

**LEADTREND TECHNOLOGY CO.
LTD. AND SUBSIDIARIES**

**Consolidated Financial Statements for the Nine
Months Ended Sep 30, 2023 and 2022 and
Independent Auditors' Review Report**

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Leadtrend Technology Inc. and its subsidiaries (collectively, the “Group”) as of September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related 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 September 30, 2023 and 2022, its consolidated financial performance for the three months ended September 30, 2023 and 2022, and its consolidated

financial performance and its consolidated cash flows for the nine months ended September 30, 2023 and 2022 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 Yu-Feng Huang and Cai Meizhen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 9, 2023

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 SHEETS
(In Thousands of New Taiwan Dollars)

Code	ASSETS	September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%
	Current asset						
1100	Cash and cash equivalents (Note 6)	\$ 396,589	22	\$ 250,680	13	\$ 294,699	15
1110	Financial Assets measured at fair value through profit and loss - Current (Note 7)						
1170	Notes and Accounts Receivable (Note 8)	36,697	2	55,634	3	20,518	1
130X	Inventory (Note 9)	199,511	11	169,644	9	186,863	9
1470	Other current assets (Note 14)	630,154	35	808,004	43	866,282	44
11XX	Total current assets	<u>19,015</u>	<u>1</u>	<u>36,407</u>	<u>2</u>	<u>46,973</u>	<u>2</u>
		<u>1,281,966</u>	<u>71</u>	<u>1,320,369</u>	<u>70</u>	<u>1,415,335</u>	<u>71</u>
	Non-Current Assets						
1600	Real estate, plant and equipment (Notes 11)						
1755	Right-of-use assets (Note 12)	488,495	27	529,530	28	526,569	26
1780	Intangible assets (Note 13)	24,180	1	19,712	1	22,935	1
1840	Deferred income tax assets	13,414	1	13,829	1	13,563	1
1990	Other non-current assets (Note 14)	-	-	91	-	-	-
15XX	Total non-current assets	<u>7,005</u>	<u>-</u>	<u>8,871</u>	<u>-</u>	<u>13,054</u>	<u>1</u>
		<u>533,094</u>	<u>29</u>	<u>572,033</u>	<u>30</u>	<u>576,121</u>	<u>29</u>
1XXX	Total assets	<u>\$ 1,815,060</u>	<u>100</u>	<u>\$ 1,892,402</u>	<u>100</u>	<u>\$ 1,991,456</u>	<u>100</u>
	Liabilities and Equity						
	Current liability						
2170	Payable account						
2200	Remuneration payable to staff and directors (Note 20)	\$ 63,745	3	\$ 63,567	3	\$ 132,495	7
2216	Dividends payable (Note 17)	24,192	1	37,508	2	65,609	3
2230	Current income tax liabilities (Note 4 and 21)	14,551	1	15,120	1	21,388	1
2280	Lease liabilities - current (Note 12)	12,341	1	12,415	1	12,533	1
2399	Other current liabilities (Note 15)	<u>78,954</u>	<u>4</u>	<u>97,519</u>	<u>5</u>	<u>84,430</u>	<u>4</u>
21XX	Total current liabilities	<u>193,783</u>	<u>10</u>	<u>226,129</u>	<u>12</u>	<u>316,455</u>	<u>16</u>
	Non-current liability						
2570	Deferred income tax liabilities	421	-	-	-	329	-
2580	Lease liabilities - non-current (Note 12)	12,106	1	7,568	1	10,661	1
2640	Net defined benefit liabilities - non-current (Notes 4 and 16)	-	-	4,840	-	7,619	-
2645	Deposits received	<u>945</u>	<u>-</u>	<u>914</u>	<u>-</u>	<u>950</u>	<u>-</u>
25XX	Total non-current liabilities	<u>13,472</u>	<u>1</u>	<u>13,322</u>	<u>1</u>	<u>19,559</u>	<u>1</u>
2XXX	Total liabilities	<u>207,255</u>	<u>11</u>	<u>239,451</u>	<u>13</u>	<u>336,014</u>	<u>17</u>
	Equity (Notes 17 and 18)						
	Share capital						
3110	Common stock	585,368	32	568,838	30	564,888	28
	Capital reserve						
3210	Share premium	245,361	13	258,027	14	250,270	13
3251	Donations received from shareholders	84,732	5	84,732	4	84,732	4
3273	Stocks with restricted employee's option	37,219	2	47,567	3	41,139	2
3280	Other	125	-	106	-	106	-
	Retained earnings						
3310	Statutory surplus reserves	215,284	12	199,793	11	199,793	10
3350	Undistributed earnings	451,323	25	520,231	27	526,102	27
	Other equity						
3410	Exchange difference in conversion of financial statements by foreign operating institutions	5,145	1	5,602	-	9,558	-
3491	Remuneration not gained by staff	(<u>16,752</u>)	(<u>1</u>)	(<u>31,945</u>)	(<u>2</u>)	(<u>21,146</u>)	(<u>1</u>)
3XXX	Total equity	<u>1,607,805</u>	<u>89</u>	<u>1,652,951</u>	<u>87</u>	<u>1,655,442</u>	<u>83</u>
	Total liabilities and equity	<u>\$ 1,815,060</u>	<u>100</u>	<u>\$ 1,892,402</u>	<u>100</u>	<u>\$ 1,991,456</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 September 30				Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenues (Note 19)								
4110 Sales revenue	\$ 337,811	101	\$ 332,427	105	\$ 835,554	103	\$ 1,372,956	102
4170 Sales returns and allowances	(4,590)	(1)	(15,887)	(5)	(22,354)	(3)	(26,302)	(2)
4000 Net operating revenue	333,221	100	316,540	100	813,200	100	1,346,654	100
Operating costs (Notes 9, 16 and 20)								
5110 Cost of goods sold	207,400	62	192,047	61	519,940	64	790,065	59
5900 Operating margin	125,821	38	124,493	39	293,260	36	556,589	41
Operating expenses (Notes 16 and 20)								
6100 Amortization cost	22,929	7	20,203	6	50,926	7	68,311	5
6200 Management costs	28,144	8	24,292	8	73,894	9	81,010	6
6300 Research and development expenses	75,047	23	73,971	23	203,874	25	238,085	18
6000 Total operating expenses	126,120	38	118,466	37	328,694	41	387,406	29
6900 Net operating profit	(299)	-	6,027	2	(35,434)	(5)	169,183	12
Non-operating income and expenditure (Note 20)								
7100 Interest incomes	809	1	617	-	2,162	-	2,897	-
7010 Other Income	508	-	2,892	1	2,219	1	11,015	1
7020 Other interests and losses	23,900	7	2,412	1	26,329	3	22,098	2
7050 Financial Costs	(122)	-	(130)	-	(342)	-	(451)	-
7000 Total non-operating incomes and expenses	25,095	8	5,791	2	30,368	4	35,559	3
7900 Pre-tax net profit	24,796	8	11,818	4	(5,066)	(1)	204,742	15
7950 Income tax expense (Notes 4 and 21)	-	-	1,149	1	-	-	43,956	3
8200 Net profit for the year	24,796	8	10,669	3	(5,066)	(1)	160,786	12
Other composite gains and losses								
8360 Items that may be subsequently reclassified as profit or loss:								

8361	Exchange difference in conversion of financial statements by foreign operating institutions (Note 17)	<u>7,343</u>	<u>2</u>	<u>2,242</u>	<u>1</u>	(<u>457</u>)	<u>-</u>	<u>7,691</u>	<u>1</u>
8500	Total consolidated profit and loss for the year	<u>\$ 32,139</u>	<u>10</u>	<u>\$ 12,911</u>	<u>4</u>	(<u>\$ 5,523</u>)	(<u>1</u>)	<u>\$ 168,477</u>	<u>13</u>
Earnings per share (Note 22)									
9750	Basic	<u>\$ 0.43</u>		<u>\$ 0.19</u>		(<u>\$ 0.09</u>)		<u>\$ 2.81</u>	
9850	Dilutive	<u>\$ 0.43</u>		<u>\$ 0.18</u>		(<u>\$ 0.09</u>)		<u>\$ 2.73</u>	

