	\$ 48,306	\$ -	\$ -	\$ 48,306

There was no transfer of fair value measurement between Class 1 and Class 2 in the period from January 1 to June 30 of 2024 and 2023.

(III) Classification of financial instruments

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
<u>Financial Assets</u>			
Gain (loss) on financial instruments at FVTPL, net			
Mandatorily measured at FVTPL	\$ 89,111	\$ 83,823	\$ 48,306
Financial assets at amortized costs			
Cash and Cash Equivalents	494,099	457,745	305,898
Notes and accounts receivable	258,932	191,426	161,752
Refundable deposit	3,517	3,483	3,996

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(Brought forward from previous page)

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Financial liabilities</u>			
Measured at amortized cost			
Short-term loans	35,000	-	-
Accounts payable	127,120	107,636	67,164
Deposit received	6,117	860	923

(IV) Purpose and Policy of Financial Risk Management

Main financial instruments of the Company include notes and accounts receivable, refundable deposits, accounts payable, loans and lease liabilities. The financial risk management objective of the Company is to manage the exchange rate risk, interest rate risk, credit risk and liquidity risk relevant to operating activities. For reducing relevant financial risks, the Company is committed to identifying, evaluating and avoiding market uncertainties to reduce the potential negative impact of market changes on the financial performance of the Company.

Important financial activities of the Company are reviewed by the board of directors pursuant to applicable regulations and internal control systems. During the implementation of the financial plan, the Company shall comply with applicable financial operating procedures for overall financial risk management and division of powers and responsibilities.

1. Market Risk

Main financial risks assumed by the Company for its operating activities are exchange rate risk (as stated in (1) below) and interest rate risk (as stated in (2) below).

The Company does not change the methods that it has adopted to manage and measure risk exposure with respect to market risk for financial instruments.

(1) Currency Risk

Part of cash used or generated by the Company is in foreign currencies, so the effect of natural hedge exists. The Company manages exchange rate risk just for the purpose of hedging, not for profit.

The exchange rate risk management strategy is established to review net positions of various currency assets and liabilities, and conduct risk management on net positions.

For book amounts of monetary assets and monetary liabilities of the Company in non-functional currencies on the balance sheet date, please refer to Note 28.

Net investments made by foreign operations of the Company are strategic investments; therefore, the Company does not hedge investment risk.

Sensitivity Analysis

The Company is mainly impacted by fluctuation of USD and CNY exchange rates.

The table below shows the Company's sensitivity analysis for the situations when the exchange rate of the NTD (the functional currency) to each foreign currency increases or decreases by 5%. Sensitivity analysis considers outstanding foreign currency monetary items, and the conversion made at the end of the period is adjusted by 5% exchange rate fluctuation. The scope of sensitivity analysis includes cash and cash equivalents, accounts receivable and other receivables, accounts payable and other payables. The positive number in the table below shows the amount increasing in the pretax net profit when the NTD against each foreign currency depreciates by 5%. If the NTD against each foreign currency appreciates by 5%, the impact on the pretax net profit will be a negative of the same amount.

	Effect of USD		Effect of CNY	
	Six Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Profit (loss) before tax	\$ 4,618	\$ 4,670	\$ 5,763	\$ 4,516

Effects mainly derived from the receivables and payables in USD and CNY which were still outstanding on the balance sheet date and of which the cash flows were not hedged by the Company.

The Company's sensitivity to the RMB exchange rate increased for the current period. It was mostly because the balance of accounts receivable in RMB increased so that net RMB assets increased at the end of the year. Decrease in sensitivity to the USD exchange rate was mostly because accounts payable in USD increased so that net USD assets decreased at the end of the year.

(2) Interest Rate Risk

As consolidated entities of the Company possess fixed rate and floating rate assets, interest rate risk exposure is therefore incurred.

The book amounts of financial assets of the Company exposed to interest rate risk on the balance sheet date are as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Interest rate risk in fair value			
-Financial assets	\$ 345,900	\$ 342,700	\$ 174,614
-Financial liabilities	51,880	21,314	19,250
Interest rate risk in cash flow			
-Financial assets	147,799	114,426	130,555

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk of non-derivative instruments at the balance sheet date. For floating rate assets, the analysis assumes that the amount of assets outstanding on the balance sheet date is outstanding during the reporting period.

If the interest rate increases/decreases by 0.1%, all other variables held constant, the Company's net profit before tax in the period from January 1 to June 30 of 2024 and 2023 will increase/decrease by \$74 and \$65 respectively, due to the interest rate risk of the Company's variable interest rate net assets.

