

Leadtrend Technology Corporation and
Subsidiaries

Consolidated Financial Statements and
Independent Auditors' Report
For the years ended Dec. 31, 2023 and 2022

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Statement on Consolidated Financial Report of Affiliated Enterprises

The entities that are required to be included in the consolidated financial statements of affiliated enterprises for the fiscal year 2023 (from Jan. 1 to Dec. 31, 2023) pursuant to the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Report, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements of Leadtrend and its subsidiaries prepared in compliance with the International Financial Reporting Standards No. 10. In addition, the information required to be disclosed in the consolidated financial statements of affiliated enterprises is included in the aforementioned consolidated financial statements of Leadtrend and its subsidiaries. Therefore, Leadtrend does not prepare a separate set of consolidated financial statements of affiliated enterprises.

The statement is hereby issued.

Company Name: Leadtrend Technology Corporation

Person in charge: Kao Yu-Kun

Feb. 29, 2024

Independent Auditors' Report

To: Leadtrend Technology Corporation

Opinion

We have audited the financial statements of Leadtrend Technology Corporation and its subsidiaries, which comprise the consolidated balance sheet as of Dec. 31, 2023 and 2022 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and the notes to the consolidated financial statements (including a summary of material accounting policies).

In our opinion, the said consolidated financial statements are prepared, in all material respects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations recognized and published into effect by the Financial Supervisory Commission, and present fairly the consolidated financial conditions of Leadtrend Technology Corporation and its subsidiaries as of Dec. 31, 2023 and 2022 and the consolidated financial performance and consolidated cash flows for the years then ended.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Delegated Certified Public Accountants and the Auditing Standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit section below. We and our accounting firm are independent of Leadtrend Technology Corporation and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant and have fulfilled our other responsibilities under the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are the matters that, in our professional judgment, were most important in our audit of the consolidated financial statements of Leadtrend Technology Corporation and its subsidiaries for the year ended Dec. 31, 2023. These matters were addressed in the process of our audit of the consolidated financial statements and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters with respect to the consolidated financial statements of Leadtrend Technology Corporation and its subsidiaries for the year ended Dec. 31, 2023 are stated as follows:

Recognition of Sales Revenue

1. For the significant sales revenue amounts of Leadtrend Technology Corporation and its subsidiaries, please refer to Note 19. Proceeds from sale of power management integrated circuits are the main revenue of Leadtrend Technology Corporation and its subsidiaries. To initiate the process of recognizing such revenue, the production management personnel provide the delivery order to get the products ready for the customer as instructed by the business segment. After the products to be shipped are ready, quality assurance personnel are informed

and requested to inspect the products. After products are inspected and qualified, production management personnel sign and affix the official seal to the delivery order and the finished goods outbound order, have the products shipped after the approval of the authorized supervisor, and update the stock details in the operating system. Then the accountant recognizes the sales revenue based on the delivery order signed by the customer or the shipping company.

2. As the aforementioned transaction involves manual control, the risk of recognizing revenue by mistake or without obtaining the delivery order signed by the customer or the shipping company exists.
3. We consider the revenue recognition policy of Leadtrend Technology Corporation and its subsidiaries and evaluate appropriateness of the revenue recognition by understanding and testing the effectiveness of the internal controls on the approval of orders and the shipment procedures, sampling the vouchers relevant to sales revenue, reviewing the amounts received in cash or subsequent cash receipts in order to verify the existence and occurrence of the sales, and also check whether any abnormality about the entity to which products have been sold and the entity receiving payments exists.

Inventory Evaluation

Refer to Note 9 of the consolidated financial statements. It is significant that the inventory balance of Leadtrend Technology Corporation and its subsidiaries accounted for 32% of the total assets as of Dec. 31, 2023. Valuation allowance for inventories is a material accounting estimate. Leadtrend Technology Corporation and its subsidiaries engage in design and development of integrated circuits, and sell products after outsourcing manufacturing. As such products can be replaced fast in the highly competitive industry, inventory depreciation and obsolescence risks may exist.

At the specific aspects stated in any of the most important matters for the audit conducted this year, we have carried out the primary audit procedures as follows:

1. Understand and evaluate the rationality of the inventory valuation policy adopted by the management.
2. Obtain the evaluation information about the lower of inventory cost or net realizable value, sample and review the latest information of selling prices of inventories to verify the net realizable value of inventories, and compare the net realizable value of inventories with the book cost of inventories to test the rationality of the amount allocated as inventory loss. Obtain the inventory aging statements, sample and review the inventory change information to test whether the inventory aging classification, inventory quantity and amount are consistent in order to verify the accuracy and completeness of the inventory aging statements. Then verify the rationality of the amount allocated as inventory obsolescence loss pursuant to the inventory evaluation policy.
3. Carry out inventory retrospectability testing. Review the status of inventory write-off and compare with the inventory obsolescence loss allocation policy to verify whether the inventory obsolescence loss allocated for the current period is proper.

Other Matters

We have audited the financial statements of Leadtrend Technology Corporation for the years ended Dec. 31, 2023 and 2022 on which we have issued the auditors' report containing an unqualified opinion for reference.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

Management is responsible for preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations, which have been endorsed and issued into effect by the Financial Supervisory Commission, and also responsible for maintenance of the internal controls associated with the preparation of the consolidated financial statements, to ensure the consolidated financial statements free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is also responsible for assessing the ability of Leadtrend Technology Corporation and its subsidiaries to continue, as a going concern, disclosing any and all relevant matters and using the going concern basis of accounting unless management either intends to liquidate Leadtrend Technology Corporation and its subsidiaries or cease operations, or has no feasible alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the financial reporting process of Leadtrend Technology Corporation and its subsidiaries.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If misstatements could, individually or in the aggregate, be reasonably expected to influence the economic decisions of users taken based on the consolidated financial statements, then the misstatements are considered material.

In conducting the audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also :

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of Leadtrend Technology Corporation and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used, and the reasonableness of accounting estimates and related disclosures made, by management.

4. Conclude, based on the audit evidence obtained, on the appropriateness of the management's use of the going concern basis of accounting, and whether a material uncertainty exists that is associated with any events or conditions casting significant doubt on the ability of Leadtrend Technology Corporation and its subsidiaries to continue as a going concern. If we believe that a material uncertainty exists, we are required to draw attention in our auditors' report to the relevant disclosures in the consolidated financial statements, or to modify our opinion if such disclosures are inadequate. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Leadtrend Technology Corporation and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the notes thereof) and whether the consolidated financial statements appropriately represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit conducted for the Group, and also responsible for our audit opinion.

We have communicated with those charged with governance about the planned scope and timing of the audit, and significant audit findings (including any and all significant flaws identified, during our audit, in the internal controls).

We have also provided those charged with governance with a statement, declaring that we as CPAs comply with applicable ethical requirements regarding independence, and have communicated with them about all relationships and other matters that may reasonably be considered to influence our independence (including relevant protection measures).

From the matters communicated with those charged with governance, we have determined the key audit matters in the audit of the consolidated financial statements of Leadtrend Technology Corporation and its subsidiaries for the year ended Dec. 31, 2023. We have described these matters in our auditors' report unless any law or regulation prohibits the matters from being disclosed or when, in extremely rare circumstances, we decide that the matters should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interests to be facilitated.

Deloitte & Touche

Huang Yu-Feng, CPA

Tsai Mei-Chen, CPA

Securities and Futures Bureau
Approval No.:
Tai-Cai-Zheng-6-Zi-0920123784

Financial Supervisory Commission
Approval No.:
Jin-Guan-Zheng-Shen-Zi-1010028123

Feb. 29, 2024

Leadtrend Technology Corporation and Subsidiaries

Consolidated Balance Sheet

Dec. 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Code	Assets	Dec. 31, 2023		Dec. 31, 2022	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 457,745	24	\$ 250,680	13
1110	Financial assets at fair value through profit or loss - Current (Notes 4 and 7)	83,823	5	55,634	3
1170	Notes and accounts receivable (Notes 4 and 8)	191,426	10	169,644	9
130X	Inventories (Notes 4, 5 and 9)	607,755	32	808,004	43
1470	Other current assets (Note 14)	19,210	1	36,407	2
11XX	Total current assets	<u>1,359,959</u>	<u>72</u>	<u>1,320,369</u>	<u>70</u>
	Non-current assets				
1600	Property, plant and equipment (Notes 4 and 11)	477,962	26	529,530	28
1755	Right-of-use assets (Notes 4 and 12)	20,748	1	19,712	1
1780	Intangible assets (Notes 4 and 13)	11,132	1	13,829	1
1840	Deferred income tax assets (Notes 4 and 21)	541	-	91	-
1990	Other non-current assets (Notes 4 and 14)	7,747	-	8,871	-
15XX	Total non-current assets	<u>518,130</u>	<u>28</u>	<u>572,033</u>	<u>30</u>
1XXX	Total assets	<u>\$ 1,878,089</u>	<u>100</u>	<u>\$ 1,892,402</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities				
2170	Accounts payable	\$ 107,636	6	\$ 63,567	3
2200	Remunerations payable to employees and directors (Note 20)	19,215	1	37,508	2
2230	Current tax liabilities (Notes 4 and 21)	10,844	-	15,120	1
2280	Lease liabilities - Current (Notes 4 and 12)	11,785	1	12,415	1
2399	Other current liabilities (Note 15)	75,259	4	97,519	5
21XX	Total current liabilities	<u>224,739</u>	<u>12</u>	<u>226,129</u>	<u>12</u>
	Non-current liabilities				
2580	Lease liabilities - Non-current (Notes 4 and 12)	9,529	1	7,568	1
2640	Net defined benefit liabilities - Non-current (Notes 4 and 16)	-	-	4,840	-
2645	Guarantee deposits received	860	-	914	-
25XX	Total non-current liabilities	<u>10,389</u>	<u>1</u>	<u>13,322</u>	<u>1</u>
2XXX	Total liabilities	<u>235,128</u>	<u>13</u>	<u>239,451</u>	<u>13</u>
	Equity (Notes 4, 17 and 18)				
	Share capital				
3110	Ordinary share	589,178	31	568,838	30
	Capital reserve				
3210	Share premium	254,672	14	258,027	14
3251	Donations received from shareholders	84,732	4	84,732	4
3273	Employee restricted stock award shares	50,306	3	47,567	3
3280	Others	125	-	106	-
	Retained earnings				
3310	Legal reserve	215,284	11	199,793	11
3350	Unappropriated earnings	485,253	26	520,231	27
	Other equity				
3410	Exchange differences on translation of foreign operations' financial statements	(786)	-	5,602	-
3491	Employees' unearned compensation	(35,803)	(2)	(31,945)	(2)
3XXX	Total equity	<u>1,642,961</u>	<u>87</u>	<u>1,652,951</u>	<u>87</u>
	Total liabilities and equity	<u>\$ 1,878,089</u>	<u>100</u>	<u>\$ 1,892,402</u>	<u>100</u>

The accompanying notes constitute part of the consolidated financial statements.

