

**eMemory Technology Inc. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2024 and 2023 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
eMemory Technology Inc.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of eMemory Technology Inc. and its subsidiaries (collectively referred to as the "Group") as of September 30, 2024 and 2023, and the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2024 and 2023, changes in equity and cash flows for the nine months then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statement"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Basis for Qualified Conclusion**

As stated in Note 11 to the consolidated financial statements, The balance of investment accounted for using the equity method of eMemory Technology Inc. and its subsidiaries on September 30, 2024 and 2023 is \$9,718 thousand and \$12,718 thousand, respectively. Share of loss of associates for the three months and the nine months ended September 30, 2024 and 2023 are \$811 thousand, \$822 thousand, \$2,429 thousand, and \$2,498 thousand, respectively. These investment amounts, as well as related information disclosed in Note 32 the consolidated financial statements, were based on unreviewed financial statements of the investees for the same reporting periods as those of the Group.

### **Qualified Conclusion**

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the investment accounted for using the equity method and related share of loss of associates as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2024 and 2023, its consolidated financial performance for the three months ended September 30, 2024 and 2023, and its consolidated financial performance and consolidated cash flows for the nine months then ended September 30, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Cheng Chih Lin and Ya-Yun Chang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

October 25, 2024

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

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

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2024		December 31, 2023		September 30, 2023		LIABILITIES AND EQUITY	September 30, 2024		December 31, 2023		September 30, 2023	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash(Notes 6 and 27)	\$2,658,912	70	\$2,731,524	73	\$2,302,078	70	Short-term loans(Notes 16 and 27)	\$ -	-	\$ 30,000	1	\$ 30,000	1
Accounts receivable - net(Notes 9,21 and 27)	283,301	7	194,960	5	367,752	11	Contract liabilities - current(Notes 21 and 28)	77,233	2	77,268	2	70,754	2
Other receivables(Notes 27)	1,445	-	2,965	-	1,673	-	Other payables(Notes 17 and 27)	202,767	5	174,743	5	144,843	5
Prepayments(Notes 15)	23,961	1	20,170	1	28,656	1	Other payables - related parties(Notes 27 and 28)	35	-	-	-	50	-
Other current assets(Notes 15 and 27)	4,552	-	4,974	-	5,902	-	Bonuses payable to employees and directors(Notes 22)	380,010	10	349,031	9	360,293	11
Total current assets	<u>2,972,171</u>	<u>78</u>	<u>2,954,593</u>	<u>79</u>	<u>2,706,061</u>	<u>82</u>	Payables on equipment(Notes 27)	3,534	-	9,220	-	11,662	-
							Current tax liabilities(Notes 4 and 23)	52,868	2	44,486	1	-	-
<b>NON-CURRENT ASSETS</b>							Lease liabilities - current(Notes 13 and 27)	2,674	-	2,358	-	2,895	-
Financial assets at fair value through other comprehensive income - noncurrent(Notes 7 and 27)	4,700	-	5,369	-	4,947	-	Other current liabilities(Notes 17 and 28)	2,592	-	2,479	-	2,560	-
Financial assets at amortized cost - noncurrent(Notes 8,27 and 29)	118	-	118	-	116	-	Total current liabilities	<u>721,713</u>	<u>19</u>	<u>689,585</u>	<u>18</u>	<u>623,057</u>	<u>19</u>
Investment accounted for using the equity method(Notes 11)	9,718	-	12,063	-	12,718	1							
Property, plant and equipment(Notes 12)	477,486	13	473,470	13	459,540	14	<b>NON-CURRENT LIABILITIES</b>						
Right-of-use assets (Notes 13)	6,368	-	3,607	-	4,600	-	Deferred tax liabilities(Notes 4 and 23)	-	-	-	-	2,004	-
Intangible assets(Notes 14)	98,569	3	79,299	2	94,417	3	Lease liabilities – noncurrent (Notes 13 and 27)	3,838	-	1,314	-	1,743	-
Deferred tax assets(Notes 4 and 23)	4,094	-	3,770	-	1,742	-	Net defined benefit liabilities - noncurrent(Notes 4 and 18)	12,512	-	13,010	1	15,246	1
Prepayments for equipment(Notes 15 and 30)	225,196	6	224,714	6	8,173	-	Guarantee deposits received	10	-	10	-	10	-
Refundable deposits	1,519	-	694	-	693	-	Total non-current liabilities	<u>16,360</u>	<u>-</u>	<u>14,334</u>	<u>1</u>	<u>19,003</u>	<u>1</u>
Total non-current assets	<u>827,768</u>	<u>22</u>	<u>803,104</u>	<u>21</u>	<u>586,946</u>	<u>18</u>	Total liabilities	<u>738,073</u>	<u>19</u>	<u>703,919</u>	<u>19</u>	<u>642,060</u>	<u>20</u>
							<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY(Notes 19 and 20)</b>						
							Ordinary shares	746,623	20	746,423	20	762,093	23
							Capital surplus	121,484	3	114,313	3	114,172	3
							Retained earnings						
							Legal reserve	761,844	20	761,844	20	761,844	23
							Special reserve	5,170	-	4,980	-	4,980	-
							Unappropriated earnings	1,413,927	37	1,400,884	37	1,383,152	42
							Total retained earnings	<u>2,180,941</u>	<u>57</u>	<u>2,167,708</u>	<u>57</u>	<u>2,149,976</u>	<u>65</u>
							Other equity						
							Exchange differences on the translation of the financial statements of foreign operations	595	-	61	-	295	-
							Unrealized gain (loss) on financial assets at fair value through other comprehensive income	( 5,900)	-	( 5,231)	-	( 5,653)	-
							Total other equity	( 5,305)	-	( 5,170)	-	( 5,358)	-
							Treasury shares	-	-	-	-	( 404,238)	( 12)
							Total equity attributable to shareholders of the Company	3,043,743	80	3,023,274	80	2,616,645	79
							<b>NON-CONTROLLING INTERESTS(Notes 19)</b>						
							Total equity	<u>3,061,866</u>	<u>81</u>	<u>3,053,778</u>	<u>81</u>	<u>2,650,947</u>	<u>80</u>
<b>TOTAL</b>	<u>\$3,799,939</u>	<u>100</u>	<u>\$3,757,697</u>	<u>100</u>	<u>\$3,293,007</u>	<u>100</u>	<b>TOTAL</b>	<u>\$3,799,939</u>	<u>100</u>	<u>\$3,757,697</u>	<u>100</u>	<u>\$3,293,007</u>	<u>100</u>