2. Credit risk

Credit risk refers to the risk of financial loss to the Company caused by default of contractual obligations by the other trading party. As of the balance sheet date, the Company's greatest credit risk exposure to non-performance of obligations by the other trading party is primarily attributable to the carrying value of financial assets recognized in the consolidated balance sheet.

To mitigate credit risk, the management of the Company has appointed a dedicated team responsible for the determination of credit lines, credit approval and other monitoring procedures to ensure that appropriate actions are taken to collect overdue receivables. In addition, the Company reviews the recoverable amounts of receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been included in unrecoverable receivables. Accordingly, the Company's management believes that the Company's credit risk has been significantly reduced.

Accounts receivable cover a large number of customers, dispersed in different industries and geographical regions. The Company continuously evaluates the financial position of its customers involving in accounts receivable.

Except for Customer A, Customer B, Customer C, Customer D and Customer E, Customer F and Customer G as described below, the Company does not have a material credit risk against any single trading party or any set of trading parties with similar characteristics. When the trading parties are related enterprises to each other, the Company defines them as the trading parties with similar characteristics. As of June 30, 2024, with the exception of Customer A, Customer B, Customer C, Customer D, Customer E, Customer F and Customer G, the concentration of credit risk with respect to other trading parties did not exceed 5% of total accounts receivable. The credit risks with Customer A, Customer B, Customer C, Customer D, Customer E, Customer F and Customer G are limited, since they are highly reputable manufacturers.

3. Liquidity Risk

The Company keeps successful business operation and mitigates the impact of cash flow fluctuation by managing and maintaining sufficient cash and cash equivalents.

(1) Liquidity of Non-derivative Financial Liabilities

The table below shows the maturity analysis for the remaining contracts of non-derivative financial liabilities, which is conducted based on the undiscounted cash flows of financial liabilities, including cash flows of interest and principal, on the earliest date that the Company is requested to make the repayment.

June 30, 2024

	Immediate payment or less than 1 month	1 ~ 3 months	3 months Up to 1 year	1 ~ 5 years	Total
Accounts payable	\$ 78,677	\$ 48,443	\$ -	\$ -	\$ 127,120
Dividend payable	\$ -	\$ 23,275	\$ -	\$ -	\$ 23,275
Lease liabilities	\$ 834	\$ 2,250	\$ 5,501	\$ 8,662	\$ 17,247
Other current liabilities	\$ 11,508	\$ 4,735	\$ -	\$ -	\$ 16,243

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

	Less than 1 year	1 ~ 5 years	> 5 years
Lease liabilities	\$ 8,585	\$ 8,662	\$ -

December 31, 2023

	Immediate payment or less than 1 month	1 ~ 3 months	3 months Up to 1 year	1 ~ 5 years	Total
Accounts payable	\$ 66,255	\$ 41,381	\$ -	\$ -	\$ 107,636
Lease liabilities	\$ 1,114	\$ 2,111	\$ 8,837	\$ 9,754	\$ 21,816
Other current liabilities	\$ 13,175	\$ 5,613	\$ -	\$ -	\$ 18,788

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

	Less than 1 year	1 ~ 5 years	> 5 years
Lease liabilities	\$ 12,062	\$ 9,754	\$ -

June 30, 2023

	Immediate payment or less than 1 month	1 ~ 3 months	3 months Up to 1 year	1 ~ 5 years	Total
Accounts payable	\$ 35,770	\$ 31,394	\$ -	\$ -	\$ 67,164
Dividend payable	\$ -	\$ 51,195	\$ -	\$ -	\$ 51,195
Lease liabilities	\$ 772	\$ 2,165	\$ 8,422	\$ 8,341	\$ 19,700
Other current liabilities	\$ 12,019	\$ 5,106	\$ -	\$ -	\$ 17,125

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

	Less than 1 year	1 ~ 5 years	> 5 years
lease liabilities	\$ 11,359	\$ 8,341	\$ -

XXVI. Transactions with Related Parties

- (I) All transactions between the Company and its subsidiaries, account balances, gains and losses have been wiped out at the time of consolidation and are not disclosed in this note. The Company has no dealings with any other affiliated party.
- (II) Remuneration of major management officers

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ 6,424	\$ 6,290	\$ 13,106	\$ 13,556
Post-retirement benefits	132	281	263	535
Share-based payment	664	1,014	1,496	1,750
	<u>\$ 7,220</u>	<u>\$ 7,585</u>	<u>\$ 14,865</u>	<u>\$ 15,841</u>

The remuneration of directors and other key officer is determined by the Remuneration Committee in accordance with individual performance and market trends.