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

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

		Capital on issued common shares		Capital reserve				Retained earnings			Other equity items				
		Number of Holdings Shares In Thousands)	Amount	Share premium	Donations received from shareholders	Restricted employee employee's option	Other	Statutory surplus reserves	Undistributed earnings	Total	Foreign operators Exchange difference in conversion of financial statements	Remuneration not gained by staff		Total equity	
A1	Balance as of January 1, 2022		52,864	\$ 528,646	\$ 273,131	\$ 84,732	\$ 51,708	\$ 98	\$ 166,987	\$ 582,957	\$ 749,944	\$ 1,867	(\$ 42,573)	\$ 1,647,553	
	Appropriation and distribution of 2021 retained earnings														
B1	Legal reserve		-	-	-	-	-	-	32,806	(32,806)	-	-	-	-	
B5	Cash dividend to shareholders - \$2.800 per share		-	-	-	-	-	-	-	(147,868)	(147,868)	-	-	(147,868)	
B9	Stock dividend to shareholders - \$0.700 per share		<u>3,697</u>	<u>36,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,967)</u>	<u>(36,967)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
	Total Appropriation and distribution of retained earnings		<u>3,697</u>	<u>36,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,806</u>	<u>(217,641)</u>	<u>(184,835)</u>	<u>-</u>	<u>-</u>	<u>(147,868)</u>	
C15	Capital reserve distributed stock dividend - \$0.500 per share		-	-	(26,405)	-	-	-	-	-	-	-	-	(26,405)	
C17	Changes in other capital reserves		-	-	-	-	-	8	-	-	-	-	-	8	
D1	Net profit for the Nine Months ended September 30, 2022		-	-	-	-	-	-	-	160,786	160,786	-	-	160,786	
D3	Other comprehensive income (loss) for the Nine Months ended September 30, 2022		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,691</u>	<u>-</u>	<u>7,691</u>	
D5	Total comprehensive income for the Nine Months ended September 30, 2022		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,786</u>	<u>160,786</u>	<u>7,691</u>	<u>-</u>	<u>168,477</u>	
N1	Acquired stocks with restricted employee's option		-	-	3,544	-	(3,544)	-	-	-	-	-	-	-	
N1	Canceled stocks with restricted employee's option	(73)	(725)	-	-	-	725	-	-	-	-	-	-	-	
N1	Compensation cost on stocks with restricted employee's option		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,427</u>	<u>13,677</u>	
Z1	Balance as of September 30, 2022		<u>56,488</u>	<u>\$ 564,888</u>	<u>\$ 250,270</u>	<u>\$ 84,732</u>	<u>\$ 41,139</u>	<u>\$ 106</u>	<u>\$ 199,793</u>	<u>\$ 526,102</u>	<u>\$ 725,895</u>	<u>\$ 9,558</u>	(<u>\$ 21,146</u>)	<u>\$ 1,655,442</u>	
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	
	Appropriation and distribution of 2022retained earnings														
B1	Legal reserve		-	-	-	-	-	-	15,491	(15,491)	-	-	-	-	
B5	Cash dividend to shareholders - \$0.550 per share		-	-	-	-	-	-	-	(31,286)	(31,286)	-	-	(31,286)	
B9	Stock dividend to shareholders - \$0.300 per share		<u>1,707</u>	<u>17,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,065)</u>	<u>(17,065)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
	Total Appropriation and distribution of retained earnings		<u>1,707</u>	<u>17,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,491</u>	<u>(63,842)</u>	<u>(48,351)</u>	<u>-</u>	<u>-</u>	<u>(31,286)</u>	
C15	Capital reserve distributed stock dividend - \$0.350 per share		-	-	(19,909)	-	-	-	-	-	-	-	-	(19,909)	
C17	Changes in other capital reserves		-	-	-	-	-	19	-	-	-	-	-	19	
D1	Net profit for the Nine Months ended September 30, 2023		-	-	-	-	-	-	-	(5,066)	(5,066)	-	-	(5,066)	
D3	Other comprehensive income for the Nine Months ended September 30, 2023		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(457)</u>	<u>-</u>	<u>(457)</u>	
D5	Total comprehensive income for the Nine Months ended September 30, 2023		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,066)</u>	<u>(5,066)</u>	<u>(457)</u>	<u>-</u>	<u>(5,523)</u>	
N1	Acquired stocks with restricted employee's option		-	-	7,243	-	(7,243)	-	-	-	-	-	-	-	
N1	Canceled stocks with restricted employee's option	(53)	(535)	-	-	-	535	-	-	-	-	-	-	-	
N1	Compensation cost on stocks with restricted employee's option		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,640)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,193</u>	<u>11,553</u>	
Z1	Balance as of September 30, 2023		<u>58,537</u>	<u>\$ 585,368</u>	<u>\$ 245,361</u>	<u>\$ 84,732</u>	<u>\$ 37,219</u>	<u>\$ 125</u>	<u>\$ 215,284</u>	<u>\$ 451,323</u>	<u>\$ 666,607</u>	<u>\$ 5,145</u>	(<u>\$ 16,752</u>)	<u>\$ 1,607,805</u>	

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

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

Code		Nine Months Ended September 30	
		2023	2022
	Cash flow from operating activities		
A10000	Pre-tax net profit	(\$ 5,066)	\$ 204,742
A20010	Revenue expense loss items:		
A20100	Depreciation expense	66,540	66,777
A20200	Amortization cost	7,936	9,748
A20400	Net benefit of financial assets and liabilities measured at fair value through profit and loss	(838)	(1,078)
A20900	Financial Costs	342	451
A21200	Interest incomes	(2,162)	(2,897)
A21900	Compensation cost on stocks with restricted employee's option	11,553	13,677
A22500	Disposal and scrapping of immovable property, plant and equipment (profit).	(1,843)	151
A29900	Loss from lease modification	-	(20)
A24100	Net loss/gain on foreign currency exchange	(919)	(7,201)
A30000	Net changes in operating assets and liabilities		
A31150	Decrease/increase in notes and accounts receivable	(26,656)	140,215
A31200	Inventory increase	177,850	(408,061)
A31240	Decrease/increase in other current assets	2,493	(23,721)
A32150	Increase/decrease in notes payable and accounts	(983)	(126,596)
A32200	Increase/decrease in compensation payable to staff and directors	(13,316)	(12,712)
A32230	Increase in other current liabilities	(15,288)	(6,165)
A32240	Decrease in net defined benefit liability	(4,840)	(2,075)
A33000	Cash inflow to/outflow from operations	194,803	(154,765)
A33300	Interest paid	(342)	(451)
A33500	Income tax paid	(57)	(81,403)
AAAA	Net cash inflow to/outflow from operating activities	<u>194,404</u>	<u>(236,619)</u>

Cash flow from investment activities			
B00100	Acquisition of financial assets measured at fair value through profit and loss	(57,395)	(22,365)
B00200	Dispose of financial assets measured at fair value through profit and loss	77,263	116,298
B02700	Acquisition of real estate, plant and equipment	(25,772)	(109,301)
B02800	Disposition of the price of real estate, plant and equipment	\$ 10,395	\$ -
B03700	Decrease in deposit margin	15,262	441
B04500	Acquisition of intangible assets	(7,521)	(10,657)
B07500	Interest received	<u>2,061</u>	<u>2,962</u>
BBBB	Net cash inflow to/outflow from investment activities	<u>14,293</u>	(<u>22,622</u>)
Cash flows from financing activities			
C03000	Increase/decrease in deposits received	31	(296)
C04020	Repayment of lease principal	(9,892)	(10,212)
C04500	Payment of cash dividends	(51,195)	(174,273)
C09900	Other financing activities	<u>19</u>	<u>8</u>
CCCC	Net cash outflow to financing activities	(<u>61,037</u>)	(<u>184,773</u>)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(<u>1,751</u>)	<u>9,282</u>
EEEE	Net increase/decrease in cash and cash equivalents in current period	145,909	(434,732)
E00100	Balance of cash and cash equivalents at the beginning of the year	<u>250,680</u>	<u>729,431</u>
E00200	Balance of cash and cash equivalents at the end of the year	<u>\$ 396,589</u>	<u>\$ 294,699</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
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(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 subject to the approval of the Ministry of Economic Affairs on September 18, 2002. It is mainly engaged 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 November 9, 2023.