Chairman: Kao Yu-Kun

Manager: Chi Heng-Chung

Accounting Manager: Huang Ya-Ching

Leadtrend Technology Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income
for the years ended Dec. 31, 2023 and 2022

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

Code		2023		2022	
		Amount	%	Amount	%
	Operating revenue (Notes 4, 19 and 30)				
4110	Sales revenue	\$ 1,168,764	102	\$ 1,665,321	102
4170	Sales return and allowance	(27,170)	(2)	(33,444)	(2)
4000	Net operating revenue	1,141,594	100	1,631,877	100
	Operating cost (Notes 9, 16 and 20)				
5110	Cost of goods sold	712,066	63	968,729	60
5900	Gross profit	429,528	37	663,148	40
	Operating expenses (Notes 16 and 20)				
6100	Selling expense	69,935	6	87,577	5
6200	Management expense	97,927	9	107,549	7
6300	Research and development expense	267,371	23	312,978	19
6000	Total operating expenses	435,233	38	508,104	31
6900	Net operating profit (loss)	(5,705)	(1)	155,044	9
	Non-operating incomes and expenses (Note 20)				
7100	Interest income	4,207	1	3,472	-
7010	Other incomes	22,772	2	15,514	1
7020	Other gains and losses	3,909	-	16,735	1
7050	Financial cost	(461)	-	(564)	-
7000	Total non-operating incomes and expenses	30,427	3	35,157	2
7900	Profit before tax	24,722	2	190,201	11

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Code		2023		2022	
		Amount	%	Amount	%
7950	Tax (income) expense (Notes 4 and 21)	<u>(\$ 4,142)</u>	<u>(1)</u>	<u>\$ 37,838</u>	<u> 2</u>
8200	Net profit of the year	<u>28,864</u>	<u> 3</u>	<u>152,363</u>	<u> 9</u>
	Other comprehensive incomes (losses)				
8310	Items not reclassified subsequently to profit or loss:				
8311	Remeasurement for defined employee benefit plan (Note 16)	-	-	2,552	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements (Note 17)	<u>(6,388)</u>	<u>(1)</u>	<u>3,735</u>	<u> 1</u>
8300	Total other comprehensive incomes (losses) (Net)	<u>(6,388)</u>	<u>(1)</u>	<u>6,287</u>	<u> 1</u>
8500	Total comprehensive incomes (losses) for the year	<u>\$ 22,476</u>	<u> 2</u>	<u>\$ 158,650</u>	<u> 10</u>
	Earnings per share (Note 22)				
9750	Basic	<u>\$ 0.50</u>		<u>\$ 2.66</u>	
9850	Diluted	<u>\$ 0.49</u>		<u>\$ 2.59</u>	

The accompanying notes constitute part of the consolidated financial statements.

Chairman: Kao Yu-Kun Manager: Chi Heng-Chung Accounting Manager: Huang Ya-Ching

Leadtrend Technology Corporation and Subsidiaries
Consolidated Statement of Changes in Equity for the years ended Dec. 31, 2023 and 2022

(In thousands of New Taiwan Dollars, except as otherwise indicated herein)

Code		Common share capital		Capital reserve				Legal reserve	Retained earnings		Other equity		Total equity
		Number of shares (In Thousands)	Amount	Share premium	Donations received from shareholders	Employee restricted stock award shares	Others		Unappropriated earnings	Total	Exchange differences on translation of financial statements of foreign operations	Employees' unearned compensation	
A1	Balance at Jan. 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
	Earnings distributed for 2021:												
B1	Legal reserve allocated	-	-	-	-	-	-	32,806	(32,806)	-	-	-	-
B5	Cash dividends to shareholders – NTD 2.800 per share	-	-	-	-	-	-	-	(147,868)	(147,868)	-	-	(147,868)
B9	Stock dividends to shareholders – NTD 0.700 per share	3,697	36,967	-	-	-	-	-	(36,967)	(36,967)	-	-	-
	Total earnings distributed	3,697	36,967	-	-	-	-	32,806	(217,641)	(184,835)	-	-	(147,868)
C15	Capital reserve used for distribution of stock dividends –NTD 0.500 per share	-	-	(26,405)	-	-	-	-	-	-	-	-	(26,405)
C17	Other changes in capital reserve	-	-	-	-	-	8	-	-	-	-	-	8
D1	Net profit of 2022	-	-	-	-	-	-	-	152,363	152,363	-	-	152,363
D3	Other comprehensive incomes (losses) for 2022	-	-	-	-	-	-	-	2,552	2,552	3,735	-	6,287
D5	Total comprehensive incomes (losses) for 2022	-	-	-	-	-	-	-	154,915	154,915	3,735	-	158,650
N1	Issuance of employee restricted stock award shares	420	4,200	-	-	15,582	-	-	-	-	-	(19,782)	-
N1	Employee restricted stock award shares granted to employees	-	-	11,301	-	(11,301)	-	-	-	-	-	-	-
N1	Cancelled employee restricted stock award shares	(98)	(975)	-	-	975	-	-	-	-	-	-	-
N1	Compensation cost for employee restricted stock award shares	-	-	-	-	(9,397)	-	-	-	-	-	30,410	21,013
Z1	Balance at Dec. 31, 2022	56,883	568,838	258,027	84,732	47,567	106	199,793	520,231	720,024	5,602	(31,945)	1,652,951
	Earnings distributed for 2022:												
B1	Legal reserve allocated	-	-	-	-	-	-	15,491	(15,491)	-	-	-	-
B5	Cash dividends to shareholders – NTD 0.550 per share	-	-	-	-	-	-	-	(31,286)	(31,286)	-	-	(31,286)
B9	Stock dividends to shareholders – NTD 0.300 per share	1,707	17,065	-	-	-	-	-	(17,065)	(17,065)	-	-	-
	Total earnings distributed	1,707	17,065	-	-	-	-	15,491	(63,842)	(48,351)	-	-	(31,286)
C15	Capital reserve used for distribution of cash dividends –NTD 0.350 per share	-	-	(19,909)	-	-	-	-	-	-	-	-	(19,909)
C17	Other changes in capital reserve	-	-	-	-	-	19	-	-	-	-	-	19
D1	Net profit of 2023	-	-	-	-	-	-	-	28,864	28,864	-	-	28,864
D3	Other comprehensive incomes (losses) for 2023	-	-	-	-	-	-	-	-	-	(6,388)	-	(6,388)
D5	Total comprehensive incomes (losses) for 2023	-	-	-	-	-	-	-	28,864	28,864	(6,388)	-	22,476
N1	Issuance of restricted stock award shares	420	4,200	-	-	23,730	-	-	-	-	-	(27,930)	-
N1	Employee restricted stock award shares granted to employees	-	-	16,554	-	(16,554)	-	-	-	-	-	-	-
N1	Cancelled employee restricted stock award shares	(92)	(925)	-	-	925	-	-	-	-	-	-	-
N1	Compensation cost for employee restricted stock award shares	-	-	-	-	(5,362)	-	-	-	-	-	24,072	18,710
Z1	Balance at Dec. 31, 2023	58,918	\$ 589,178	\$ 254,672	\$ 84,732	\$ 50,306	\$ 125	\$ 215,284	\$ 485,253	\$ 700,537	(\$ 786)	(\$ 35,803)	\$ 1,642,961

The accompanying notes constitute part of the consolidated financial statements.

Chairman: Kao Yu-Kun

Manager: Chi Heng-Chung

Accounting Manager: Huang Ya-Ching

Leadtrend Technology Corporation and Subsidiaries

Consolidated Statement of Cash Flows

for the years ended Dec. 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Code		2023	2022
	Cash flows from operating activities		
A10000	Profit before tax	\$ 24,722	\$ 190,201
A20010	Incomes, expenses and losses:		
A20100	Depreciation expense	87,235	89,102
A20200	Amortization expense	10,516	13,194
A20400	Net gain on financial assets at fair value through profit or loss	(1,102)	(1,227)
A20900	Financial cost	461	564
A21200	Interest income	(4,207)	(3,472)
A21900	Compensation cost for employee restricted stock award shares	18,710	21,013
A22500	Net loss (gain) on disposal of property, plant and equipment	(1,843)	151
A29900	Profit from lease modification	-	(20)
A24100	Net exchange loss (gain)	3,378	(1,854)
A30000	Net change in operating assets and liabilities		
A31150	Decrease (increase) in notes and accounts receivable	(24,531)	151,993
A31200	Decrease (increase) in inventories	200,249	(349,783)
A31240	Decrease in other current assets	2,367	1,832
A32150	Increase (decrease) in accounts payable	45,099	(191,586)
A32200	Decrease in remunerations payable to employees and directors	(18,293)	(40,813)
A32230	Increase (decrease) in other current liabilities	(18,978)	6,831
A32240	Decrease in net defined benefit liabilities	(4,840)	(2,302)
A33000	Net cash provided by (used in) operations	318,943	(116,176)
A33300	Interest paid	(461)	(564)
A33500	Income tax paid	(584)	(81,973)
AAAA	Net cash generated by operating activities	<u>317,898</u>	<u>(198,713)</u>

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Code		2023	2022
	Cash flows from investing activities		
B00100	Acquisition of financial assets at fair value through profit or loss	(\$ 103,848)	(\$ 57,304)
B00200	Disposal of financial assets at fair value through profit or loss	75,723	114,608
B02700	Acquisition of property, plant and equipment	(34,380)	(124,711)
B02800	Proceeds from disposal of property, plant and equipment	10,395	-
B03700	Increase (decrease) in refundable deposits	15,289	(14,486)
B04500	Acquisition of intangible assets	(7,819)	(17,519)
B07500	Interest received	<u>4,037</u>	<u>3,550</u>
BBBB	Net cash used in investing activities	<u>(40,603)</u>	<u>(95,862)</u>
	Cash flows from financing activities		
C03000	Decrease in guarantee deposits received	(54)	(332)
C04020	Payments of lease liabilities	(12,762)	(13,417)
C04500	Allocated cash dividends	(51,195)	(174,273)
C09900	Other financing activities	<u>19</u>	<u>8</u>
CCCC	Net cash used in financing activities	<u>(63,992)</u>	<u>(188,014)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>(6,238)</u>	<u>3,838</u>
EEEE	Increase (decrease) in cash and cash equivalents for the year	207,065	(478,751)
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>\$ 457,745</u>	<u>\$ 250,680</u>

The accompanying notes constitute part of the consolidated financial statements.

Chairman: Kao Yu-Kun Manager: Chi Heng-Chung Accounting Manager: Huang Ya-Ching

Leadtrend Technology Corporation and Subsidiaries

Notes to Consolidated Financial Statements

for the years ended Dec. 31, 2023 and 2022

(In thousands of New Taiwan Dollars, except as otherwise indicated herein)

I. Corporate History

Leadtrend Technology Corporation (hereinafter referred to as Leadtrend), incorporated on Sep. 18, 2002 after the approval of Ministry of Economic Affairs, mainly engages in research, development, production, manufacturing and sale of analog integrated circuits.

Stocks of Leadtrend have been traded at Taiwan Stock Exchange Corporation since Aug. 14, 2009.

The New Taiwan Dollar, the functional currency adopted by Leadtrend, is used to express amounts indicated in the consolidated financial statements.

II. Date and Procedure of Adoption of Financial Statements

The consolidated financial statements were approved by the board of directors on Feb. 29, 2024 to be published.

III. Applicability of New and Amended Standards and Interpretations

- (A) We initially apply International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) (hereinafter referred to as IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to as the FSC).

Application of the IFRSs, which are recognized and published by the FSC, does not cause any significant change in accounting policies of Leadtrend and its subsidiaries (hereinafter referred to as the Company).

- (B) IFRSs Recognized by the FSC and Applied by the Company for 2024

Standards Published / Amended / Revised and Interpretations	Effectiveness Date Announced by International Accounting Standards Board (IASB) (Note 1)
Amendments to IFRS 16 Lease Liability in a Sale and Leaseback	Jan. 1, 2024 (Note 2)
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	Jan. 1, 2024
Amendments to IAS 1 Non-current Liabilities with Covenants	Jan. 1, 2024
Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements	Jan. 1, 2024 (Note 3)

Note1: Except otherwise as indicated, the standards newly published/amended/revised or interpretations shall come into effect from the annual reporting period after the indicated date.

Note2: The seller that is also a lessee shall adopt the amendments to IFRS 16 retroactively for the sale and leaseback transactions made after initially implementing IFRS 16.

Note3: Initial application of the amendments is exempted from the provisions for partial disclosure.

As of the date of publication of the consolidated financial statements, the Company believed, based on its evaluation, that the amendments to the aforementioned standards and interpretations had no significant impact on its financial conditions and financial results.

(C) IFRSs Published by IASB already but Not Recognized or Published by FSC Yet:

Standards Published / Amended / Revised and Interpretations	Effectiveness Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not decided yet
IFRS 17 Insurance Contracts	Jan. 1, 2023
Amendments to IFRS 17	Jan. 1, 2023
Amendments to IFRS 17 Initial Application of IFRS 17 and IFRS 9 - Comparative Information	Jan. 1, 2023
Amendments to IAS 21 Lack of Exchangeability	Jan. 1, 2025 (Note 2)

Note1: Except otherwise as indicated, the standards newly published/amended/revised or interpretations shall come into effect from the annual reporting period after the indicated date.

Note2: They are applicable for the annual reporting periods beginning after January 1, 2025. When the amendments are initially applied, effects will be recognized in retained earnings on the date of initial application. When the Company uses a non-functional currency as the presentation currency, effects will be applied to adjust the exchange differences on translating foreign operations under equity on the date of initial application.