XXVII. Major Contingent Liabilities and Unrecognized Contractual Commitments

(I) Major commitments

The Company signed a patented technology transfer agreement with a company in March 2018, and the transfer consideration was paid in three phases. The total amount of the first and second contractual amounts was US\$ 600 thousand, and the third-phase was paid based on the profits of the patented derivative products within three years after the offering date, amounting at least US\$ 300 thousand.

XXVIII. Information on Foreign Currency Assets and Liabilities with Significant Impact

The following information is summarized in terms of foreign currencies other than the Company's individual functional currency. The exchange rate disclosed refers to the exchange rate at which such foreign currencies are converted to functional currency.

Foreign currency assets and liabilities with significant impact are listed below:

(Unit: Thousands in each foreign currency)

June 30, 2024

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Book amount</u>
Foreign currency assets			
<u>Monetary item</u>			
USD	\$ 4,962	32.450 (USD:NTD)	\$ 161,026
USD	2	7.3003 (USD:CNY)	71
CNY	25,932	4.445 (CNY:NTD)	<u>115,268</u>
			<u>\$ 276,365</u>
Foreign currency liabilities			
<u>Monetary item</u>			
USD	2,118	32.450 (USD:NTD)	<u>\$ 68,731</u>

Dec. 31, 2023

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Book amount</u>
Foreign currency assets			
<u>Monetary item</u>			
USD	\$ 4,808	30.705 (USD:NTD)	\$ 147,642
CNY	11,569	4.327 (CNY:NTD)	<u>50,058</u>
			<u>\$ 197,700</u>
Foreign currency liabilities			
<u>Monetary item</u>			
USD	2,180	30.705 (USD:NTD)	<u>\$ 66,952</u>

June 30, 2023

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Book amount</u>
Foreign currency assets			
<u>Monetary item</u>			
USD	\$ 4,165	31.140 (USD:NTD)	\$ 129,691
USD	17	7.272 (USD:CNY)	544
CNY	21,093	4.282 (CNY:NTD)	<u>90,322</u>
			<u>\$ 220,557</u>
Foreign currency liabilities			
<u>Monetary item</u>			
USD	1,183	31.140 (USD:NTD)	<u>\$ 36,833</u>

The total realized and unrealized net gain (loss) on foreign currency exchange of the Company from April 1 to June 30 of 2024 and 2023 and January 1 to June 30 of 2024 and 2023 were \$3,276 , (\$628) , \$8,622 and (\$1,462) respectively. Due to the wide variety of individual foreign currencies used in transactions by the affiliates of the Group, it isn't possible to disclose exchange gains and losses by foreign currency with significant impact.

XXIX. Matters Disclosed in Notes

(I) Major transactions and (II) Related information on reinvested business: At the time of preparation of these consolidated financial statements, all significant transactions between the parent and subsidiaries and their balances have been wiped out.

1. Loans to others: none.
2. Endorse for another: none.
3. Securities holdings at the end of the period:

Holder	Class of Marketable Securities	Names of securities	Relationship with Securities Issuer	Presented Items	End of the Period				Remark
					Number of shares or Unit	Carrying amount	Shareholding Ratio%	Planned Assets	
LEADTREND SHENZHEN	Fund	Fund B on Mainland China Resources Yuanta Cash Connect Money Market	-	Financial assets measured at fair value through profit and loss - current	-	\$ 89,111	-	\$ 89,111	Note 1

Note 1: Based on net value as at June 30, 2024.

Note 2: No security, pledged loans or other agreed restriction for use of the securities as listed above has been offered as of June 30, 2024.

4. Cumulative purchase or sale of the same securities amounting to NT \$300 million or more than 20% of the paid-in capital: none.
5. Real estate acquired amounting NT \$300 million or more than 20% of the paid-in capital: none.
6. Immovable property disposed amounting NT \$300 million or more than 20% of the paid-in capital: none.
7. Sales to/from related parties amounting NT \$100 million or more than 20% of the paid-in capital: none.