III. Application of Newly Issued 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) 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)
Amendment to IFRS 16 "Lease Liabilities in Sale and Leaseback"	January 1, 2024 (Note 2)
Amendment To IAS 1 "Classification Of Liabilities as Current or Non-Current"	January 1, 2024
Amendment to IAS 1 "Non-current Liabilities with contractual Terms"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless otherwise noted, the above new issued/amended/revised criteria or interpretation shall take effect during the annual reporting period commencing after such date.

Note 2: The Seller also as Lessee shall retroactively apply the amendments to IFRS 16 to sale and leaseback transactions concluded after the initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

These consolidated financial statements have been prepared in accordance with the financial reporting standards of securities issuers and the IFRSs approved and issued by the Financial Regulatory Commission.

(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 28 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, 2022.

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) 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, 2022 for the material

VI. Cash and Cash Equivalents

	September 30, 2023	December 31, 2022	September 30, 2022
Foreign currency deposits	\$ 76,382	\$ 59,085	\$ 34,590
Bank checks and demand deposits	81,240	61,549	52,869
Petty cash and cash on hand	867	775	965
Cash equivalents			
Time deposits	<u>238,100</u>	<u>129,271</u>	<u>206,275</u>
	<u>\$ 396,589</u>	<u>\$ 250,680</u>	<u>\$ 294,699</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
Bank deposit	0.1%~1.58%	0.1%~1.41%	0%~1.18%

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

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial Assets - Current</u>			
Non-derivative financial assets measured at fair value compulsively through profit and loss			
- Fund benefit certificate	<u>\$ 36,697</u>	<u>\$ 55,634</u>	<u>\$ 20,518</u>

VIII. Notes and Accounts Receivable

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Notes receivable</u>			

Measured at amortized cost

Total book amount	\$ 24,764	\$ 18,854	\$ 11,231
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Receivable account

Measured at amortized cost

Total book amount	\$ 174,747	\$ 150,790	\$ 175,632
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The Company's average credit period for merchandise sales is 30 to 45 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

	September 30, 2023	December 31, 2022	September 30, 2022
No overdue nor derogation	\$ 174,747	\$ 150,790	\$ 175,632

IX. Inventory

	September 30, 2023	December 31, 2022	September 30, 2022
Finished goods	\$ 95,335	\$ 118,812	\$ 212,115
Products in process	371,841	462,857	375,897
Raw materials	162,978	226,335	278,270

\$ 630,154 \$ 808,004 \$ 866,282

The inventory-related cost of goods sold in the period from July 1 to September 30 of 2023 and 2022 , and from January 1 to September 30 of 2023 and 2022 was \$207,400,000, \$ 192,047,000, \$519,940,000 and \$790,065,000 respectively.

The cost of goods sold in the period from July 1 to September 30 of 2023 and 2022 , and from January 1 to September 30 of 2023 and 2022 including losses (gains) on inventory decline and stagnation were (\$1,472,000), \$5,000,000, \$13,433,000 and \$5,000,000 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			Description
			September 30, 2023	December 31, 2022	September 30 2022	
LEADTREND	Leadtrend Technology (Samoa)	Various investment business	100%	100%	100%	(Note 1&2)
TECHNOLOGY CO. LTD.	Limited					-
	LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD. ("LEADTREND SHENZHEN")	Design and development of computer application software and system integration; engaged in the wholesale of computer software, integrated circuits, semiconductor chips and related electronic components; Electronic components manufacturing, integrated circuit chips and products manufacturing, computer hardware and software and peripheral equipment	100%	100%	100%	(Note 2) -

Note 1: The non-material subsidiaries of Leadtrend Technology (Samoa) Limited as at 30 September 2023 and Leadtrend Technology (Samoa) Limited and Shenzhen Tongjia as at 30 September 2022 were not significant subsidiaries and their financial statements had not been reviewed by accountants, but the management considered that the aforesaid financial statements had not been reviewed by accountants and would not have a material impact.

Note 2: Leadtrend Technology (Samoa) Limited has been liquidated and has not been liquidated as of September 30, 2023.

XI. Real Estate, Plant and Equipment

	September 30, 2023	December 31, 2022	September 30, 2022
Used by the Company itself	\$ 466,935	\$ 529,530	\$ 500,184
Assets leased under operating leases	21,560	-	26,385
	<u>\$ 488,495</u>	<u>\$ 529,530</u>	<u>\$ 526,569</u>

Used by the Company itself

	Land	Buildings	R&D equipment	Furniture and fixtures	Molding equipment	Improvements on leased property	Mask	Total
<u>Cost</u>								
Balance as of January 1, 2023	\$ 86,200	\$ 347,845	\$ 284,890	\$ 35,386	\$ 26,082	\$ 26,192	\$ 275,274	\$ 1,081,869
Rental property change to operating								
lease	(5,064)	(19,001)	-	-	-	-	-	(24,065)
Increase	-	-	7,534	912	-	121	15,527	24,094
Reduce	(2,101)	(7,055)	(185)	(202)	-	(1,512)	(49,480)	(60,535)
Conversion adjustment	-	70	22	5	-	6	-	103
Balance as of September 30, 2023	<u>\$ 79,035</u>	<u>\$ 321,859</u>	<u>\$ 292,261</u>	<u>\$ 36,101</u>	<u>\$ 26,082</u>	<u>\$ 24,807</u>	<u>\$ 241,321</u>	<u>\$ 1,021,466</u>
<u>Accumulated depreciation</u>								
Balance as of January 1, 2022	\$ -	\$ 52,752	\$ 188,290	\$ 27,388	\$ 24,610	\$ 20,266	\$ 239,033	\$ 552,339
Rental property change to operating								
lease	-	(2,183)	-	-	-	-	-	(2,183)
Increase	-	7,905	19,219	2,842	617	1,029	24,706	56,318
Decrease	-	(983)	(185)	(188)	-	(1,146)	(49,481)	(51,983)
Conversion adjustment	-	10	18	6	-	6	-	40
Balance as of September 30, 2023	<u>\$ -</u>	<u>\$ 57,501</u>	<u>\$ 207,342</u>	<u>\$ 30,048</u>	<u>\$ 25,227</u>	<u>\$ 20,155</u>	<u>\$ 214,258</u>	<u>\$ 554,531</u>
Net amount on September 30, 2023	<u>\$ 79,035</u>	<u>\$ 264,358</u>	<u>\$ 84,919</u>	<u>\$ 6,053</u>	<u>\$ 855</u>	<u>\$ 4,652</u>	<u>\$ 27,063</u>	<u>\$ 466,935</u>
Net amount on December 31, 2022								
and January 1, 2023	<u>\$ 86,200</u>	<u>\$ 295,093</u>	<u>\$ 96,600</u>	<u>\$ 7,998</u>	<u>\$ 1,472</u>	<u>\$ 5,926</u>	<u>\$ 36,241</u>	<u>\$ 529,530</u>
<u>Cost</u>								
Balance as of January 1, 2022	\$ 72,270	\$ 301,363	\$ 252,971	\$ 33,492	\$ 25,356	\$ 21,632	\$ 242,950	\$ 950,034
Rental property change to operating								
lease	(6,157)	(22,796)	-	-	-	-	-	(28,953)
Increase	13,930	45,847	19,832	2,251	343	4,953	23,019	110,175
Decrease	-	-	(133)	(738)	-	(454)	-	(1,325)
Conversion adjustment	-	1,281	251	111	-	117	-	1,760
Balance as of September 30, 2022	<u>\$ 80,043</u>	<u>\$ 325,695</u>	<u>\$ 272,921</u>	<u>\$ 35,116</u>	<u>\$ 25,699</u>	<u>\$ 26,248</u>	<u>\$ 265,969</u>	<u>\$ 1,031,691</u>
<u>Accumulated depreciation</u>								
Balance as of January 1, 2022	\$ -	\$ 42,302	\$ 161,696	\$ 24,902	\$ 23,950	\$ 16,484	\$ 209,029	\$ 478,363
Rental property change to operating								
lease	-	(2,249)	-	-	-	-	-	(2,249)
Increase	-	7,391	20,118	2,565	475	3,663	21,943	56,155
Decrease	-	-	(133)	(738)	-	(303)	-	(1,174)
Conversion adjustment	-	20	198	87	-	107	-	412
Balance as of September 30, 2022	<u>\$ -</u>	<u>\$ 47,464</u>	<u>\$ 181,879</u>	<u>\$ 26,816</u>	<u>\$ 24,425</u>	<u>\$ 19,951</u>	<u>\$ 230,972</u>	<u>\$ 531,507</u>
Net amount on September 30, 2022	<u>\$ 80,043</u>	<u>\$ 278,231</u>	<u>\$ 91,042</u>	<u>\$ 8,300</u>	<u>\$ 1,274</u>	<u>\$ 6,297</u>	<u>\$ 34,997</u>	<u>\$ 500,184</u>

No impairment losses were recognized or reversed in the period from January 1 to September 30 of 2023 and 2022.