As of the date of publication of the consolidated financial statements, the Company still continued evaluating the impact of the amendments to the aforementioned standards and interpretations on its financial conditions and financial results. Relevant impacts will be disclosed after the evaluation is completed.

IV. Explanations of Material Accounting Policies

(A) Declaration of Compliance

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs recognized and published by the FSC.

(B) Preparation Basis

The consolidated financial statements are prepared on the basis of historical cost, except for the financial instruments at fair value, and the net defined

benefit liability recognized based on the present value of defined benefit obligations less the fair value of plan assets.

Fair value measurement is classified from level 1 to level 3 based on observable level and importance of relevant inputs.

1. Level 1 Inputs: They refer to the prices of the same assets or liabilities obtained in the active market on measurement date (not adjusted).
2. Level 2 Inputs: They refer to direct inputs (i.e. prices) or indirect inputs (presumed from prices) observable, except level 1 prices, for assets or liabilities.
3. Level 3 Inputs: They refer to inputs not observable for assets or liabilities.

(C) Standards of Distinguishing Current Assets and Liabilities from Non-current Assets and Liabilities

Current assets include:

1. Assets held primarily for sale;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (not including the same that would be used to exchange or pay off liabilities 12 months after the balance sheet date and be therefore restricted).

Current liabilities include:

1. Liabilities held primarily for sale;
2. Liabilities due and repaid within 12 months after the balance sheet date; and
3. Liabilities for which the repayment period cannot be unconditionally postponed to at least 12 months after the balance sheet date.

The assets and liabilities which are not listed as current assets and current liabilities above are classified as non-current assets and non-current liabilities.

(D) Consolidation Basis

The consolidated financial statements include the financial statements of Leadtrend and the entities that it controls (i.e. subsidiaries). The financial statements of subsidiaries have been adjusted so as to cause the accounting policies used by the subsidiaries to be consistent with those used by Leadtrend. The transactions, account balances, incomes and expenses among individual entities were eliminated completely during the preparation of the consolidated financial statements.

Please refer to Notes 10 and 29 for the detailed information, shareholding and business activities of each subsidiary.

(E) Foreign Currency

The functional currency adopted by Leadtrend is the New Taiwan Dollar. For the transactions completed by an entity of the Company using a (foreign) currency rather than its functional currency, the entity converts the foreign currency to the functional currency at the exchange rate prevailing on the date of transaction in preparing the financial statements.

Foreign monetary items are converted at the closing rate on the balance sheet date. Exchange differences generated from the transfer or conversion of monetary items are recognized in profit or loss for the current year when the differences occur.

Foreign currency non-monetary items measured at fair value are converted at the exchange rate on the date when fair value is determined. Exchange differences generated are listed as profits or losses for the current year. However, in case of changes in fair value recognized in other comprehensive incomes or losses, the exchange differences generated are listed as other comprehensive incomes or losses.

Foreign currency non-monetary items measured at historical cost are converted at the exchange rate on the date of transaction and will not be re-converted.

In preparing the consolidated financial statements, Leadtrend converts the assets and liabilities of the foreign operations (including the subsidiaries using, and the subsidiaries operating in the countries using, any currency that differs from the currency used by Leadtrend) to NT dollars at the exchange rate on the balance sheet date. Incomes and expenses are converted at the average exchange rate of the current year. Exchange differences generated are recognized as other comprehensive incomes or losses.

If the Company disposes all equity of a foreign operation, then the accumulate exchange differences relevant to the foreign operation will be reclassified to profits or losses.

(F) Inventories

Inventories include raw materials, work in process and finished goods. Inventories are measured by using the lower of cost or net realizable value method. Cost and net realizable value are compared base on each individual item, except the same type of inventories. Net realizable value refers to the amount of the selling price, estimated in normal circumstances, from which the estimated cost required to be put in prior to the completion and the estimated cost needed for the completion of sale are subtracted. Cost of inventories is calculated by use of the weighted average method.

(G) Property, Plant and Equipment

Property, plant and equipment are recognized at cost and measured subsequently based on the amount of cost less both accumulated depreciation and accumulated impairment loss.

The self-owned land is not depreciated while each important portion of other property, plant and equipment within service life is depreciated by use of the straight line method. The Company reviews the estimated service life, residual value and depreciation method at least at the end of every year and put off the impact on applicable changes in accounting estimates.

Upon derecognition of property, plant and equipment, the difference between the net proceeds on disposal and the book amount of the assets is recognized in profits or losses.

(H) Intangible Assets

1. Individual Acquisition

Intangible assets with limited service life acquired individually are originally measured at cost and measured subsequently based on the amount of cost less accumulated amortization and accumulated impairment loss. Intangible assets are amortized within service life by use of the straight line method. Estimated service life, residual value and amortization method are reviewed at least at the end of every year and the impact on applicable changes in accounting estimates is put off.

2. Derecognition

Upon derecognition of intangible assets, the difference between the net disposal proceeds and the book amount to such assets is recognized in profits or losses for the current year.

(I) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets

The Company evaluates on every balance sheet date whether there is any sign indicating that property, plant and equipment, right-of-use assets or intangible assets may be impaired. In case of any sign of impairment, a recoverable amount is estimated for the assets. If a recoverable amount cannot be estimated for any individual asset, the Company will estimate the recoverable amount of the cash generating unit ("CGU") of the concerned asset. In case that corporate assets are shared among CGUs on the basis of reasonable consensus, corporate assets shall be shared among individual CGUs. Otherwise, corporate assets shall be shared among the smallest CGU groups that are shared on the basis of reasonable consensus.

The recoverable amount is the higher of fair value less costs to sell and use value. If the recoverable amount of individual assets or CGUs is less than the book amount thereof, then the book amount of the assets or CGUs will be reduced to the recoverable amount, and the impairment loss will be recognized in profits or losses.

Upon subsequent reverse of impairment loss, the book amount of the assets or CGUs is increased to the revised recoverable amount. However, the increased book amount shall not exceed the book value (less amortization or depreciation) that would be determined if the impairment loss of the assets or CGUs had not been recognized in the previous year. Reverse of impairment loss is recognized in profits or losses.

(J) Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the Company becomes a party to the contract concerning the instruments.

If financial assets or financial liabilities are not measured at fair value through profit or loss ("FVTPL"), the financial assets or financial liabilities, upon original recognition, are measured at fair value plus the transaction cost attributable directly to the obtained or issued financial assets or financial liabilities. The transaction cost attributable directly to the obtained or issued financial assets or financial liabilities at FVTPL is recognized as profits or losses immediately.

1. Financial Assets

Routine transactions of financial assets are recognized or derecognized on transaction date.

(1) Type of Measurement

Types of financial assets held by the Company are financial assets at FVTPL and financial assets measured at amortized cost.

A. Financial Assets at FVTPL

Financial assets at FVTPL include the financial assets that are enforced or designated to be measured at FVTPL. The financial assets enforced to be measured at FVTPL include the investments in equity instruments not designated to be

measured at fair value through other comprehensive income ("FVTOCI"), and the investments in debt instruments not classified as those measured at amortized cost or measured at FVTOCI.

Financial assets at FVTPL are measured at fair value. The dividends and interest generated from the financial assets are recognized in other incomes and interest incomes, respectively. The incomes or losses generated from remeasurement are recognized in other incomes or losses. Refer to Note 25 for the method used to determine fair value.

B. Financial Assets at Amortized Cost

Financial assets invested by the Company are classified as the financial assets measured at amortized cost if both of the following conditions are satisfied simultaneously:

- a. The financial assets are possessed in a specific business model, and the model is used to acquire contractual cash flows by possessing financial assets; and
- b. Cash flows generated on the specific date as provided in contractual terms are completely used for payment of principals and the interest on the outstanding principals.

After being recognized originally, the financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, and refundable deposits) are measured at the amortized cost of the total book amount less any impairment loss determined by the effective interest method. Foreign exchange gains or losses are recognized in profits or losses.

Interest income is computed based on the effective interest rate multiplied by the total book amount of financial assets, except in either of the following situations:

- a. For the credit-impaired financial assets purchased or established, interest income is computed based on the effective interest rate, after credit adjustment, multiplied by the amortized cost of the financial assets.
- b. If the financial assets without credit impairment upon purchase or establishment become credit-impaired subsequently, then interest income is computed based on the effective interest rate multiplied by the amortized cost of the financial assets.

Cash equivalents refer to the time deposits that are highly liquid and may be transferred to a fixed amount of cash any time with minimal risk of changes in value to fulfill short-term cash commitments.

(2) Impairment of Financial Assets

The Company evaluates impairment loss of financial assets at amortized cost (including accounts receivable) based on the expected credit loss every balance sheet date.

Loss allowances for accounts receivable are recognized based on the expected credit loss for the duration of accounts receivable. As for other financial assets, the Company determines whether credit risk increases significantly after the original recognition of such other financial assets. If the risk does not increase significantly, then loss allowances for other financial assets are recognized based on the expected credit loss for 12 months. If the risk increases significantly, loss allowances are recognized based on the expected credit loss for the duration of such other financial assets.

The expected credit loss refers to the weighted average credit loss computed by weighting the risk of a breach of contract. The expected credit loss for 12 months means the expected credit loss incurred due to violation of a financial instrument within 12 months after the date of reporting. The expected credit loss for the duration means the expected credit loss incurred due to all violations of a financial instrument for the duration of the financial instrument.

The impairment loss of all financial assets is reflected by reducing the book amount of the financial assets through the allowance account.

(3) Derecognition of Financial Assets

The Company derecognizes financial assets only when their rights to cash flows from financial assets under a contract expire or when financial assets have been transferred and almost all risks of ownership of the assets and payments of the assets have been transferred to other enterprises.

Upon derecognition of the entire financial assets measured at amortized cost, the difference between the book amount of the financial assets and the received consideration is recognized in profits or losses.

2. Equity Instruments

The equity instruments issued by the Company are classified as equity based on the substance of contractual agreements and the definition of equity instruments.

The equity instruments issued by the Company are recognized based on the obtained consideration less the cost of direct issuance.

The equity instruments of Leadtrend taken back are recognized as and subtracted from equity. Their book value is calculated in a weighted average based on types of stocks. No purchase, sale, issuance or annulment of equity instruments of Leadtrend shall be recognized in profits or losses.

3. Financial Liabilities

(1) Subsequent Measurement

All financial liabilities of the Company are measured at amortized cost by use of the effective interest method.

(2) Derecognition of Financial Liabilities

With respect to derecognition of financial liabilities, the difference between the book value and the consideration paid (including any

transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

(K) Revenue Recognition

After identifying its obligations under a contract made with a customer, the Company amortizes the transaction price to each obligation and recognizes revenue upon fulfillment of each obligation.

Sales Revenue

Sales revenue comes from sale of integrated circuits. When integrated circuits products are shipped, the customer has already had the right to determine the price and use the products and had the primary responsibility for resale, and shall take the risk of obsolescence of the products, so the Company recognizes revenue and accounts receivables at that point of time.

For the goods delivered to be processed, revenue is not recognized upon such delivery as the ownership of processed goods is not transferred.

(L) Lease

Upon establishment of a contract, the Company evaluates whether the contract is (or includes) a lease.

1. The Company is a lessor.

If almost all of the risks and compensation pertaining to the ownership of the assets are required to be transferred to the lessee in accordance with the terms of the lease, then the lease is classified as a financed lease. All other leases are classified as operating leases.

Lease payments less lease incentives are recognized as incomes under the operating lease for the lease period on a straight-line basis.

2. The Company is a lessee.

For other leases, right-of-use assets and lease liabilities are recognized on the date of lease commencement, except for leases of low-value assets for which exemptions can be recognized and short-term leases, in which case, lease payments are recognize as expenses for the lease period on a straight-line basis.

Right-of-use assets are originally measured at cost (including the amount of originally measured lease liabilities). They are subsequently measured based on the cost less accumulated depreciation and accumulated impairment loss, and the remeasurement of lease liabilities is adjusted accordingly. Right-of-use assets are expressed separately in the consolidated balance sheet.

Right-of-use assets are depreciated on a straight-line basis between the date of lease commencement and the expiration of the service life or expiration of the lease period, whichever comes first.