Company buying/selling goods	Trader	Relationship	Transaction Situation				Conditions and reason for difference from general terms of trading		Notes and account receivable/payable		Remark
			Buy or Sell	Amount	Ratio to total goods (%)	Credit Extension Period	Unit price	Credit Extension Period	Balance	Ratio to total notes and accounts receivable/ payable/ payable (%)	
LEADTREND TECHNOLOGY CO. LTD.	LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD	Parent company	Sell	\$ 211,063	34	60 days on monthly payment	Note	Equivalent	\$ 87,842	45	—

Note: The price at which the Company sells goods to affiliated parties is fixed in accordance with the general trading rules

8. Amounts receivable from related parties amounting to NT \$100 million or more than 20% of the paid-in capital: none.
9. Trading involving derivatives: none.
10. Others: Information and amount of business relations and important transactions between the parent company and subsidiaries:

For the Six Months Ended June 30 of 2024

No.	Name of Trader	Trading Party	Relationship (Note 2)	Transaction Information			
				Item	Amount	Trading Condition	Ratio to total revenues or total assets
0	LEADTREND TECHNOLOGY CO. LTD.	LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD.	1	Sales revenue	\$211,063	Note 3	31%
0	LEADTREND TECHNOLOGY CO. LTD.	LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD.	1	Accounts Receivable - related parties	87,842	Note 3	4%

Note 1: The parent company is 0. Subsidiaries are numbered in numerical order from 1, by types of the subsidiaries.

Note 2: " 1 " represents a transaction initiated by the parent company with a subsidiary.

Note 3: There is no appropriate object comparable with the sales price between subsidiaries, and the collection period with the subsidiary is comparable to that with ordinary customers.

11. Investee company information: None.

(III) Information on investments in Mainland China:

The Company has no other matters to be disclosed except the following:

1. Name of investee company in Mainland China, main business activities, paid-in capital, investment method, funds remitted in and out, shareholding, investment gain or loss, book value of investments at the end of the year, investment gain (loss) remitted back already, and limit of investments in Mainland China:

Unit: In thousands of NTD; in thousands of USD

Name of investee company in Mainland China	Min business activities	Paid-in capital	Investment method	Name of investee company in Mainland China	Investment amount remitted or recovered in the year		Investment amount remitted or recovered in the year	Investee company's profit (loss) of the year	Percentage of shares held by the Company through direct or indirect investment	Investment gain (loss) recognized for the year (Note 2)	Ending book value of investment (Note 2)	Investment gain remitted back to Taiwan as of the end of the year
					Remitted	Reverted						
LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD.	Computer software design service, computer system integration service, wholesale of integrated circuits and related electronic products, and agent import and export business activities	\$ 321,255 (USD9,900)	Note 1	\$ 228,773 (USD7,050)	\$ -	\$ -	\$ 228,773 (USD 7,050)	\$ 42,816 (USD 1,342)	100%	\$ 42,816 (USD1,342)	\$ 275,403 (USD8,487)	\$ -

Accumulated investment amount remitted from Taiwan to Mainland China at the end of the year	Investment amount approved by Investment Commission, Ministry of Economic Affairs	60% of net worth, the limit of investment provided by Investment Commission, Ministry of Economic Affairs
\$228,773 (USD7,050)	\$321,255 (USD9,900)	\$1,015,836

Note1: The investment was made physically in Mainland China.

Note2: It was calculated based on the financial statements of the same accounting period reviewed by CPAs.

Note3: The figures in a foreign currency indicated in the table were converted into NT dollars at the exchange rate announced on the reporting date.

Note 4: As of June 30, 2024, Tongjia Company had an investment amount of US\$9,900 approved by the Investment Review Committee of the Ministry of Economic Affairs, and had actually remitted US\$7,050. The remaining uninvested amount has expired.

2. Information on major transactions with invested companies in Mainland China directly or indirectly through a third-party, and related prices, terms of payment, unrealized gains and losses and any other information which may be helpful to understand the impact of investment in Mainland China on financial statements: Please refer to Section (I) 10. Others.

(IV) Information of Key Shareholders: Name of Shareholder Holding Over 5% of Equity, Number of Shares Held and Percentage of Shareholding:

Name of major shareholder	Shares	
	Number of shares held	Percentage of shareholding (%)
Jie Neng Investment Co., Ltd.	4,784,628	8.12

XXX. Information of Segments

The Company's operating decision makers focus on and use product-specific information to allocate resources and evaluate segments performance. Each product has similar economic characteristics and is marketed by a unified and centralized marketing approach, so the Company summarizes and reports them in a single operating segments. In addition, the segments information provided by the Company to the operating decision makers for review is measured on the same basis as the consolidated financial statements. Therefore, for the segments revenue and operating results reported for the period from April 1 to June 30 and January 1 to June 30 of 2024 and 2023, refer to the consolidated income statement for the period from April 1 to June 30 and January 1 to June 30 of 2024 and 2023. For the operating segments assets to be reported as of June 30, 2024, June 30, 2023 and December 31, 2023, refer to the consolidated balance sheet as of June 30, 2024, June 30, 2023 and December 31, 2023 respectively.