Assets leased under operating leases

	Land	Buildings	Total
<u>Cost</u>			
Balance as of January 1, 2023	\$ -	\$ -	\$ -
From used by the Company itself	<u>5,064</u>	<u>19,001</u>	<u>24,065</u>
Balance as of September 30, 2023	<u>\$ 5,064</u>	<u>\$ 19,001</u>	<u>\$ 24,065</u>
	Land	Buildings	Total
<u>Accumulated depreciation</u>			
Balance as of January 1, 2023	\$ -	\$ -	\$ -
From used by the Company itself	-	2,183	2,183
Depreciation Expense	<u>-</u>	<u>322</u>	<u>322</u>
Balance as of September 30, 2023	<u>\$ -</u>	<u>\$ 2,505</u>	<u>\$ 2,505</u>
Net amount on September 30, 2023	<u>\$ 5,064</u>	<u>\$ 16,496</u>	<u>\$ 21,560</u>
Net amount on December 31, 2022 and January 1, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cost</u>			
Balance as of January 1, 2022	\$ -	\$ -	\$ -
From used by the Company itself	-	2,249	2,249
Balance as of September 30, 2022	<u>\$ 4,889</u>	<u>\$ 18,103</u>	<u>\$ 22,992</u>
<u>Accumulated depreciation</u>			
Balance as of January 1, 2022	\$ -	\$ -	\$ -
From used by the Company itself	-	1,786	1,786
Depreciation Expense	<u>-</u>	<u>163</u>	<u>163</u>
Balance as of September 30, 2022	<u>\$ -</u>	<u>\$ 1,949</u>	<u>\$ 1,949</u>
Net amount on September 30, 2022	<u>\$ 4,889</u>	<u>\$ 16,154</u>	<u>\$ 21,043</u>

The Company rents parking spaces on an operating lease for a period of 1 year. All operating lease contracts contain a clause whereby the lessee adjusts the rent according to market rent conditions when exercising the right to renew the lease. The lessee does not have a preferential right to take over the asset at the end of the lease period.

The total amount of lease benefits to be received in the future for operating leases of own real estate, plant and equipment is as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
The first year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 453</u>

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

	<u>Used by the Company</u>	<u>Assets leased under</u>
	<u>itself</u>	<u>operating leases</u>
Buildings and structures	10 ~ 50 years	50 years
R&D equipment	2 ~ 8 years	
Furniture and fixtures	4 ~ 9 years	
Die equipment	3 years	
Improvements on leased property	2 ~ 6 years	
Photo-mask	2 ~ 3 years	

XII. Lease Agreement

(I) Right-of-use assets:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Carrying amount of right-of-use assets			
Buildings	<u>\$ 24,180</u>	<u>\$ 19,712</u>	<u>\$ 22,935</u>

	<u>Nine Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Additions to right-of-use asset			<u>\$ 16,257</u>	<u>\$ 7,627</u>
Depreciation expense of right-of-use assets				
Buildings	<u>\$ 3,255</u>	<u>\$ 3,141</u>	<u>\$ 9,900</u>	<u>\$ 10,303</u>

Besides the additions and depreciation disclosed above, there was no significant sublease transactions and indication of impairment for the Nine Months ended September 30, 2023 and 2022.

(II) Lease liability

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amount of lease liabilities			
Current	\$ 12,341	\$ 12,415	\$ 12,533
Non-Current	\$ 12,106	\$ 7,568	\$ 10,661

The discount rate for lease liabilities ranges as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Buildings	1.96%~2.10%	1.96%~2.10%	1.96%~2.10%

(III) Major leasing activities and terms

The Company has leased several buildings for office use for 2~5 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 September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Short-term lease charges	\$ 739	\$ 498	\$ 1,576	\$ 1,493
Low-value asset leasing costs	\$ 6	\$ 5	\$ 16	\$ 16
Total cash (outflow) from leases	(\$ 4,010)	(\$ 3,773)	(\$ 11,825)	(\$ 12,172)

(XIII) Intangible Assets

	Computer Software	Specialized Technology	Right of Patent	Other	Total
<u>Cost</u>					
Balance as of January 1, 2023	\$ 100,162	\$ 27,972	\$ 8,383	\$ 2,922	\$ 139,439
Increase	2,059	5,462	-	-	7,521
Balance as of September 30, 2023	\$ 102,221	\$ 33,434	\$ 8,383	\$ 2,922	\$ 146,960
<u>Cumulative amortization</u>					
Balance as of January 1, 2023	\$ 92,279	\$ 26,984	\$ 3,425	\$ 2,922	\$ 125,610
Increase	2,680	4,629	627	-	7,936
Balance as of September 30, 2023	\$ 94,959	\$ 31,613	\$ 4,052	\$ 2,922	\$ 133,546
Net amount on September 30, 2023	\$ 7,262	\$ 1,821	\$ 4,331	\$ -	\$ 13,414
Carrying amounts at December 31,	\$ 7,883	\$ 988	\$ 4,958	\$ -	\$ 13,829

2022 and January 1, 2023

Cost

Balance as of January 1, 2022	\$ 92,624	\$ 17,993	\$ 8,383	\$ 2,922	\$ 121,922
Increase	<u>3,828</u>	<u>9,979</u>	<u>-</u>	<u>-</u>	<u>13,807</u>
Balance as of September 30, 2022	<u>\$ 96,452</u>	<u>\$ 27,972</u>	<u>\$ 8,383</u>	<u>\$ 2,922</u>	<u>\$ 135,729</u>

Cumulative amortization

Balance as of January 1, 2022	\$ 90,451	\$ 16,459	\$ 2,586	\$ 2,922	\$ 112,418
Increase	<u>1,201</u>	<u>7,920</u>	<u>627</u>	<u>-</u>	<u>9,748</u>
Balance as of September 30, 2022	<u>\$ 91,652</u>	<u>\$ 24,379</u>	<u>\$ 3,213</u>	<u>\$ 2,922</u>	<u>\$ 122,166</u>
Net amount on September 30, 2022	<u>\$ 4,800</u>	<u>\$ 3,593</u>	<u>\$ 5,170</u>	<u>\$ -</u>	<u>\$ 13,563</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

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Tax retained	\$ 6,969	\$ 4,726	\$ 7,290
Advances on sales	4,498	4,107	6,549
Provisional payment	1,025	3,322	5,594
Refundable deposit	-	15,000	15,000
Tax rebate receivable	-	2,709	4,255
Other	<u>6,523</u>	<u>6,543</u>	<u>8,285</u>
Provisional payment	<u>\$ 19,015</u>	<u>\$ 36,407</u>	<u>\$ 46,973</u>
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Non-Current</u>			
Refundable deposit	\$ 3,510	\$ 3,772	\$ 3,845
Prepayment for equipment	<u>3,495</u>	<u>5,099</u>	<u>9,209</u>
	<u>\$ 7,005</u>	<u>\$ 8,871</u>	<u>\$ 13,054</u>

XV. Other Current Liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Bonuses payable	\$ 43,311	\$ 53,428	\$ 46,706
Unpaid leave benefits payable	5,593	10,145	9,827
Insurance premium payable	5,052	4,284	4,174
Labor expenses payable	3,725	3,505	3,077
Payable for equipment	-	3,282	-
Other	<u>21,273</u>	<u>22,875</u>	<u>20,646</u>
	<u>\$ 78,954</u>	<u>\$ 97,519</u>	<u>\$ 84,430</u>

XVI. 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 \$2,696 and \$2,804 thousand for the three months ended September 30, 2023 and 2022, and were \$8,260 and \$8,197 thousand for the Nine Months ended September 30, 2023 and 2022.

(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.

For the three months ended September 30, 2023 and 2022 and for the Nine Months ended September 30, 2023 and 2022, the pension expenses of defined benefit plans were \$0, \$130,000, \$216,000 and \$390,000 respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2022 and 2021, respectively.