Lease liabilities are originally measured based on the current value of lease payments. If a lease implies an interest rate that can be determined easily, then lease payments are discounted at the interest rate. If the interest rate cannot be determined easily, then the lessee's incremental borrowing rate of interest is used.

After that, lease liabilities are measured at amortized cost by use of the effective interest method, and interest expenses are amortized for the leasing. If the lease period, the amount expected to be paid to the extent of the guaranteed residual value, the evaluation of call options for subject assets, or the index or rate determined for lease payments

changes so that future lease payments are varied accordingly, the Company would remeasure lease liabilities and adjust right-of-use assets accordingly. However, when the book amount of right-of-use assets is already reduced to zero, the rest of the remeasurement amount is recognized in profits or losses. Lease liabilities are expressed separately in the consolidated balance sheet.

(M) Government Subsidy

A government subsidy is recognized only when the Company is reasonably believed to comply with the conditions fixed to the government subsidy and will receive the subsidy.

A government subsidy relevant to benefits is recognized as other income on a systemic basis for the year in which the Company recognizes as expenses the costs to be covered by the subsidy.

(N) Employee Benefits

1. Short-term Employee Benefits

Liabilities relevant to short-term employee benefits are measured based on non-discounted amounts expected to be paid to exchange for employees' service.

2. Post-employment Benefits

As for retirement pensions under the defined contribution plan, the pension amounts allocated for the period during which employees provide service are recognized as expenses.

Defined costs (including service costs, net interest and remeasurements) of the defined benefit plan are calculated by use of the projected unit credit method. Service costs (including service costs for the current year) and net interest on defined benefit liabilities (assets) are recognized as employee benefit expenses upon their occurrence. Remeasurements (including actuarial gains and losses, and return on plan asset less interest) are recognized in other comprehensive incomes or losses upon their occurrence and listed in retained earnings, and they will not be reclassified to profits or losses in a subsequent period.

Net defined benefit liabilities (assets) are allocated shortage (surplus) of the defined benefit plan. Net defined benefit assets shall not exceed the current value of the refund of contributions from the plan or the reduction in future contributions.

3. Other Long-term Employee Benefits

The accounting treatment of other long-term employee benefits is the same as that of the defined benefit plan. However, relevant remeasurements are recognized in profits or losses.

(O) Share-based Payment Arrangement

Employee stock options and employee restricted stock award shares granted by the Company to employees are recognized as expenses on a straight-line basis for the vesting period based on the fair value of equity instruments on the grant date and the expected best estimate, and the "capital reserve—employee stock options and other equity (unearned compensation)" is also adjusted simultaneously. If they are obtained immediately on the grant date, they are recognized as expenses on the grant date.

When the Company issues restricted stock award shares, other equity (employees' unearned compensation) is recognized on the grant date, and

the "capital reserve—employee restricted stock award shares" is adjusted simultaneously. If such shares are issued for value and the amount of shares is agreed to be returned upon resignation of the employee, then relevant payables shall be recognized. If the employee who resigns within the vesting period is not required to return the dividends received already, then expenses are recognized upon announcement of the dividends to be distributed, and retain earnings and "capital reserve—employee restricted stock award shares" are adjusted simultaneously.

The Company amends the estimate of the obtained employee stock options and employee restricted stock award shares on each balance sheet date. If an originally estimated amount is amended, its effects are recognized as profits or losses so that the accumulated expenses reflect the amended estimate. The "capital reserve—employee stock option" and "capital reserve—employee restricted stock award shares" are also adjusted accordingly.

(P) Income Tax

The tax expense is the sum of current income tax and deferred income tax.

1. Current Income Tax

The Company determines its incomes (losses) for the current year in accordance with the regulations enacted in the applicable tax jurisdiction, and calculates income tax payable (refundable) based on such incomes (losses).

The income tax on undistributed earnings computed in accordance with the Income Tax Act of the Republic of China is recognized for the year when the resolution is adopted at the shareholders' meeting.

Adjustment made for the previous year's income tax payable is listed in current income tax.

2. Deferred Income Tax

Deferred income tax is computed based on temporary differences generated from the book amounts of assets and liabilities and the tax base used to compute taxable income.

Deferred income tax liabilities are generally recognized based on taxable temporary differences. Deferred income tax assets are recognized when there may probably be taxable incomes from which the tax credits generated from temporary differences and loss carryforwards can be subtracted.

Taxable temporary differences relevant to investments in subsidiaries are recognized as deferred income tax liabilities, except when the Company is able to control the point of reverse of temporary differences and the taxable temporary differences will not be reversed in the foreseeable future. Deductible temporary differences relevant to the investments are recognized as deferred income tax assets only to the extent of the foreseeable reverse expected in the future when there is taxable income sufficient to realize temporary differences.

The book amount of deferred income tax assets is reviewed again on every balance sheet date. For all or part of assets that taxable income may probably not be sufficient to recover, the book amount is reduced accordingly. Those that are not originally recognized as deferred income tax assets are also reviewed again on every balance sheet date.

The book amount is increased when there may be any taxable income used to recover all or part of the assets.

Deferred income tax assets and liabilities are measured at the tax rate applicable to the year when liabilities are expected to be repaid or assets are expected to be realized. The interest rate refers to the interest rate determined by the tax law that is enacted or substantially enacted as of the balance sheet date. Deferred income tax liabilities and assets are measured to reflect the tax consequences generated in the way that the Company expects to recover or repay the book amount of its assets or liabilities as of the balance sheet date.

3. Current and Deferred Income Taxes

Current and deferred income taxes are recognized in profits or losses. However, the current and deferred income taxes relevant to the items recognized in other comprehensive incomes or losses or those included directly in equity are recognized in other comprehensive incomes or losses or included directly in equity respectively.

V. Main Sources of Material Accounting Judgments, Estimates and Assumption Uncertainty

For relevant information not accessible by the Company from other resources in applying accounting policies, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors. The actual result may probably differ from the estimate.

Main Sources of Estimates and Assumption Uncertainty

(A) Impairment of Financial Asset Estimates

Accounts receivable and liability instruments are estimated based on the assumptions of probability of default and loss-given default made by the Company. The Company considers historical experience, current market conditions and forward-looking information to make its assumptions and chooses input values for the impairment of estimates. If the actual cash flows in the future are less than those expected by the Company, a material impairment loss may occur.

(B) Impairment of Inventories

The net realizable value of inventories is an estimate of the difference obtained after the cost estimate to be spent until completion of the production and the cost estimate to be required for completion of the sale are subtracted from the selling price estimate. These estimates are evaluated based on current market conditions and historical sales of similar products. Changes in market conditions may affect these estimated results materially.

VI. Cash and Cash Equivalents

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Foreign currency deposits	\$ 63,089	\$ 59,085
Checks and saving deposits with the bank	51,337	61,549
Petty cash and cash on hand	619	775
Cash equivalents		
Time deposits	<u>342,700</u>	<u>129,271</u>
	<u>\$457,745</u>	<u>\$250,680</u>

The interest rate range of cash and cash equivalents as of the balance sheet date is as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Bank deposits	0.1%~4.05%	0.1%~1.41%

VII. Financial Instruments at FVTPL

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Financial assets – Current</u>		
Measured at FVTPL		
compulsorily		
Non-derivative financial assets		
– Beneficiary certificates of		
funds	<u>\$ 83,823</u>	<u>\$ 55,634</u>

VIII. Notes and Accounts Receivable

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Notes receivable</u>		
Measured at amortized cost		
Total book amount	<u>\$ 22,682</u>	<u>\$ 18,854</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total book amount	<u>\$168,744</u>	<u>\$150,790</u>

As for the payments of products sold by the Company, the average credit period is between 30 and 45 days after the date of monthly settlement. No interest accrues for accounts receivable. The Company will rate main customers by using other publicly available financial information and historical transaction records. The Company continues monitoring credit risk exposure, and the credit rating of the counterparty to each transaction. To reduce credit risk, the management of the Company designates a team to take charge of the decision of credit line, credit approval and other monitoring procedures to ensure that proper measures are taken to recover overdue receivables. In addition, the Company also reviews recoverable amounts of receivables on a case-by-case basis on the balance sheet date to ensure that a proper amount of impairment loss is allocated for unrecoverable receivables. Accordingly, the management of the Company believes that the Company's credit risk has been reduced significantly.

The Company recognizes, based on expected credit loss for the duration, the allowance for losses on accounts receivable. The expected credit loss for the duration is calculated by use of the provision matrix, which considers the historical default records of customers, current financial conditions, state of industrial economy, and industrial development prospects. As shown in the history of credit loss incurred by the Company, there is no significant difference between loss types in terms of different customer bases. Thus the provision matrix is not used to distinguish customer bases, and the expected credit loss

rates are determined based on the number of days that the accounts receivable are past due.

If evidence shows that the counterparty encounters serious financial difficulties and the Company is unable to reasonably expect a recoverable amount, then the Company will write off relevant accounts receivable directly; however, claiming activities will still continue. Amounts claimed and recovered are recognized in profits.

Please refer to the following table for the analysis on aging of accounts receivable as of the end of the reporting period.

Analysis on Aging of Accounts Receivable

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Not overdue, and not impaired	<u>\$168,744</u>	<u>\$150,790</u>

IX. Inventories

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Finished goods	\$ 91,849	\$118,812
Work in process	351,405	462,857
Raw materials and supplies	<u>164,501</u>	<u>226,335</u>
	<u>\$607,755</u>	<u>\$808,004</u>

Cost of goods sold relevant to inventories was NTD 712,066 thousand and NTD 968,729 thousand respectively in 2023 and 2022.

Cost of goods sold included an inventory valuation loss NTD 14,608 thousand and an obsolescence loss NTD 13,794 thousand respectively in 2023 and 2022.

X. Subsidiaries

(A) Subsidiaries Listed in the Consolidated Financial Statements

The subjects that the consolidated financial statements are prepared for are as follows:

<u>Name of investing company</u>	<u>Name of subsidiary</u>	<u>Nature of business</u>	<u>Shareholding</u>		<u>Remarks</u>
			<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>	
Leadtrend	Leadtrend Technology (Samoa) Limited	Various investments	100%	100%	Note
	Leadtrend (Shenzhen) Co., Ltd. (Leadtrend Shenzhen)	Design and R&D of computer application software and system integration; wholesale of computer software, integrated circuits, semiconductor chips and related electronic parts and components; manufacturing of electronic components, manufacturing of integrated circuit chips and products, manufacturing of computer software, hardware and peripheral equipment	100%	100%	1

Note: Leadtrend Technology (Samoa) Limited was liquidated and had registration nullified in November 2023.

XI. Property, Plant and Equipment

Self-used

	Land	House and building	R&D equipment	Office equipment	Molding equipment	Lease improvement	Photomask	Total
<u>Cost</u>								
Balance at Jan. 1, 2023	\$ 86,200	\$ 347,845	\$ 284,890	\$ 35,386	\$ 26,082	\$ 26,192	\$ 275,274	\$ 1,081,869
Increase	-	1,055	7,562	1,046	2,086	121	20,063	31,933
Decrease	(2,101)	(7,055)	(296)	(217)	-	(1,512)	(49,480)	(60,661)
Translation adjustment	-	(804)	(254)	(71)	-	(69)	-	1,198
Balance at Dec. 31, 2023	<u>\$ 84,099</u>	<u>\$ 341,041</u>	<u>\$ 291,902</u>	<u>\$ 36,144</u>	<u>\$ 28,168</u>	<u>\$ 24,732</u>	<u>\$ 245,857</u>	<u>\$ 1,051,943</u>
<u>Accumulated depreciation</u>								
Balance at Jan. 1, 2023	\$ -	\$ 52,752	\$ 188,290	\$ 27,388	\$ 24,610	\$ 20,266	\$ 239,033	\$ 552,339
Increase	-	10,984	25,375	3,672	864	1,306	31,907	74,108
Decrease	-	(983)	(296)	(203)	-	(1,146)	(49,481)	(52,109)
Translation adjustment	-	(64)	(160)	(64)	-	(69)	-	(357)
Balance at Dec. 31, 2023	<u>\$ -</u>	<u>\$ 62,689</u>	<u>\$ 213,209</u>	<u>\$ 30,793</u>	<u>\$ 25,474</u>	<u>\$ 20,357</u>	<u>\$ 221,459</u>	<u>\$ 573,981</u>
Net at Dec. 31, 2023	<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 Jan. 1, 2022	\$ 72,270	\$ 301,363	\$ 252,971	\$ 33,492	\$ 25,356	\$ 21,632	\$ 242,950	\$ 950,034
Increase	13,930	45,847	32,322	2,876	726	4,952	32,324	132,977
Decrease	-	-	(528)	(1,041)	-	(454)	-	(2,023)
Translation adjustment	-	635	125	59	-	62	-	881
Balance at Dec. 31, 2022	<u>\$ 86,200</u>	<u>\$ 347,845</u>	<u>\$ 284,890</u>	<u>\$ 35,386</u>	<u>\$ 26,082</u>	<u>\$ 26,192</u>	<u>\$ 275,274</u>	<u>\$ 1,081,869</u>
<u>Accumulated depreciation</u>								
Balance at Jan. 1, 2022	\$ -	\$ 42,302	\$ 161,696	\$ 24,902	\$ 23,950	\$ 16,484	\$ 209,029	\$ 478,363
Increase	-	10,453	27,030	3,483	660	4,032	30,004	75,662
Decrease	-	-	(528)	(1,041)	-	(303)	-	(1,872)
Translation adjustment	-	(3)	92	44	-	53	-	186
Balance at Dec. 31, 2022	<u>\$ -</u>	<u>\$ 52,752</u>	<u>\$ 188,290</u>	<u>\$ 27,388</u>	<u>\$ 24,610</u>	<u>\$ 20,266</u>	<u>\$ 239,033</u>	<u>\$ 552,339</u>
Net at Dec. 31, 2022	<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>

No impairment loss was recognized or reversed in 2023 and 2022.