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

# EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE(Notes 21,28 and 33)	\$ 899,477	100	\$ 787,091	100	\$ 2,595,251	100	\$ 2,151,467	100
OPERATING COSTS	—	—	—	—	—	—	—	—
GROSS PROFIT	<u>899,477</u>	<u>100</u>	<u>787,091</u>	<u>100</u>	<u>2,595,251</u>	<u>100</u>	<u>2,151,467</u>	<u>100</u>
OPERATING EXPENSES(Notes 13,22 and 28)								
Selling and marketing expenses	68,294	8	69,711	9	205,417	8	173,644	8
General and administrative expenses	79,660	9	74,625	9	235,343	9	209,993	10
Research and development expenses	246,547	27	225,566	29	732,132	28	614,789	28
Expected credit loss (reversal) (Notes 9)	<u>60</u>	<u>-</u>	<u>( 29)</u>	<u>-</u>	<u>1,641</u>	<u>-</u>	<u>( 31)</u>	<u>-</u>
Total operating expenses	<u>394,561</u>	<u>44</u>	<u>369,873</u>	<u>47</u>	<u>1,174,533</u>	<u>45</u>	<u>998,395</u>	<u>46</u>
OPERATING INCOME	<u>504,916</u>	<u>56</u>	<u>417,218</u>	<u>53</u>	<u>1,420,718</u>	<u>55</u>	<u>1,153,072</u>	<u>54</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income(Notes 22)	18,225	2	14,981	2	57,779	2	42,532	2
Other income(Notes 13 and 22)	347	-	736	-	1,092	-	1,481	-
Other gains and losses(Notes 22 and 25)	( 33,460)	( 3)	54,254	7	60,106	2	79,218	3
Finance costs(Notes 22)	( 95)	-	( 134)	-	( 468)	-	( 181)	-
Share of loss of associates(Notes 11)	( 811)	-	( 822)	-	( 2,429)	-	( 2,498)	-
Total non-operating income and expenses	<u>( 15,794)</u>	<u>( 1)</u>	<u>69,015</u>	<u>9</u>	<u>116,080</u>	<u>4</u>	<u>120,552</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	489,122	55	486,233	62	1,536,798	59	1,273,624	59
INCOME TAX EXPENSE(Notes 4 and 23)	<u>79,557</u>	<u>9</u>	<u>80,530</u>	<u>10</u>	<u>231,036</u>	<u>9</u>	<u>210,585</u>	<u>10</u>
NET PROFIT	<u>409,565</u>	<u>46</u>	<u>405,703</u>	<u>52</u>	<u>1,305,762</u>	<u>50</u>	<u>1,063,039</u>	<u>49</u>