XVII. Equity

(I) Capital stock

Common stock

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
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>58,537</u>	<u>56,883</u>	<u>56,488</u>
Issued share capital	<u>\$ 585,368</u>	<u>\$ 568,838</u>	<u>\$ 564,888</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 7,800,000 shares.

(II) Capital reserves

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<u>Used to cover losses,</u>			
<u>release cash or allocate</u>			
<u>capital stock (1)</u>			
Share premium (including			
exercised or lapsed			
employee stock options)	\$ 245,361	\$ 258,027	\$ 250,270
Donations received from			
shareholders (2)	84,732	84,732	84,732
<u>Used only to cover losses</u>			
Other	125	106	106
<u>Not used for any purpose</u>			
Stocks with restricted			
employee's option	<u>37,219</u>	<u>47,567</u>	<u>41,139</u>
	<u>\$ 367,437</u>	<u>\$ 390,432</u>	<u>\$ 376,247</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. To cover accumulated losses (including adjustment of unallocated surplus amount).
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.

The 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.

For the remuneration allocation policy in the Articles of Association of the Company, refer to Note 20 (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 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Statutory surplus reserves	<u>\$ 15,491</u>	<u>\$ 32,806</u>
Cash dividends	<u>\$ 31,286</u>	<u>\$147,868</u>
Stock dividends	<u>\$ 17,065</u>	<u>\$ 36,967</u>
Cash dividend per share (\$)	\$ 0.550	\$ 2.8000
Dividend per share (\$)	\$ 0.300	\$ 0.700

In addition, on May 2, 2023, the board of directors of the Company decided to distribute cash dividends of \$19,909,000 (\$0.350 per share) from the capital reserves of 2022. Besides the cash dividend, the remaining surplus distribution items were also decided at the regular meeting of shareholders on September 13, 2023.

On July 29, 2022, the board of directors of the Company decided to distribute cash dividends of \$26,405,000 (\$0.500 per share) from the capital reserves of 2021. Besides the cash dividend, the remaining surplus distribution items were also decided at the regular meeting of shareholders on September 9, 2022.

(IV) Other rights and interests

1. Exchange difference in conversion of financial statements by foreign operating institutions

	<u>For the Nine Months Ended September 30</u>	
	<u>2023</u>	<u>2022</u>
Balance at Beginning of the Year	<u>\$ 5,602</u>	<u>\$ 1,867</u>
Current year		
Difference in conversion of foreign operators		
in current year	(<u>457</u>)	<u>7,691</u>
Other comprehensive gains and losses in		
current year	(<u>457</u>)	<u>7,691</u>
Balance at end of the year	<u>\$ 5,145</u>	<u>\$ 9,558</u>

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. Remuneration not gained by staff

The Board of Shareholders of the Company decided on September 9, 2022 and September 23, 2020 respectively to issue new shares with restricted employee option, as explained in Note 18.

	<u>For the Nine Months Ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Balance at Beginning of the Year	(\$ 31,945)	(\$ 42,573)
Recognized share-based payment	11,553	13,677
Recovered and canceled in current year	<u>3,640</u>	<u>7,750</u>
Balance at end of the year	<u>(\$ 16,752)</u>	<u>(\$ 21,146)</u>

XVIII. 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 being adopted by the board of shareholders	Expected number of shares issued (thousand shares)	Offered shares decided by BOD (thousand shares)	Date of Offering	Base date of capital increase	Actual number of shares issued (thousand shares)	Date of Offering Fair Value
2020.06.23	1,200	900	109.09.11	109.11.06	900	34.35
2020.06.23	1,200	300	110.08.03	110.08.03	300	122
2022.06.09	420	420	111.10.07	111.10.12	420	47.1

On September 23, 2020, the Board of Shareholders of the Company decided to issue new shares with restricted employee option totaling \$12,000,000 in 12,000,000 shares, as stated below.

Any employee who is granted new shares with limited rights, if he/she is selected as "Approved" or above in his/her latest personal performance evaluation before the granting date, and is still employed by the Company at the end of the granting period as stated below, will be granted new shares based on the schedule and accrual ratio below:

<u>G r a n t i n g P e r i o d</u>	<u>Granting Ratio</u>
Granting date ~ October 15 of the following first year	One sixth
Granting date ~ July 15 of the following second year	One sixth

Granting date ~ October 15 of the following second year	One sixth
Granting date ~ July 15 of the following third year	One sixth
Granting date ~ July 15 of the following third year	One sixth
Granting date ~ July 15 of the following fourth year	One sixth

Treatment if employee fails to meet the conditions for granting:

(I) In case that any employee resigns voluntarily, is dismissed, demobilized, retires, dies generally, leaves without pay, or moves to any related enterprise during the period from the date of granting till the expiration of the granting period, any shares that are granted to but not yet obtained by him/her will be recovered by the Company without compensation.

(II) Any shares that was approved to be granted to any employee who fails to achieve his/her latest personal performance before the granting date will be recovered by the Company without compensation.

(III) Any shares and related dividends approved for granting before the expiry of the granting period will be granted to related employee free of charge.

(IV) If any employee, before meeting the conditions for granting, terminates or revokes the agency authorization to the Company in breach of the provision that "during the period of delivering the new shares with restricted employee option to any trust, the Company shall (including but not limited to) negotiate, sign, amend, extend, rescind and terminate any relevant trust contract with the stock trust agency and instruct the delivery, use and disposal of the trusted property fully on behalf of the employee", the Company shall recover the shares from the employee without compensation.

Any new shares with restricted employee option which the Company has recovered without compensation will be canceled by the Company.

The granting of the aforesaid stock option plan is summarized as follows:

	2020 - 1-year new shares with restricted employee option Unit (1,000)	2020 - 2-year new shares with restricted employee option Unit (1,000)
<u>For the Nine Months Ended</u>		
<u>September 30, 2023</u>		
Outstanding at the beginning of the year	424.5	192.5
Granted in current year	(136.5)	(35.0)
Recovered in current year	(24.0)	(17.5)
Outstanding at the end of the year	<u>264.0</u>	<u>140.0</u>
Weighted average fair value given (\$)	<u>\$ 34.35</u>	<u>\$ 122</u>

For the Nine Months Ended

September 30, 2022

Outstanding at the beginning of the year	740.0	291.0
Granted in current year	(145.5)	-
Recovered in current year	(28.5)	(60.0)
Outstanding at the end of the year	<u>566.0</u>	<u>231.0</u>
Employees have granted	<u>293.5</u>	<u>-</u>
Weighted average fair value given (\$)	<u>\$ 34.35</u>	<u>\$ 122</u>

In addition, on September 9, 2022, the Board of Shareholders of the Company decided to issue new stock with restricted employee option totaling \$ 4,200,000 in 4,200,000 shares, as stated below.

Any employee who is granted new shares with limited rights, if he/she is selected as "Approved" or above (The point of performance evaluation ≥ 5.8) in his/her latest personal performance evaluation before the granting date, and is still employed by the Company at the end of the granting period as stated below, will be granted new shares based on the schedule and accrual ratio below:

<u>Granting Period</u>	<u>Granting Ratio</u>
Granting date ~ October 11 of the following first year	One sixth
Granting date ~ July 11 of the following second year	One sixth
Granting date ~ October 11 of the following second year	One sixth
Granting date ~ July 11 of the following third year	One sixth
Granting date ~ October 11 of the following third year	One sixth
Granting date ~ July 11 of the following fourth year	One sixth

Treatment if employee fails to meet the conditions for granting:

(I) In case that any employee resigns voluntarily, is dismissed, demobilized, retires, dies generally, leaves without pay, or moves to any related enterprise during the period from the date of granting till the expiration of the granting period, any shares that are granted to but not yet obtained by him/her will be recovered by the Company without compensation.

(II) Any shares that was approved to be granted to any employee who fails to achieve his/her latest personal performance before the granting date will be recovered by the Company without compensation.

(III) Any shares and related dividends approved for granting before the expiry of the granting period will be granted to related employee free of charge.

(IV) If any employee, before meeting the conditions for granting, terminates or revokes the agency authorization to the Company in breach of the provision that "during the period of delivering the new shares with restricted employee option to any trust, the Company shall (including but not limited to) negotiate, sign, amend, extend, rescind and terminate any relevant trust contract with the stock trust agency and instruct the delivery, use and disposal of the trusted property fully on behalf of the employee", the Company shall recover the shares from the employee without compensation.