Depreciation expenses are allocated on a straight-line basis based on the following service lives:

House and building	10 ~ 50 years
R&D equipment	2 ~ 8 years
Office equipment	4 ~ 9 years
Molding equipment	3 years
Lease improvement	2 ~ 6 years
Photomask	2 ~ 3 years

XII. Lease Agreement

(A) Right-of-use Assets

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Book amount of right-of-use assets		
Building	<u>\$ 20,748</u>	<u>\$ 19,712</u>
Added Right-of-use assets	<u>2023</u>	<u>2022</u>
Depreciation expenses for right-of-use assets		
Building	<u>\$ 8,650</u>	<u>\$ 7,517</u>
	<u>\$ 13,127</u>	<u>\$ 13,440</u>

(B) Lease Liabilities

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Book amount of lease liabilities		
Current	<u>\$ 11,785</u>	<u>\$ 12,415</u>
Non-current	<u>\$ 9,529</u>	<u>\$ 7,568</u>

The range of discount rates for lease liabilities is as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Building	1.96%~2.10%	1.96%~2.10%

(C) Important Lease Activities and Terms

The Company as a lessee has leased some buildings to be used as office space, and the lease periods are from 2 to 5 years. The Company does not have the right of first refusal for the buildings leased by the Company upon expiration of a lease period. It has been agreed that the Company shall not relet or assign the whole or part of the leased buildings to third parties without the consent of a lessor.

(D) Other Lease Information

	<u>2023</u>	<u>2022</u>
Short-term lease expenses	<u>\$ 1,709</u>	<u>\$ 1,982</u>
Low-value asset lease expenses	<u>\$ 54</u>	<u>\$ 53</u>
Total cash provided by (used in) leases	<u>(\$ 14,986)</u>	<u>(\$ 16,016)</u>

The Company chooses to recognize exemptions applicable to the office equipment that is in line with short-term leases and the office equipment rental that is in line with low-value asset leases, and does not recognize right-of-use assets or lease liabilities relevant to such leases.

XIII. Intangible Assets

	<u>Computer software</u>	<u>Know-how</u>	<u>Patent right</u>	<u>Others</u>	<u>Total</u>
<u>Cost</u>					
Balance at Jan. 1, 2023	\$ 100,162	\$ 27,972	\$ 8,383	\$ 2,922	\$ 139,439
Increase	2,357	5,462	-	-	7,819
Translation adjustment	(2)	-	-	-	(2)
Balance at Dec. 31, 2023	<u>\$ 102,517</u>	<u>\$ 33,434</u>	<u>\$ 8,383</u>	<u>\$ 2,922</u>	<u>\$ 147,256</u>
<u>Accumulated amortization</u>					
Balance at Jan. 1, 2023	\$ 92,279	\$ 26,984	\$ 3,425	\$ 2,922	\$ 125,610
Increase	3,684	5,995	837	-	10,516
Translation adjustment	(2)	-	-	-	(2)
Balance at Dec. 31, 2023	<u>\$ 95,961</u>	<u>\$ 32,979</u>	<u>\$ 4,262</u>	<u>\$ 2,922</u>	<u>\$ 136,124</u>
Net at Dec. 31, 2023	<u>\$ 6,556</u>	<u>\$ 455</u>	<u>\$ 4,121</u>	<u>\$ -</u>	<u>\$ 11,132</u>

	Computer software	Know-how	Patent right	Others	Total
<u>Cost</u>					
Balance at Jan. 1, 2022	\$ 92,624	\$ 17,993	\$ 8,383	\$ 2,922	\$ 121,922
Increase	7,540	9,979	-	-	17,519
Translation adjustment	(2)	-	-	-	(2)
Balance at Dec. 31, 2022	<u>\$ 100,162</u>	<u>\$ 27,972</u>	<u>\$ 8,383</u>	<u>\$ 2,922</u>	<u>\$ 139,439</u>
<u>Accumulated amortization</u>					
Balance at Jan. 1, 2022	\$ 90,451	\$ 16,459	\$ 2,586	\$ 2,922	\$ 112,418
Increase	1,830	10,525	839	-	13,194
Translation adjustment	(2)	-	-	-	(2)
Balance at Dec. 31, 2022	<u>\$ 92,279</u>	<u>\$ 26,984</u>	<u>\$ 3,425</u>	<u>\$ 2,922</u>	<u>\$ 125,610</u>
Net at Dec. 31, 2022	<u>\$ 7,883</u>	<u>\$ 988</u>	<u>\$ 4,958</u>	<u>\$ -</u>	<u>\$ 13,829</u>

Amortization expenses are allocated for the aforementioned intangible assets on a straight-line basis based on the following service lives:

Computer software	3 ~ 6 years
Know-how	5 years
Patent right	10 years
Others	3 ~ 5 years

XIV. Other Assets

	Dec. 31, 2023	Dec. 31, 2022
<u>Current</u>		
Tax overpaid retained for offsetting the future tax payable	\$ 4,522	\$ 4,726
Prepayment for purchases	4,396	4,107
Temporary payments	1,408	3,322
Income tax refund receivable	813	2,709
Refundable deposits	-	15,000
Others	<u>8,071</u>	<u>6,543</u>
	<u>\$ 19,210</u>	<u>\$ 36,407</u>
<u>Non-current</u>		
Prepayments for business facilities	\$ 4,264	\$ 5,099
Refundable deposits	<u>3,483</u>	<u>3,772</u>
	<u>\$ 7,747</u>	<u>\$ 8,871</u>

XV. Other Current Liabilities

	Dec. 31, 2023	Dec. 31, 2022
Bonuses payable	\$ 38,349	\$ 53,428
Unused leave payments	5,687	10,145
Insurance premium payable	3,853	4,284
Professional service fees payable	3,296	3,505
Payables on equipment	-	3,282
Others	<u>24,074</u>	<u>22,875</u>
	<u>\$ 75,259</u>	<u>\$ 97,519</u>

XVI. Post-employment Benefit Plan

(A) Defined Contribution Plan

The retirement pension system provided in the Labor Pension Act, which is applicable to Leadtrend, refers to the defined contribution plan managed by the government. The 6% of the monthly wages of an employee is allocated to the specific account of the individual with Bureau of Labor Insurance. In addition, Leadtrend Shenzhen pays basic pension insurance premiums for the government's management fund program. The premiums are recognized as expenses for the current year when being allocated.

(B) Defined Benefit Plan

The retirement pension system adopted by Leadtrend in accordance with the Labor Standards Act of the Republic of China is the defined benefit plan managed by the government. The retirement pension to an employee is computed based on the employee's service time and average wage of the 6 months immediately before the date of retirement approval. Leadtrend allocates the 2% of the monthly wages of an employee to the employee's retirement funds and transfers it to Supervisory Committee of Business Entities' Labor Retirement Reserve. Then the committee deposits it to the specific account with Bank of Taiwan in the name of the committee. If the balance of the specific account at the end of a fiscal year is estimated not to be enough to be paid to the employees who will meet the requirements of retirement in the next year, the difference will be allocated in full by the end of March in the next year. The specific account is entrusted to Bureau of Labor Funds, Ministry of Labor to manage. The Company has no right to influence investment and management strategies.

Leadtrend reached an agreement with employees in Aug. 2023 to settle the years of service accumulated in the old system and settle pension amounts in accordance with relevant regulations. Such settlement was approved by the competent authority. Leadtrend was under no obligation to pay either the balance recovered from the specific pension accounts or the book amount of net defined benefit liability. The balance and the book amount were transferred to income. Such income, totaling NTD 15,045 thousand, was listed as other income. Please refer to Note 20 (B) Other Income.

Amounts for the defined benefit plan in the consolidated balance sheet are listed as follows:

	<u>Dec. 31, 2022</u>
Present value of a defined benefit obligation	\$ 24,101
Fair value of plan assets	(<u>19,261</u>)
Net defined benefit liabilities	<u>\$ 4,840</u>

Changes in net defined benefit liabilities (assets) are as follows:

	Present value of a defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Jan. 1, 2022	<u>\$ 24,933</u>	<u>(\$ 15,239)</u>	<u>\$ 9,694</u>
Service cost			
Current service cost	480	-	480
Interest expense (income)	<u>125</u>	<u>(85)</u>	<u>40</u>
Recognized in profit (loss)	<u>605</u>	<u>(85)</u>	<u>520</u>
Remeasurements			
Return on plan assets (except the amount included in net interest)	-	<u>(1,115)</u>	<u>(1,115)</u>
Actuarial gains – Changes in financial assumptions	<u>(1,970)</u>	-	<u>(1,970)</u>
Actuarial losses – Experience adjustments	<u>533</u>	<u>-</u>	<u>533</u>
Recognized in other comprehensive incomes (losses)	<u>(1,437)</u>	<u>(1,115)</u>	<u>(2,552)</u>
Employer contributions	<u>-</u>	<u>(2,822)</u>	<u>(2,822)</u>
Dec. 31, 2022	<u>\$ 24,101</u>	<u>(\$ 19,261)</u>	<u>\$ 4,840</u>

Leadtrend is exposed to the following risks with respect to the retirement pension system provided by the Labor Standards Act.

1. Investment Risk: Bureau of Labor Funds, Ministry of Labor invests the labor pension fund by itself or through an agent in domestic (foreign) domestic equity securities and debt securities, bank deposits and other subject matters. However, the distributable amount of Leadtrend's plan assets is the income calculated at an interest rate not inferior to that announced by the local bank for 2-year time deposits.
2. Interest Rate Risk: Reduction of interest rates for government bonds/corporate bonds will result in an increase in the present value of defined benefit obligations. However, the return on debt investments with respect to plan assets will increase accordingly. Both offset the impact on the net defined benefit liabilities partially.
3. Wage Risk: The present value of defined benefit obligations is calculated by taking future wages of plan members into account. Thus the increase in wages of plan members will result in an increase in the present value of defined benefit obligations.

The present value of defined benefit obligations of Leadtrend is calculated by a qualified actuary. Material assumptions on the measurement date are as follows:

	<u>Dec. 31, 2022</u>
Discount rate	1.375%
Expected rate of wage increments	4.000%

In case of a reasonable and possible change in any material actuarial assumption, the increase (decrease) in the present value of defined benefit obligations on the premise that other assumptions remain unchanged is as follows:

	<u>Dec. 31, 2022</u>
Discount rate	
Increased by 0.25%	(<u>\$ 527</u>)
Decreased by 0.25%	<u>\$ 543</u>
Expected rate of wage increments	
Increased by 0.25%	<u>\$ 519</u>
Decreased by 0.25%	(<u>\$ 507</u>)

The aforementioned sensitivity analysis may probably not reflect actual changes in the present value of defined benefit obligations as actuarial assumptions may correlate mutually and changes in only one assumption are not quite possible.