Any new shares with restricted employee option which the Company has recovered without compensation will be canceled by the Company.

The granting of the aforesaid stock option plan is summarized as follows:

	2022 new shares with restricted employee option Unit (1,000)
<u>For the Nine Months Ended</u> <u>September 30, 2023</u>	
Outstanding at the beginning of the year	420.0
Recovered in current year	(<u>51</u>)
Outstanding at the end of the year	<u>369</u>
Weighted average fair value given (\$)	\$ <u>47.1</u>

The compensation costs for the new shares with restricted option as recognized for the three months ended September 30 of 2023 and 2022 are \$11,553,000 and \$13,677,000 respectively.

XIX. Operating Revenue

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Revenue from customer contracts				
Integrated circuit	\$ <u>333,22</u>	\$ <u>316,540</u>	\$ <u>813,200</u>	\$ <u>1,346,654</u>

(I) Contractual balance

	September 30, 2023	December 31, 2022	September 30, 2022	January 1, 2022
Revenue from customer contracts integrated circuit (Note 8)	\$ <u>199,511</u>	\$ <u>169,644</u>	\$ <u>186,863</u>	\$ <u>322,377</u>

(II) Breakdown of customer contract revenue

Differential subdivision by district

	Three Months Ended September 30		iNine Months Ended September 30	
	2023	2022	2023	2022
Taiwan (where the Company is located)	\$ 183,747	\$ 150,473	\$ 439,914	\$ 690,030
Mainland China	146,948	158,611	364,885	640,121
Korea	830	1,135	1,665	4,743
Other countries	<u>1,696</u>	<u>6,321</u>	<u>6,736</u>	<u>11,760</u>
	\$ <u>333,221</u>	\$ <u>316,540</u>	\$ <u>813,200</u>	\$ <u>1,346,654</u>

XX. Net Profit of Business Units

(I) Interest incomes

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Bank deposit	\$ 797	\$ 587	\$ 2,110	\$ 2,781
Interest on deposit	9	5	27	18
Commercial note	3	25	25	44
With repurchase of bonds	-	-	-	54
	<u>\$ 809</u>	<u>\$ 617</u>	<u>\$ 2,162</u>	<u>\$ 2,897</u>

(II) Other incomes

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Rental income				
Other business leases	\$ 510	\$ 592	\$ 1,692	\$ 1,589
Income from government subsidy	-	2,299	-	6,899
Other	(2)	1	527	2,527
	<u>\$ 508</u>	<u>\$ 2,892</u>	<u>\$ 2,219</u>	<u>\$ 11,015</u>

(III) Other interests and losses

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Profit and loss on financial assets				
Gains on financial assets measured at fair value through profit and loss	\$ 133	\$ 115	\$ 838	\$ 1,078
Net gain (loss) on foreign currency exchange	8,477	2,021	7,015	20,820
Lease modification	28	-	28	20
Loss in disposal of real estate, plant and equipment	(380)	-	1,843	(151)
Other	<u>15,642</u>	<u>276</u>	<u>16,605</u>	<u>331</u>
	<u>\$ 23,900</u>	<u>\$ 2,412</u>	<u>\$ 26,329</u>	<u>\$ 22,098</u>

(IV) Financial cost

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Interest on lease liabilities	\$ <u>122</u>	\$ <u>130</u>	\$ <u>342</u>	\$ <u>451</u>

(V) Depreciation and amortization

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Summary of depreciation costs by function				
Operating costs	\$ 3,905	\$ 6,136	\$ 14,061	\$ 20,509
Operating Expenses	<u>17,611</u>	<u>16,394</u>	<u>52,479</u>	<u>46,268</u>
	<u>\$ 21,516</u>	<u>\$ 22,530</u>	<u>\$ 66,540</u>	<u>\$ 66,777</u>
Summary of amortized expenses by function				
Operating costs	\$ 297	\$ 303	\$ 893	\$ 406
Operating Expenses	<u>2,292</u>	<u>3,017</u>	<u>7,043</u>	<u>9,342</u>
	<u>\$ 2,589</u>	<u>\$ 3,320</u>	<u>\$ 7,936</u>	<u>\$ 9,748</u>

(VI) Employee benefit expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Post-retirement benefits (Note 16)				
Identified allocation plan	\$ 2,696	\$ 2,804	\$ 8,260	\$ 8,197
Identified benefit plan	<u>-</u>	<u>130</u>	<u>216</u>	<u>390</u>
	2,696	2,934	8,476	8,587
Share-based payment (Note 18)				
Delivery of equity	4,181	4,737	11,553	13,677
Other employee benefits	<u>82,253</u>	<u>76,472</u>	<u>222,695</u>	<u>290,203</u>
Total employee benefit expenses	<u>\$ 89,130</u>	<u>\$ 84,143</u>	<u>\$ 242,724</u>	<u>\$ 312,467</u>
Summary by function				
Operating costs	\$ 10,069	\$ 10,248	\$ 35,997	\$ 46,793
Operating Expenses	<u>79,061</u>	<u>73,895</u>	<u>206,727</u>	<u>265,674</u>
	<u>\$ 89,130</u>	<u>\$ 84,143</u>	<u>\$ 242,724</u>	<u>\$ 312,467</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 pre-tax net profit is net loss for the period from July 1 to September 30 and January 1 to September 30 of 2023, so employee compensation and directors' compensation are not assessed. The estimated employee remuneration and directors' remuneration for the period from July 1 to September 30 and January 1 to September 30 of 2022 are as follows:

Estimated recognized proportion

	<u>For the Nine Months Ended September 30</u>	
	<u>2023</u>	<u>2022</u>
Employee remuneration	-	14%
Director's remuneration	-	1%

Amount

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Employee remuneration	\$ -	\$ 2,246	\$ -	\$ 333,861
Director's remuneration	\$ -	\$ 181	\$ -	\$ 2,724

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 2022 and 2021 were resolved by the Board on March 16, 2023 and March 17, 2022 respectively as follows:

Amount

	<u>2022</u>		<u>2021</u>	
	<u>Cash</u>	<u>Share</u>	<u>Cash</u>	<u>Share</u>
Employee remuneration	\$ 32,060	\$ -	\$ 73,880	\$ -
Director's remuneration	2,581	-	4,441	-

There is no difference between the actual amounts allocated for employee remuneration in 2022 and 2021 and the amounts recognized in the annual financial statements of 2022 and 2021.

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/losses in foreign currency exchange

			Three Months Ended September 30		Nine Months Ended September 30	
			2023	2022	2023	2022
Total foreign currency	exchange benefits		\$ 9,014	\$ 9,509	\$ 14,077	\$ 37,094
Total foreign currency	exchange loss		(537)	(7,488)	(7,062)	(16,274)
Net (loss) profit			<u>\$ 8,477</u>	<u>\$ 2,021</u>	<u>\$ 7,015</u>	<u>\$ 20,820</u>

XXI. Income Tax

(I) Income tax recognized in profit and loss

The main components of income tax expense are listed below:

		Three Months Ended September 30		Nine Months Ended September 30	
		2023	2022	2023	2022
Current income tax					
Incurred in current year		(\$ 310)	\$ 1,039	(\$ 512)	\$ 43,604
Deferred income tax					
Incurred in current year		<u>310</u>	<u>110</u>	<u>512</u>	<u>352</u>
Income tax expense recognized					
as profit and loss		<u>\$ -</u>	<u>\$ 1,149</u>	<u>\$ -</u>	<u>\$ 43,956</u>

(II) Approval of income tax

The Company's profit-seeking business income tax declaration cases as of 2020 have been approved by the tax authority.

XXII. Earnings (Loss) per share

		Unit: \$ per share			
		Three Months Ended September 30		Nine Months Ended September 30	
		2023	2022	2023	2022
Basic (Loss) earnings per share		<u>\$ 0.43</u>	<u>\$ 0.19</u>	<u>(\$ 0.09)</u>	<u>\$ 2.81</u>
Diluted (Loss) earnings per share		<u>\$ 0.43</u>	<u>\$ 0.18</u>	<u>(\$ 0.09)</u>	<u>\$ 2.73</u>

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 21, 2022. Due to retroactive adjustment, the changes in basic and diluted earnings per share for the period from July 1 to September 30 of 2023 and January 1 to September 30 of 2023 are as follows:

		Unit: \$ per share			
		Before retroactive adjustment		After retroactive adjustment	
		For the Three Months	For the Nine Months	For the Three Months	For the Nine Months
		Ended September 30	Ended September 30	Ended September 30	Ended September 30
Basic earnings per share		\$ <u>0.19</u>	\$ <u>2.89</u>	\$ <u>0.19</u>	\$ <u>2.81</u>
Diluted earnings per share		\$ <u>0.19</u>	\$ <u>2.81</u>	\$ <u>0.18</u>	\$ <u>2.73</u>

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

Net (Loss) profit for the year

		Three Months Ended September 30		Nine Months Ended September 30	
		2023	2022	2023	2022
Net (Loss) profit used to calculate basic and diluted (Loss) earnings per share		\$ <u>24,796</u>	\$ <u>10,669</u>	(\$ <u>5,066</u>)	\$ <u>160,786</u>

Number of shares

		Unit: Thousand shares			
		Three Months Ended September 30		Nine Months Ended September 30	
		2023	2022	2023	2022
The weighted average number of common shares used to calculate basic (Loss) earnings per share		57,725	57,292	57,658	57,230
Impact of dilutive potential common stock:					
Stocks with restricted employee's option		515	613	-	716
Employee remuneration		-	779	-	968
The weighted average number of common shares used to calculate diluted (Loss) earnings per share		<u>58,240</u>	<u>58,684</u>	<u>57,658</u>	<u>58,914</u>

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 dilutive 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 July 1 to September 30 of 2023 and January 1 to September 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.

XXIII. 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.

XXIV. Financial Instruments

(I) Fair value information - financial instruments not measured at fair value

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

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

1. Fair value hierarchy

September 30, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>				
<u>measured at fair</u>				
<u>value through profit</u>				
<u>and loss</u>				
Fund benefit certificate	\$ <u>36,697</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>36,697</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>				
<u>measured at fair</u>				
<u>value through profit</u>				
<u>and loss</u>				
Fund benefit certificate	\$ <u>55,634</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>55,634</u>

September 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>				
<u>measured at fair</u>				
<u>value through profit</u>				
<u>and loss</u>				
Fund benefit certificate	\$ 20,518	\$ -	\$ -	\$ 20,518

There was no transfer of fair value measurement between Class 1 and Class 2 in the period from January 1 to September 30 of 2023 and 2022.

(III) Classification of financial instruments

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<u>Financial Assets</u>			
Measured at fair value			
through profit and loss			
Non-derivative financial			
assets measured at			
fair value	\$ 36,697	\$ 55,634	\$ 20,518
Financial assets measured			
at cost after			
amortization			
Cash and Cash Equivalents	396,589	250,680	294,699
Notes and accounts			
receivable	199,511	169,644	186,863
Refundable deposit	3,510	18,772	18,845
<u>Financial liabilities</u>			
Measured at amortized			
cost			
Payable account	63,745	63,567	132,495
Deposits received	945	914	950

(IV) Purpose and policies of financial risk management

The Company's principal financial instruments include accounts receivable, refundable deposits, accounts payable and lease liabilities. The purpose of the Company's financial risk management is to control exchange rate risk, interest rate risk, credit risk and liquidity risk related to its operating activities. In order to reduce the related financial risks, the Company strives to identify, evaluate and avoid market uncertainties so as to reduce the potential adverse impact of market changes on the financial performance of the Company.

Important financial activities of the Company are reviewed by the Board of Directors in accordance with relevant regulations and internal control system. During the execution of the financial plan, the Company must comply with the relevant financial operating procedures regarding overall financial risk management and division of responsibilities.

1. Market risk

The main financial risks that the Company incurs from its operations are the risk of foreign exchange rate fluctuations (as stated under (1) below) and the risk of interest rate fluctuations (as stated under (2) below).

There has been no change in the Company's exposure to market risks in financial instruments and how it manages and measures such exposure.

(1) Exchange rate risk

Part of the Company's cash inflow and outflow is in foreign currency, so it has partly effect of naturally hedging. The Company manages exchange rate risks for the purpose of hedging, not for profit.

The exchange rate risk management strategy is to periodically review the net position of various currency assets and liabilities and to manage the risk at this net position.

Refer to Note 28 for the carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date (including monetary items denominated in non-functional currencies that have been written off in the consolidated financial statements).

The net investment of the Company's foreign operators is strategic investment, so the Company does not hedge against it.

Sensitivity analysis

The Company is mainly affected by fluctuations in the exchange rates of the US dollar and RMB.

The table below details the Company's sensitivity analysis when the exchange rates of the individual functional currencies increase or decrease by 5% against the relevant foreign currencies. The sensitivity analysis takes into consideration only the monetary items in foreign currency outstanding at the end of the period, and their conversion at the end of the period is adjusted for a change in exchange rate of 5%. The scope of sensitivity analysis includes cash and contingent cash, accounts receivable, other receivables, accounts payable and other amounts payable. The positive numbers in the table below represent the amount of before-tax net profit that would be reduced when the individual functional currency appreciates by 5% relative to all relevant currencies. When the individual functional currency depreciates by 5% relative to relevant foreign currencies, the impact on net pre-tax earnings will be negative of the same amount.

	Influence of USD		Influence of RMB	
	For the Nine Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Pre-tax profit and loss	\$ 5,952	\$ 2,166	\$ 3,247	\$ 1,567

The impact is primarily due to the Company's US dollar and RMB denominated receivables and payables that are outstanding at the balance sheet date and are not protected against cash flows.

The Company's decreased sensitivity to the US dollar exchange rate during the year was mainly due to the decrease in US dollar net assets at the end of the period resulting from the decrease of accounts receivable denominated in US dollars.

The Company's decreased sensitivity to the RMB exchange rate during the year was mainly due to the decrease in RMB net assets at the end of the period resulting from the decrease in the balance of cash and cash equivalents denominated in RMB.

(2) Interest rate risk

Interest rate risk arises because affiliates of the Company hold both fixed and floating rate assets.

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

	September 30,	December 31, 2022	September 30,
	2023		2022
Interest rate risk in fair value			
- Financial assets	\$ 238,100	\$ 129,271	\$ 206,275
- Financial liabilities	24,447	19,983	23,194
Interest rate risk in cash flow			
- Financial assets	157,622	120,634	87,459

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 September 30 of 2023 and 2022 will increase/decrease by \$118 thousands and \$66

thousands 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 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 September 30, 2023, with the exception of Customer A, Customer B, Customer C, Customer D and Customer E, 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 and Customer E are limited, since they are highly reputable manufacturers.

3. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to finance its operations and mitigate the impact of cash flow fluctuations.

(1) Liquidity of non-derivative financial liabilities

The following table details the maturity analysis of the remaining non-derivative financial liabilities for which the Company has agreed repayment periods, based on the earliest date on which the Company may be required to repay and is prepared in terms of un-discounted cash flows of financial liabilities, including cash flows of interest and principal.

September 30, 2023

	Immediate payment or less than 1 month	1 ~ 3 months	3 months Up to 1 year	1 ~ 5 years	Total
Payable account	<u>\$ 32,628</u>	<u>\$ 31,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,745</u>
Lease liabilities	<u>\$ 1,121</u>	<u>\$ 2,243</u>	<u>\$ 9,609</u>	<u>\$ 12,386</u>	<u>\$ 25,359</u>
Other current liabilities	<u>\$ 12,210</u>	<u>\$ 6,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,416</u>

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	<u>\$ 12,973</u>	<u>\$ 12,386</u>	<u>\$ -</u>

December 31, 2022

	Immediate payment or less than 1 month	1 ~ 3 months	3 months Up to 1 year	1 ~ 5 years	Total
Payable account	<u>\$ 21,875</u>	<u>\$ 41,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,567</u>
Lease liabilities	<u>\$ 1,079</u>	<u>\$ 2,158</u>	<u>\$ 9,440</u>	<u>\$ 7,644</u>	<u>\$ 20,321</u>
Other current liabilities	<u>\$ 15,571</u>	<u>\$ 9,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,806</u>

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	<u>\$ 12,677</u>	<u>\$ 7,644</u>	<u>\$ -</u>

September 30, 2022

	Immediate payment or less than 1 month	1 ~ 3 months	3 months Up to 1 year	1 ~ 5 years	Total
Payable account	<u>\$ 50,637</u>	<u>\$ 81,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,495</u>
Lease liabilities	<u>\$ 1,084</u>	<u>\$ 2,169</u>	<u>\$ 9,544</u>	<u>\$ 10,849</u>	<u>\$ 23,646</u>
Other current liabilities	<u>\$ 16,444</u>	<u>\$ 7,173</u>	<u>\$ 112</u>	<u>\$ -</u>	<u>\$ 23,729</u>

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	<u>\$ 12,797</u>	<u>\$ 10,849</u>	<u>\$ -</u>

XXV. 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 September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 6,360	\$ 5,306	\$ 19,916	\$ 16,878
Post-retirement benefits	174	254	709	1,023
Share-based payment	<u>1,014</u>	<u>1,047</u>	<u>2,764</u>	<u>2,776</u>
	<u>\$ 7,548</u>	<u>\$ 6,607</u>	<u>\$ 23,389</u>	<u>\$ 20,677</u>

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

XXVI. Major Contingent Liabilities and Unrecognized Contractual Commitments

The Company's material commitments on the balance sheet date are as follows:

(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 \$600,000, 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 \$300,000.