	<u>Dec. 31, 2022</u>
Amount expected to be contributed in one year	<u>\$ 1,086</u>
Average expiration period of defined benefit obligations	9 years

XVII. Equity

(A) Stock Capital

Common Shares

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Authorized number of shares (In thousand shares)	<u>200,000</u>	<u>200,000</u>
Authorized stock capital	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of issued and paid-in shares (In thousand shares)	<u>58,918</u>	<u>56,883</u>
Issued stock capital	<u>\$ 589,178</u>	<u>\$ 568,838</u>

Common shares are issued with par value NTD 10. A shareholder is entitled to one vote for each share the shareholder holds, and has the right to receive dividends.

The stock capital in authorized stock capital reserved for issuance of employee stock options was 7,800 thousand shares.

(B) Capital Reserve

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Used to make good of loss, distribute cash or appropriate to be stock capital (1)</u>		
Additional paid-in capital in excess of par (including exercised or invalid employee stock options)	\$254,672	\$258,027
Donated assets received from shareholder (2)	84,732	84,732
<u>Used to make good of losses only</u>		
Others	125	106
<u>Not used for any purpose</u>		
Employee restricted stock award shares	<u>50,306</u>	<u>47,567</u>
	<u>\$389,835</u>	<u>\$390,432</u>

1. Such capital reserve may be used to make good of loss, and may also be used to distribute cash or expand stock capital when the Company does not have a loss; however, the amount used to expend stock capital is limited to a certain percentage of the paid-in capital.

2. It was cash given as a gift by Delaware Asia Pacific Investment Corp.

(C) Retained Earnings and Dividend Policies

According to the earning distribution policy provided by Leadtrend's articles of incorporation, net profits after tax at the final settlement of each fiscal year, if any, shall be allocated, in the following order, for:

1. Making good of accumulated loss (including adjustment of the amount of undistributed earnings);
2. Setting aside 10% as legal reserve; however, no legal reserve shall be allocated if the total legal reserve has reached the amount of the paid-in capital of Leadtrend;
3. Allocating or reversing special reserve in accordance with statutes or as required by the competent authority.
4. The rest of profits together with the undistributed earnings at the beginning of the year (including the adjusted amount of undistributed earnings), for which the board of directors shall prepare a proposal of earning distribution, to be distributed by means of issuance of new shares, are distributed after being resolved at the shareholders' meeting.

In case that Leadtrend distributes the whole or part of dividends and bonuses or legal reserve and capital reserve in cash, the distribution shall be

adopted only when more than two-thirds of directors are present at the board meeting and more than a half of the directors present approve, and shall be reported at the shareholders' meeting.

For the policy of the allocation of remunerations to employees and directors as stated in Leadtrend's articles of incorporation, refer to Note 20(G) Remunerations to Employees and Directors.

Dividends are distributed by Leadtrend based on the status of earnings for the current year, including distributable earnings, capital reserve and other sources distributable in accordance with laws. The percentage of total distributions shall not be less than 30% of the profit after tax for the current year. Cash dividends distributed every year shall not be less than 10% of the total of the cash dividends and stock dividends distributed for the current year.

Legal reserve shall be allocated until the balance thereof reaches the total paid-in capital of Leadtrend. Legal reserve may be used to make good of loss. When Leadtrend has no loss, the portion of legal reserve in excess of 25% of paid-in capital can be used to expand stock capital or be distributed in cash.

Leadtrend's earning distributions for 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Allocated legal reserve	\$ 15,491	\$ 32,806
Cash dividends	<u>\$ 31,286</u>	<u>\$147,868</u>
Stock dividends	<u>\$ 17,065</u>	<u>\$ 36,967</u>
Cash dividends per share (NTD)	\$ 0.550	\$ 2.8000
Stock dividends per share (NTD)	\$ 0.300	\$ 0.700

The board of directors of Leadtrend resolved on May 2, 2023 that the capital reserve of 2022 should be used to distribute cash dividends NTD 19,909 thousand (NTD 0.350 per share). In addition to cash dividends, other earning distribution items were already resolved at the general meeting of shareholders held on June 13, 2023.

Besides, the board of directors of Leadtrend resolved on Apr. 29, 2022 that the capital reserve of 2021 should be used to distribute cash dividends NTD 26,405 thousand (NTD 0.500 per share). In addition to cash dividends, other earning distribution items were already resolved at the general meeting of shareholders held on June 9, 2022.

(D) Other Equity

1. Exchange Differences on Translation of Financial Statements of Foreign Operations:

	<u>2023</u>	<u>2022</u>
Beginning balance	<u>\$ 5,602</u>	<u>\$ 1,867</u>
Generated in the current year		
Differences on translating foreign operations	(5,249)	3,735
Reclassification adjustment		
Disposal of the share of subsidiaries accounted for using equity method	(<u>1,139</u>)	<u>-</u>
Other comprehensive incomes (losses) for the current year	(<u>6,388</u>)	<u>3,735</u>
Ending balance	<u>(\$ 786)</u>	<u>\$ 5,602</u>

Exchange differences arising on translating the net assets of foreign operations in the functional currency to those in the presentation currency used by the Company (i.e. NTD) are recognized directly as “exchange differences on translation of financial statements of foreign operations” under other comprehensive incomes. The previously accumulated exchange differences on translation of financial statements of foreign operations are reclassified as profits or losses upon disposal of the foreign operations.

2. Employees’ Unearned Compensation

Issuance of restricted stock award shares was resolved at the shareholders’ meeting of Leadtrend held on June 13, 2023, June 9, 2022 and June 23, 2020 respectively. For relevant explanation, please refer to Note 18.

	2023	2022
Beginning balance	(\$ 31,945)	(\$ 42,573)
Granted in the year	(27,930)	(19,782)
Recognized share-based payment expenses	18,710	21,013
Revoked and cancelled in the year	5,362	9,397
Ending balance	<u>(\$ 35,803)</u>	<u>(\$ 31,945)</u>

XVIII. Share-based Payment

Employee Restricted Stock Award Shares

Information relevant to the employee restricted stock award shares issued by Leadtrend is as follows:

Date of approval by the shareholders’ meeting	Number of shares expected to be issued (In thousand shares)	Number of shares resolved by the board of directors (In thousand shares)	Grant date	Base date for capital increase	Number of actually issued shares (In 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 NTD 12,000 thousand was resolved at the shareholders’ meeting of Leadtrend 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 Leadtrend upon expiration of any of the following vesting periods, they will receive award shares at the granting ratio as scheduled below:

<u>Vesting period</u>	<u>Granting ratio</u>
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 Employees Failing to Satisfy the Vesting Conditions:

- (A) 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, Leadtrend 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.
- (B) If the employees fail to meet the required personal performance immediately prior to the vesting date, Leadtrend will take back, without payment, the award shares that have not vested in the employees that time.
- (C) Leadtrend will give to the employees, without payment, the dividends allocated based on the award shares prior to the expiration of the vesting period.
- (D) If the employees terminate or cancel, before their satisfaction of the vesting conditions, the authorization given to Leadtrend 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 Leadtrend on behalf of the employees and the stock trust agency in the period for which restricted stock award shares are trusted, Leadtrend shall take back, without payment, the award shares from the employees.

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

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

	<u>Employee restricted stock award shares for 2020-1 Unit (Thousand)</u>	<u>Employee restricted stock award shares for 2020-2 Unit (Thousand)</u>
<u>2023</u>		
Outstanding at the beginning of the year	424.5	192.5
Vested for the current year	(266.5)	(69.5)
Recovered for the year	(26.0)	(18.0)
Outstanding at the end of the year	<u>132.0</u>	<u>105.0</u>
Granted weighted average fair value	<u>\$ 34.35</u>	<u>\$ 122</u>

	Employee restricted stock award shares for 2020-1 <u>Unit (Thousand)</u>	Employee restricted stock award shares for 2020-2 <u>Unit (Thousand)</u>
<u>2022</u>		
Outstanding at the beginning of the year	740.0	291.0
Vested for the current year	(287.0)	(38.5)
Recovered for the year	(28.5)	(60.0)
Outstanding at the end of the year	<u>424.5</u>	<u>192.5</u>
Granted weighted average fair value	<u>\$ 34.35</u>	<u>\$ 122</u>

Issuance of restricted stock award shares in a total amount of NTD 4,200 thousand was resolved at the shareholders' meeting of Leadtrend 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 Leadtrend upon expiration of any of the following vesting periods, they will receive award shares at the granting ratio as scheduled below:

<u>Vesting period</u>	<u>Granting ratio</u>
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:

- (A) 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, Leadtrend 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.
- (B) If the employees fail to meet the required personal performance immediately prior to the vesting date, Leadtrend will take back, without payment, the award shares that have not vested in the employees that time.
- (C) The employees are not entitled to any stocks, cash dividends or capital reserve allocated before the expiration of the vesting period.
- (D) If the employees terminate or cancel, before their satisfaction of the vesting

conditions, the authorization given to Leadtrend 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 Leadtrend on behalf of the employees and the stock trust agency in the period for which restricted stock award shares are trusted, Leadtrend shall take back, without payment, the award shares from the employees.

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

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

	<u>Employee restricted stock award shares for 2022</u> <u>Unit (Thousand)</u>
<u>2023</u>	
Outstanding at the beginning of the year	420.0
Vested for the current year	(61.5)
Recovered for the year	(66.0)
Outstanding at the end of the year	<u>292.5</u>
Granted weighted average fair value (NTD)	<u>\$ 47.1</u>
<u>2022</u>	
Outstanding at the beginning of the year	-
Granted for the current year	<u>420.0</u>
Outstanding at the end of the year	<u>420.0</u>
Granted weighted average fair value (NTD)	<u>\$ 47.1</u>

Issuance of restricted stock award shares in a total amount of NTD 4,200 thousand was resolved at the shareholders' meeting of Leadtrend 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 Leadtrend upon expiration of any of the following vesting periods, they will receive award shares at the granting ratio as scheduled below:

<u>Vesting period</u>	<u>Granting ratio</u>
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

<u>Vesting period</u>	<u>Granting ratio</u>
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:

- (A) 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, Leadtrend 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.
- (B) If the employees fail to meet the required personal performance immediately prior to the vesting date, Leadtrend will take back, without payment, the award shares that have not vested in the employees that time.
- (C) The employees are not entitled to any stocks, cash dividends or capital reserve allocated before the expiration of the vesting period.
- (D) If the employees terminate or cancel, before their satisfaction of the vesting conditions, the authorization given to Leadtrend 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, Leadtrend shall take back, without payment, the award shares from the employees.

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

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

	<u>Employee restricted stock award shares for 2023</u>
	<u>Unit (Thousand)</u>
<u>2023</u>	
Outstanding at the beginning of the year	-
Granted for the current year	<u>420.0</u>
Outstanding at the end of the year	<u>420.0</u>
Granted weighted average fair value (NTD)	<u>\$ 66.5</u>

Due to resignation of employees, 100 thousand and 98.5 thousand restricted stock award shares were recovered in 2023 and 2022 respectively, and there were 17.5 thousand and 10 thousand shares among such recovered shares to be revoked.

The compensation cost recognized for restricted stock award shares in 2023 and 2022 was NTD 18,710 thousand and NTD 21,013 thousand respectively.

XIX. Operating Revenue

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Integrated circuits	<u>\$ 1,141,594</u>	<u>\$ 1,631,877</u>

(A)	Contract Balance			
		<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>	<u>Jan. 1, 2022</u>
	Notes and accounts receivable (Note 8)	<u>\$ 191,426</u>	<u>\$ 169,644</u>	<u>\$ 322,377</u>
(B)	Itemized Revenue from Contracts with Customers <u>Itemized by Areas</u>			
		<u>2023</u>	<u>2022</u>	
	Taiwan (where Leadtrend is located)	\$ 598,364	\$ 851,269	
	Mainland China	534,307	760,072	
	Korea	2,187	5,201	
	Other countries	<u>6,736</u>	<u>15,335</u>	
		<u>\$ 1,141,594</u>	<u>\$ 1,631,877</u>	

XX. Net Profit of Operations

(A)	Interest Income		
		<u>2023</u>	<u>2022</u>
	Bank deposits	\$ 4,017	\$ 3,305
	Deposit interest	36	22
	Commercial paper	25	44
	Put-table bonds	-	101
	Others	<u>129</u>	<u>-</u>
		<u>\$ 4,207</u>	<u>\$ 3,472</u>
(B)	Other Incomes		
		<u>2023</u>	<u>2022</u>
	Government subsidy income	\$ 3,604	\$ 9,327
	Lease income		
	Other operating leases	2,188	2,182
	Others (Note)	<u>16,980</u>	<u>4,005</u>
		<u>\$ 22,772</u>	<u>\$ 15,514</u>
	Note: Mainly consisting of pension payment income		
(C)	Other Gains and Losses		
		<u>2023</u>	<u>2022</u>
	Gains (losses) arising from financial assets		
	Net profit of financial assets and liabilities at FVTPL	\$ 1,102	\$ 1,227
	Gains (losses) on disposal of property, plant and equipment	1,843	(151)
	Gains on disposal of subsidiaries	1,139	-
	Net gain (loss) on foreign exchange	(175)	16,596
	Profit from lease modification	-	20
	Others	<u>-</u>	<u>(957)</u>
		<u>\$ 3,909</u>	<u>\$ 16,735</u>

(D)	Financial Cost		
		<u>2023</u>	<u>2022</u>
	Interest on lease liabilities	\$ 460	\$ 564
	Other interest expenses	<u>1</u>	<u>-</u>
		<u>\$ 461</u>	<u>\$ 564</u>
(E)	Depreciation and Amortization		
		<u>2023</u>	<u>2022</u>
	Depreciation expenses by functions:		
	Operating cost	\$ 18,501	\$ 26,140
	Operating expenses	<u>68,734</u>	<u>62,962</u>
		<u>\$ 87,235</u>	<u>\$ 89,102</u>
	Amortization expenses by functions:		
	Operating cost	\$ 1,177	\$ 707
	Operating expenses	<u>9,339</u>	<u>12,487</u>
		<u>\$ 10,516</u>	<u>\$ 13,194</u>
(F)	Employee Benefit Expenses		
		<u>2023</u>	<u>2022</u>
	Post-employment benefits		
	Defined contribution plan	\$ 10,922	\$ 11,123
	Defined benefit plan (Note 16)	<u>216</u>	<u>520</u>
		11,138	11,643
	Share-based payment (Note 18)		
	Equity settlement	18,710	21,013
	Other employee benefits	<u>280,196</u>	<u>366,330</u>
	Total employee benefit expenses	<u>\$310,044</u>	<u>\$398,986</u>
	By functions:		
	Operating cost	\$ 46,965	\$ 58,201
	Operating expenses	<u>263,079</u>	<u>340,785</u>
		<u>\$310,044</u>	<u>\$398,986</u>
(G)	Remunerations to Employees and Directors		
	Leadtrend allocated employees' remuneration and directors' remuneration, from its profit computed before deduction of employees' remuneration and directors' remuneration, at a rate no less than 5% and at a rate no more than 2% respectively in accordance with the articles of incorporation. The remunerations to employees and directors estimated for the years 2023 and		

2022 were resolved at the board meeting on Feb. 29, 2024 and Mar. 16, 2023 respectively as follows:

Estimated Percentage

	<u>2023</u>	<u>2022</u>
Remuneration to employees	17%	14%
Remuneration to directors	2%	1%

Amount

	<u>2023</u>		<u>2022</u>	
	<u>Cash</u>	<u>Stock</u>	<u>Cash</u>	<u>Stock</u>
Remuneration to employees	\$ 5,197	\$ -	\$ 32,060	\$ -
Remuneration to directors	489	-	2,581	-

If any amount is changed after the date when the annual consolidated financial report is announced, then such change is treated as a change in accounting estimate and entered into the account for the following year after adjustment.

There is no difference between the amount of the employees' remuneration and directors' remuneration distributed actually for the years 2022 and 2021 and the corresponding amount recognized in the consolidated financial statements of the years 2022 and 2021.

For information of the remunerations to employees and directors resolved by the board of directors of Leadtrend, please check at the market observatory post system of Taiwan Stock Exchange.

(H) Foreign Exchange Gain (Loss)

	<u>2023</u>	<u>2022</u>
Total foreign exchange gains	\$ 14,918	\$ 38,803
Total foreign exchange losses	(15,093)	(22,207)
Net (loss) gain	(\$ 175)	\$ 16,596

XXI. Income Tax

(A) Income Tax Recognized in Profit or Loss

The tax (income) expense mainly comprises the items listed as follows:

	<u>2023</u>	<u>2022</u>
Current income tax		
Incurred for the current year	\$ 1,321	\$ 43,261
Adjusted for the previous year	(5,013)	(5,355)
	(3,692)	37,906
Deferred income tax		
Incurred for the current year	(450)	(68)
Tax expense (income) recognized in profit or loss	(\$ 4,142)	\$ 37,838

The accounting income and the tax (income) expense are reconciled as follows:

	<u>2023</u>	<u>2022</u>
Net profit (loss) before tax of continuing operations	<u>\$ 24,722</u>	<u>\$190,201</u>
Tax expense computed based on the net profit before tax at the legal tax rate	\$ 4,944	\$ 38,040
Permanent difference	(7,616)	(4,703)
Effect of temporary difference	3,543	9,856
Current adjustment of the tax expense of the previous year	(5,013)	(5,355)
Tax (income) expense recognized in profit or loss	<u>(\$ 4,142)</u>	<u>\$ 37,838</u>

The tax rate applicable to Leadtrend in accordance with the Income Tax Act of the Republic of China is 20%. The applicable tax rate for undistributed earnings is 5%. As the tax rate for high-tech enterprises is applicable to subsidiaries in Mainland China, the applicable tax rate is 15%. The tax amount incurred in another jurisdiction is calculated at the tax rate applicable in the jurisdiction.

(B) Current Tax Liabilities

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Current tax liabilities		
Income tax payable	<u>\$ 10,844</u>	<u>\$ 15,120</u>

(C) Deferred Tax Assets and Liabilities

Changes in deferred tax assets and liabilities are as follows:

2023

<u>Deferred tax assets</u>	<u>Beginning balance</u>	<u>Changes for the year</u>	<u>Ending balance</u>
Temporary difference	<u>\$ 91</u>	<u>\$ 450</u>	<u>\$ 541</u>

2022

<u>Deferred tax assets</u>	<u>Beginning balance</u>	<u>Changes for the year</u>	<u>Ending balance</u>
Temporary difference	<u>\$ 23</u>	<u>\$ 68</u>	<u>\$ 91</u>

(D) Income Tax Assessment

The profit-seeking enterprise annual income tax returns filed by Leadtrend as of 2021 have been assessed by the tax authority.

XXII. Earnings Per Share

	2023	Unit: NTD per share 2022
Basic earnings per share	<u>\$ 0.50</u>	<u>\$ 2.66</u>
Diluted earnings per share	<u>\$ 0.49</u>	<u>\$ 2.59</u>

The effect of stock grants were retroactively adjusted already in calculating earnings per share. The base date for stock grants was determined to be July 21, 2023. Due to retroactive adjustment, changes in basic and diluted earnings per share for 2022 are as follows:

	Before retroactive adjustment	Unit: NTD per share After retroactive adjustment
Basic earnings per share	<u>\$ 2.74</u>	<u>\$ 2.66</u>
Diluted earnings per share	<u>\$ 2.66</u>	<u>\$ 2.59</u>

Both the net profit and the weighted average number of common shares outstanding that were used to calculate earnings per share are disclosed as follows:

Net Profit of the Year

	2023	2022
Net profit used to calculate basic and diluted earnings per share	<u>\$ 28,864</u>	<u>\$152,363</u>

Number of Shares

	2023	Unit: In thousand shares 2022
Weighted average number of common shares outstanding used to calculate basic earnings per share	57,721	57,285
Impact of potential common shares with dilutive effect:		
Employee restricted stock award shares	710	829
Remuneration to employees	<u>184</u>	<u>811</u>
Weighted average number of common shares outstanding used to calculate diluted earnings per share	<u>58,615</u>	<u>58,925</u>

If Leadtrend chooses to distribute employees' remuneration in stock or cash, then for calculation of diluted earnings per share, employees' remuneration is assumed to be distributed in stock and the weighted average number of common shares outstanding is included when potential common shares have dilutive effect. When calculating diluted earnings per share before the number of shares distributed as employees' remuneration is resolved at the shareholders' meeting in the next year, Leadtrend will continue to consider dilutive effect of the potential common shares.

XXIII. Government Subsidy

Leadtrend was granted a subsidy of NTD 16,000 thousand for its "Advanced Power Delivery Management Technology Research and Development Center Program" under the A+ Industrial Innovation R&D Program initiated by Ministry of Economic Affairs in 2021. In 2022, Leadtrend obtained a subsidy amount of NTD 9,327 thousand. As of Dec. 31, 2022, Leadtrend obtained accumulatively subsidy amounts of NTD 16,000 thousand.

XXIV. Capital Risk Management

The Company conducts capital management to ensure the maximum of return on equity on the premise that the Company operates on an ongoing basis. No significant changes in the overall strategy of the Company.

The capital structure of the Company comprises stock capital, capital reserve, retained earnings and other equity.

The Company is not required to meet other external capital requirements.

XXV. Financial Instruments

(A) 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.

(B) Information of Fair Value – Financial Instruments Measured at Fair Value on a Repeatable Basis

1. Hierarchy of Fair Value

Dec. 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Beneficiary certificates of funds	\$ 83,823	\$ -	\$ -	\$ 83,823

Dec. 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>T o t a l</u>
<u>Financial assets at FVTPL</u>				
Beneficiary certificates of funds	\$ 55,634	\$ -	\$ -	\$ 55,634

There was no transfer between level 1 and level 2 fair value measurements in 2023 and 2022.

(C) Types of Financial Instruments

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Financial assets</u>		
Measured at FVTPL		
Measured compulsorily at FVTPL	\$ 83,823	\$ 55,634
Financial assets measured at amortized cost		
Cash and cash equivalents	457,745	250,680
Notes and accounts receivable	191,426	169,644
Refundable deposits	3,483	18,772
 <u>Financial liabilities</u>		
Measured at amortized cost		
Accounts payable	107,636	63,567
Guarantee deposits received	860	914

(D) Purpose and Policy of Financial Risk Management

Main financial instruments of the Company include notes and accounts receivable, refundable deposits, accounts payable 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 (including the monetary items in non-functional currencies written off already in the consolidated financial statements), 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 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, 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 functional currency against each foreign currency depreciates by 5%. If the functional currency 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	
	2023	2022	2023	2022
Profit (loss)				
before tax	\$ 4,035	\$ 5,236	\$ 2,503	\$ 1,782

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 USD exchange rate decreased for the current period. It was mostly because the balance of accounts payable in USD increased so that net USD assets decreased at the end of the year. Increase in sensitivity to the CNY exchange rate was mostly because cash and cash equivalents and accounts receivable in CYN increased so that net CNY assets increased 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:

	Dec. 31, 2023	Dec. 31, 2022
With fair value interest rate risk		
– Financial assets	\$342,700	\$129,271
– Financial liabilities	21,314	19,983
With cash flow interest rate risk		
– Financial assets	114,426	121,409

Sensitivity Analysis

The following sensitivity analysis is determined based on interest rate exposure with respect to non-derivative instruments on the balance sheet date. For the assets with floating interest rates, the analysis is made based on the assumption that the assets outstanding on the balance sheet date are still outstanding during the reporting period.

If the interest rate is increased/decreased by 0.1%, then in the situation where all other variables remain unchanged, the pretax net profit for 2023 and 2022 would increase/decrease by NTD 114 thousand and NTD 121 thousand, which is due to the Company's interest rate exposure with respect to net assets with variable interest rates.

2. Credit Risk

Credit risk refers to the risk incurred when the counterparty to a transaction delays its contractual obligations and thus causes financial loss of the Company. As of the balance sheet date, the maximum credit risk to which the Company was exposed due to possible failure by the counterparty to perform its obligations so as to cause a financial loss of the Company mainly results from the book amounts of financial assets recognized in the consolidated balance sheet.