XXVII. 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:

<u>September 30, 2023</u>		Unit: 1,000 in each foreign currency	
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 4,685	32.270 (USD : TWD)	\$ 151,171
RMB	14,708	4.415 ((RMB : TWD)	<u>64,936</u>
			<u>\$ 216,107</u>

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	995	32.270 (USD : TWD)	\$ 32,123

<u>December 31, 2022</u>			
Unit: 1,000 in each foreign currency			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 4,748	30.710 (USD : TWD)	\$ 145,819
USD	17	6.967 (USD : RMB)	536
RMB	318	4.408 (RMB : TWD)	1,404
			\$ 147,759
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	1,356	30.710 (USD : TWD)	\$ 41,629

<u>September 30, 2022</u>			
Unit: 1,000 in each foreign currency			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 3,985	31.750 (USD : TWD)	\$ 126,525
USD	17	7.0981 (USD : RMB)	555
RMB	7,008	4.473 (RMB : TWD)	31,349
			\$ 158,429
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	2,638	31.750 (USD : TWD)	\$83,757

The total realized and unrealized net gain (loss) on foreign currency exchange of the Company from July 1 to September 30 of 2022 and 2021 and January 1 to September 30 of 2022 and 2021 were \$8,477 thousands, \$2,021 thousands, \$7,015 thousands and \$20,820 thousands respectively. Due to the wide variety of individual foreign currencies used in transactions by the affiliates of the Group, it is not possible to disclose exchange gains and losses by foreign currency with significant impact.

XXVIII. 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 - Flows	-	\$ 36,697	-	\$ 36,697	Note 1

Note 1: Based on net value as at September 30, 2022.

Note 2: No security, pledged loans or other agreed restriction for use of the securities as listed above has been offered as of September 30, 2022.

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:

Company buying/selling goods	Trader	Relationship	Transaction Situation				Conditions and reason for difference from general terms of trading		Notes and account receivable/payable		R e m a r k
			Buy or Sell	A m o u n t	Ratio to total goods (%)	Credit Extension Period	Unit price	Credit Extension Period	B a l a n c e	Ratio to total notes and accounts receivable/pa yable (%)	
LEADTREND TECHNOLOGY CO. LTD.	LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD.	Parent company	Sell	\$ 218,935	29	60 days on monthly payment	Note	Equivalent	\$ 38,078	25	-

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 Three Six Ended September 30 of 2023

					Transaction Information			
Trading Party						Trading	Ratio to total	
No.	Name of Trader		Relationship (Note 2)	Item	Amount	Condition	revenues or total assets	
0	LEADTREND TECHNOLOGY	LEADTREND	TECHNOLOGY	1	Sales revenue	\$218,935	Note 3	27%
	CO. LTD.	(SHENZHEN) CO. LTD.						
0	LEADTREND TECHNOLOGY	LEADTREND	TECHNOLOGY	1	Accounts Receivable -	38,078	Note 3	2%
	CO. LTD.	(SHENZHEN) CO. LTD.			related parties			

Note 1: The amount of transactions with parent company is 0. Subsidiaries are numbered in sequence starting with the number 1.

Note 2: 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.

Note 3: Material transactions in this table may be listed at the discretion of the Company based on the principle of materiality.

11. Information on company invested in:

Unit: TWD / USD \$1,000

Invested Company Name	Jurisdiction	Main business items	Original investment amount		Ending holdings			Invested Company Income/loss for the period	Profit/loss on investment recognized in current period	Remark
			End of current period	End of previous period	Number of Holdings (Shares)	Ratio (%)	carrying amount			
Leadtrend Technology (Samoa) Limited	Samoa	Investment business	USD -	USD 768	-	1-	\$ -	(\$ 23)	(\$ 23)	Subsidiary

Note: It is calculated based on the financial statements verified by accountants of the invested company during the same period.

(III) Information on investments in Mainland China:

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

1. With respect to the invested company in Mainland China, the name, main business items, paid-in capital, investment method, outward and inward remittance of funds, shareholding ratio, investment profit and loss, closing book amount of investment, repatriated investment profit and loss and investment quota in Mainland China:

Unit: TWD / USD \$1,000

Name of Invested Company in Mainland Name of Entity	Primary Business Item	Paid-in capital	Means of Investment	Starting amount of accumulated investment from Taiwan	Amount of investment remitted or recovered during the current period		Ending amount of accumulated investment from Taiwan	Current profit and loss of the invested company	Proportion of direct or indirect holding of the Company	Profit/loss on investment recognized in current period (Note 2)	Ending investment Book Value (Note 2)	Income from investments collected as of end of current period
					Remitted	Recovery						
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	\$ 319,473 (USD 9,900)	註一	\$ 227,504 (USD 7,050)	\$ -	\$ -	\$ 227,504 (USD 7,050)	\$ 20,034 (USD 648)	100%	\$ 20,034 (USD 648)	\$ 211,807 (USD 6,564)	\$ -

Accumulated remittance from Taiwan at the end of the current period	Amount of investment approved by the	The limit of Investment in Mainland China at 60% of the net value as
Amount of investment in Mainland China	Ministry of Economic Affairs	per the regulations of the Ministry of Economic Affairs
\$227,504 (USD 7,050)	\$319,473 (USD9,900)	\$964,683

Note 1: The investment is made directly in companies in Mainland China.

Note 2: Relevant figures in this table involving foreign currency are converted to New Taiwan dollars at the exchange rate on the date of consolidated financial statements.

Note 3: On October 24, 2016, the Company was approved by the Investment Review Committee of the Ministry of Economic Affairs to invest USD 6 million, which would be invalidated if not accomplished within 3 years from the date of approval. In addition, on July 17, 2018, USD2,800,000 among the investment was changed subject to approval of the Investment Review Committee of the Ministry of Economic Affairs, which would be directly invested in LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD. from the own capital of Leadtrend Technology (Samoa) Limited, an investor in third region. As of September 30, 2023, the Company and Leadtrend Technology (Samoa) Limited remitted investment amounting US \$1 million and US \$1.85 million respectively, and the remaining un-invested amount was invalidated.

Note 4: On December 12, 2019, USD8 million from the Company and USD1 million from the own capital of Leadtrend Technology (Samoa) were approved to invest directly in LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD. by the Investment Review Committee of the Ministry of Economic Affairs. As of September 30, 2023, the Company and Leadtrend Technology (Samoa) Limited remitted investment amounting US \$5.15 million and US \$1 million respectively, and the remaining un-invested amount was invalidated.

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 on Major Shareholders: Name, holdings and ratio of shareholders with more than 5% of total equity:

Name of major shareholder	Shares	
	Shares Held	Shareholding Ratio (%)
Jieneng Investment Co. Ltd.	4,784,628	8.17

XXIX. Department Information

The Company's operating decision makers focus on and use product-specific information to allocate resources and evaluate department 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 department. In addition, the department 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 department's revenue and operating results reported for the period from July 1 to September 30 and from January 1 to September 30 of 2023 and 2022, refer to the consolidated income statement for the period from July 1 to September 30 and January 1 to September 30 of 2023 and 2022. For the department's assets to be reported as of September 30, 2023 and September 30, 2022, refer to the consolidated balance sheet as of September 30, 2023 and September 30, 2022 respectively.