To mitigate credit risk, the management of the Company has designated a team to take charge of the decision of credit line, credit approval and other monitoring procedures to ensure that proper measures are taken to recover overdue receivables. In addition, the Company has also reviewed recoverable amounts of receivables on a case-by-case basis on the balance sheet date to ensure that a proper amount of impairment loss is allocated for unrecoverable receivables. Accordingly, the management of the Company believes that the Company's credit risk has significantly reduced.

The entities from which accounts receivable shall be collected cover many customers engaging in different industries and located in different geographical areas. The Company continues evaluating financial conditions of each customer from which accounts receivable shall be collected.

As stated below, the Company does not have material credit risk exposure to any single counterparty to a transaction or any group of counterparties with similar characteristics, except for Customers A, B, C, D and E. When one of the counterparties is an affiliated enterprise of the other counterparty, the Company defines these counterparties as the counterparties with similar characteristics. As of Dec. 31, 2023, no credit risk focusing on counterparties, except Customers A, B, C, D and E, exceeded 5% of the total accounts receivable. However, as Customers A, B, C, D and E are reputable entities, credit risk is therefore limited.

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.

Dec. 31, 2023

	Payable upon demand or less than 1 month				Total
	1~3 months	3 months~1 year	1~5 years		
Accounts payable	<u>\$ 66,255</u>	<u>\$ 41,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,636</u>
Lease liabilities	<u>\$ 1,114</u>	<u>\$ 2,111</u>	<u>\$ 8,837</u>	<u>\$ 9,754</u>	<u>\$ 21,816</u>
Other current liabilities	<u>\$ 13,175</u>	<u>\$ 5,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,788</u>

Further information regarding the maturity analysis for the aforementioned financial liabilities is as follows:

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

Dec. 31, 2022

	Payable upon demand or less than 1 month				Total
	1~3 months	3 months~1 year	1~5 years		
Accounts payable	<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 regarding the maturity analysis for the aforementioned financial liabilities is as follows:

	Less than 1 year		
	1~5 years	Over 5 years	
Lease liabilities	<u>\$ 12,677</u>	<u>\$ 7,644</u>	<u>\$ -</u>

XXVI. Transactions with Related Parties

(A) Transactions, account balances, incomes and expenses among Leadtrend and its subsidiaries (i.e. related parties of Leadtrend) were eliminated completely upon consolidation, so they are not disclosed in the Notes. No transactions between the Company and any related party exist.

(B) Remunerations to Main Managements

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 26,412	\$ 22,405
Post-employment benefits	818	1,278
Share-based payment	<u>4,015</u>	<u>4,422</u>
	<u>\$ 31,245</u>	<u>\$ 28,105</u>

The remunerations to directors and main managements are determined by the remuneration committee based on individual performance and market trends.

XXVII. Material Contingent Liabilities and Unrecognized Contractual Commitments

The material commitments of the Company as of the balance sheet date are as follows:

(A) Material Commitments

Leadtrend signed a patent technology transfer agreement with a company in March 2018. The consideration for the transfer was agreed to be made in installments for 3 terms. The total contract amount for the 1st and 2nd terms was USD 600 thousand. The amount to be paid for the 3rd term was calculated at a certain percentage of the proceeds of patent derivatives earned for 3 years from the launch date, and should be no less than USD 300 thousand.

XXVIII. Information of Foreign Currency Assets and Liabilities Having a Material Impact

The following information is expressed in foreign currencies, rather than the functional currency used by each entity of the Company. The disclosed exchange rate refers to the exchange rate of the foreign currency to the functional currency. Foreign currency financial assets and liabilities having a material impact are as follows:

Dec. 31, 2023

Unit: In thousands of dollars in foreign currency

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

Dec. 31, 2022

Unit: In thousands of dollars in foreign currency

	Foreign currency	Exchange rate	Book amount
<u>Foreign currency assets</u>			
<u>Monetary item</u>			
USD	\$ 4,748	30.710 (USD:NTD)	\$ 145,819
USD	17	6.967 (USD:CNY)	536
CNY	8,084	4.408 (CNY:NTD)	35,635
			<u>\$ 181,990</u>

	Foreign currency	Exchange rate	Book amount
Foreign currency liabilities			
<u>Monetary item</u>			
USD	\$ 1,356	30.710 (USD:NTD)	<u>\$ 41,629</u>

The realized and unrealized net foreign exchange (losses) gains for 2023 and 2022 was (NTD 175) thousand and NTD 16,596 thousand respectively. As functional currencies adopted by entities in the Group for foreign currency transactions are diversified, disclosing foreign exchange gains or losses based on each foreign currency with material impact is not feasible.

XXIX. Disclosures in the Notes

(A) Material Transactions, and (B) Reinvestment-related Information: Material transactions between the parent company and a subsidiary and the balance thereof were written off completely in preparation of the consolidated financial statements.

- Funds lent to others: None
- Endorsement and guarantee for others: None
- Negotiable securities held at the end of the year:

Company holding securities	Type of negotiable securities	Name of negotiable securities	Relation with the issuer of negotiable securities	Account	End of year				Remark
					Number of shares or units (Thousand)	Book amount	Shareholding %	Fair value	
Leadtrend Shenzhen	Funds	CR Yuanta Cash Money Market Fund B	—	Financial assets at FVTPL— Current	-	\$83,823		\$83,823	Note 1

Note 1: It was calculated based on the net worth on Dec. 31, 2023.

Note 2: There were not any users providing collaterals or pledges for loans or being restricted by other agreements with respect to the negotiable securities listed above as of Dec. 31, 2023.

- Accumulated purchases or sales of negotiable securities up to NTD 300 million or 20% of the paid-in capital: None
- An amount of obtained real estate up to NTD 300 million or 20% of the paid-in capital: None
- Proceeds up to NTD 300 million or 20% of the paid-in capital from disposal of real estate: None
- Purchases from or sales to related parties up to NTD 300 million or 20% of the paid-in capital:

Selling (purchasing) company	Counterparty	Relation	Transaction				Transaction terms different from those for general transactions, and reasons		Notes and accounts receivable (payable)		Remark
			Sale (purchase)	Amount	Of total purchase (sale)(%)	Credit period	Unit price	Credit period	Balance	Of the total notes and accounts receivable (payable) (%)	

Note: The selling price at which Leadtrend sold products to the related party was determined based on the arm's length principle.

- Receivables from related parties up to NTD 100 million or 20% of the paid-in capital: None
- Transactions of derivatives: None
- Others: Business relationship between the parent company and each subsidiary, and between subsidiaries, and important transactions among them and transaction amounts:

No.	Name of trading party	Counterparty to the transaction	Relation with the trading party (Note 2)	Transaction details			Of the total consolidated revenue or total assets
				Accounting item	Amount	Transaction conditions	
0	Leadtrend Technology Corporation	Leadtrend (Shenzhen) Co., Ltd.	1	Sales revenue	\$ 276,569	Note 3	24%
0	Leadtrend Technology Corporation	Leadtrend (Shenzhen) Co., Ltd.	1	Accounts receivable – Related parties	40,266	Note 3	2%

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.

“2” represents a transaction initiated by a subsidiary with the parent company.

Note 3: No comparable prices can be found to compare with sales prices between subsidiaries.

Payment collection periods for subsidiaries are identical to those for general customers.

11. Information of Investee Companies:

Unit: In thousands of NTD; in thousands of USD

Name of investee company	Location	Main business activities	Original investment amount		Held at the end of the year			Current profit (loss) of the investee company	Investment gain (loss) recognized for the year	Remark
			End of the year	End of last year	Number of shares	Ratio%	Book amount			
Leadtrend Technology (Samoa) Limited	Samoa	Investments	USD	USD 768	-	-	\$ -	(\$ 23)	(\$ 23)	A subsidiary

Note: These figures were calculated based on the financial statements of the investee company audited by CPAs for the same period.

(C) Information of Investments in Mainland China:

The Company does not have any other matters that should 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	Accumulated investment amount remitted from Taiwan at the beginning of the year	Investment amount remitted or recovered in the year		Accumulated investment amount remitted from Taiwan at the end of 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	Recovered						
Leadtrend (Shenzhen) Co., Ltd.	Design and R&D of computer application software and system integration; wholesale of computer software, integrated circuits, semiconductor chips and related electronic parts and components; manufacturing of electronic components, manufacturing of integrated circuit chips and products, manufacturing of computer software, hardware and peripheral equipment	\$ 303,980 (USD 9,900)	Note 1	\$ 216,470 (USD 7,050)	\$ -	\$ -	\$ 216,470 (USD 7,050)	\$ 38,103 (USD 1,223)	100%	\$ 38,103 (USD 1,223)	\$ 235,499 (USD 7,670)	\$ -

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
\$216,470 (USD 7,050)	\$303,980 (USD 9,900)	\$985,777

Note1: The investment was made physically in Mainland China.

- Note2: It was calculated based on the financial statements of the same accounting period audited 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.
- Note4: The Company was approved, by the Investment Commission, Ministry of Economic Affairs on Oct. 24, 2016, to make investments in an amount of USD 6 million. If the Company fails to complete such investments within 3 years after the date of approval, the approved investment amount shall be invalid. On July 17, 2018, the Investment Commission, Ministry of Economic Affairs approved that Leadtrend Technology (Samoa) Limited, an investee company in a third area, should use its own funds, instead of USD 2.8 million in the investment amount, to invest in Leadtrend (Shenzhen) Co., Ltd. directly. As of Dec. 31, 2023, the Company and Leadtrend Technology (Samoa) Limited remitted USD 1 million and USD 1.85 million, respectively, for investment. The rest of the aforementioned investment amount has been invalidated.
- Note5: The Company was approved, by the Investment Commission, Ministry of Economic Affairs on Dec. 12, 2019, to make investments in an amount of USD 8 million, and Leadtrend Technology (Samoa) Limited, an investee company in a third area, was also approved to use its own funds in an amount of USD 1 million to invest in Leadtrend (Shenzhen) Co., Ltd. directly. As of Dec. 31, 2023, Leadtrend and Leadtrend Technology (Samoa) Limited remitted USD 5.15 million and USD 1 million, respectively, for investment. The rest of the aforementioned investment amount has been invalidated.

2. Material transactions with investee companies in Mainland China directly or through a third region, the prices, payment terms, unrealized gains (losses) with respect to the transactions, and relevant information helpful for understanding the impact of investments in Mainland China on the financial statements: Refer to (A) 7 and 10 "Others".

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

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

XXX. Information of Segments

- (A) Segment Revenues, Business Results and Segment Assets
Business decision makers of the Company focus on product-specific information when allocating resources and evaluating performance of segments. As each product has similar economic characteristics and is sold in a unified and centralized marketing way, the Company is therefore aggregated as a single independently operated business. Measurement bases for the information of segments provided by the Company for business decision makers for review are the same as those for the consolidated financial statements. For the revenues and operating results of segments for 2023 and 2022 to be reported, please refer to the consolidated statement of comprehensive income for the years ended Dec. 31, 2023 and 2022. For segment assets on Dec. 31, 2023 and 2022 to be reported, please refer to the consolidated balance sheet of Dec. 31, 2023 and 2022.
- (B) Revenues from Main Products and Services:
The Company's revenues from main products and services are analyzed as follows:

	<u>2023</u>	<u>2022</u>
Integrated circuits	<u>\$ 1,141,594</u>	<u>\$ 1,631,877</u>

(C) Information about Geographical Areas:

The incomes of the Company's continuing operations from external customers are listed, by the countries where the customers are located and by the areas where non-current assets are located, as follows:

	Revenue from external customers		Non-current assets	
	2023	2022	Dec. 31, 2023	Dec. 31, 2022
Taiwan (where Leadtrend is located)	\$ 598,364	\$ 851,269	\$ 457,991	\$ 514,470
Mainland China	534,307	760,072	56,115	53,700
Korea	2,187	5,201	-	-
Other countries	<u>6,736</u>	<u>15,335</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,141,594</u>	<u>\$ 1,631,877</u>	<u>\$ 514,106</u>	<u>\$ 568,170</u>

Neither deferred income tax assets nor refundable deposits are included in non-current assets.

(D) Information of Important Customers:

The customers from each of which the revenue occupied more than 10% of the net operating revenue of the Company are as follows:

Name of Customer	2023		2022	
	Amount	Percent age %	Amount	Percent age %
Company A	\$ 316,301	28	\$ 509,907	31
Company B	145,125	13	157,111	9
Company C	125,569	11	139,640	9