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# EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income (loss) (Notes 19 and 27)	( 351)	-	229	-	( 669)	-	33	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on the translation of the financial statements of foreign operations(Notes 19)	686	-	486	-	663	-	( 334)	-
Share of the other comprehensive (loss) income of associates accounted for using the equity method(Notes 11 and 19)	( 6)	-	2	-	( 21)	-	8	-
Other comprehensive income (loss)	329	-	717	-	( 27)	-	( 293)	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 409,894</u>	<u>46</u>	<u>\$ 406,420</u>	<u>52</u>	<u>\$ 1,305,735</u>	<u>50</u>	<u>\$ 1,062,746</u>	<u>49</u>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO:</b>								
Shareholders of the Company	\$ 413,969	46	\$ 405,903	52	\$ 1,319,642	51	\$ 1,070,690	50
Non-controlling interests	( 4,404)	-	( 200)	-	( 13,880)	( 1)	( 7,651)	( 1)
	<u>\$ 409,565</u>	<u>46</u>	<u>\$ 405,703</u>	<u>52</u>	<u>\$ 1,305,762</u>	<u>50</u>	<u>\$ 1,063,039</u>	<u>49</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>								
Shareholders of the Company	\$ 414,302	46	\$ 406,522	52	\$ 1,319,507	51	\$ 1,070,312	50
Non-controlling interests	( 4,408)	-	( 102)	-	( 13,772)	( 1)	( 7,566)	( 1)
	<u>\$ 409,894</u>	<u>46</u>	<u>\$ 406,420</u>	<u>52</u>	<u>\$ 1,305,735</u>	<u>50</u>	<u>\$ 1,062,746</u>	<u>49</u>
<b>EARNINGS PER SHARE(Notes 24)</b>								
Basic	<u>\$ 5.54</u>		<u>\$ 5.44</u>		<u>\$ 17.68</u>		<u>\$ 14.35</u>	
Diluted	<u>\$ 5.54</u>		<u>\$ 5.43</u>		<u>\$ 17.64</u>		<u>\$ 14.31</u>	

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

(Concluded)

**EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES**

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

	Equity Attributable to Shareholders of the Company							Other Equity		Treasury Shares	Total	Non-Controlling Interests	Total Equity
	Ordinary Shares		Capital Surplus	Legal Reserve	Retained Earnings			Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
	Number of Shares (In Thousands)	Amount			Special Reserve	Unappropriated Earnings	Total						
BALANCE, JANUARY 1, 2023	76,185	\$ 761,845	\$ 210,522	\$ 635,956	\$ 30,985	\$ 1,830,114	\$ 2,497,055	\$ 706	(\$ 5,686)	(\$ 404,238)	\$ 3,060,204	\$ 33,120	\$ 3,093,324
Appropriation of 2022 earnings													
Legal reserve	-	-	-	125,888	-	( 125,888 )	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	( 1,417,769 )	( 1,417,769 )	-	-	-	( 1,417,769 )	-	( 1,417,769 )
Reversal of special reserve	-	-	-	-	( 26,005 )	26,005	-	-	-	-	-	-	-
Changes in percentage of ownership interests in subsidiaries	-	-	7,923	-	-	-	-	-	-	-	7,923	( 7,923 )	-
Change in capital surplus from investments in associates accounted for using the equity method	-	-	23	-	-	-	-	-	-	-	23	-	23
Issuance of cash dividends from capital surplus	-	-	( 111,929 )	-	-	-	-	-	-	-	( 111,929 )	-	( 111,929 )
Net profit (loss) for the nine months ended September 30, 2023	-	-	-	-	-	1,070,690	1,070,690	-	-	-	1,070,690	( 7,651 )	1,063,039
Other comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	-	-	-	( 411 )	33	-	( 378 )	85	( 293 )
Total comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	-	1,070,690	1,070,690	( 411 )	33	-	1,070,312	( 7,566 )	1,062,746
Issuance of ordinary shares under employee share options	25	248	7,633	-	-	-	-	-	-	-	7,881	-	7,881
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	1,239	1,239
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	15,432	15,432
BALANCE, SEPTEMBER 30, 2023	76,210	\$ 762,093	\$ 114,172	\$ 761,844	\$ 4,980	\$ 1,383,152	\$ 2,149,976	\$ 295	(\$ 5,653)	(\$ 404,238)	\$ 2,616,645	\$ 34,302	\$ 2,650,947
BALANCE, JANUARY 1, 2024	74,643	\$ 746,423	\$ 114,313	\$ 761,844	\$ 4,980	\$ 1,400,884	\$ 2,167,708	\$ 61	(\$ 5,231)	\$ -	\$ 3,023,274	\$ 30,504	\$ 3,053,778
Appropriation of 2023 earnings													
Special reserve	-	-	-	-	190	( 190 )	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	( 1,306,409 )	( 1,306,409 )	-	-	-	( 1,306,409 )	-	( 1,306,409 )
Changes in percentage of ownership interests in subsidiaries	-	-	882	-	-	-	-	-	-	-	882	( 882 )	-
Change in capital surplus from investments in associates accounted for using the equity method	-	-	105	-	-	-	-	-	-	-	105	-	105
Net profit (loss) for the nine months ended September 30, 2024	-	-	-	-	-	1,319,642	1,319,642	-	-	-	1,319,642	( 13,880 )	1,305,762
Other comprehensive income (loss) for the nine months ended September 30, 2024	-	-	-	-	-	-	-	534	( 669 )	-	( 135 )	108	( 27 )
Total comprehensive income (loss) for the nine months ended September 30, 2024	-	-	-	-	-	1,319,642	1,319,642	534	( 669 )	-	1,319,507	( 13,772 )	1,305,735
Issuance of ordinary shares under employee share options	20	200	6,184	-	-	-	-	-	-	-	6,384	368	6,752
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	1,905	1,905
BALANCE, SEPTEMBER 30, 2024	74,663	\$ 746,623	\$ 121,484	\$ 761,844	\$ 5,170	\$ 1,413,927	\$ 2,180,941	\$ 595	(\$ 5,900)	\$ -	\$ 3,043,743	\$ 18,123	\$ 3,061,866

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

# EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

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

	<u>Nine Months Ended September 30</u>	
	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,536,798	\$ 1,273,624
Adjustments for:		
Depreciation expenses	34,287	29,481
Amortization expenses	76,505	61,557
Expected credit loss (reversal)	1,641	( 31 )
Finance costs	468	181
Interest income	( 57,779 )	( 42,532 )
Dividend income	-	( 363 )
Share-based payments	1,905	1,239
Share of loss of associates	2,429	2,498
Property, plant and equipment transferred to expenses	-	67
Loss on disposal of intangible assets	82	-
Net gain on foreign currency exchange	( 59,925 )	( 62,134 )
Lease modification benefit	( 9 )	-
Intangible assets transferred to expenses	344	597
Changes in operating assets and liabilities		
Accounts receivable	( 90,237 )	( 118,783 )
Accounts receivable - related parties	-	3,038
Other receivables	-	( 6 )
Prepayments	1,874	4,205
Other current assets	422	( 1,745 )
Contract liabilities	( 35 )	3,246
Other payables	28,025	( 37,127 )
Other payables- related parties	35	40
Other current liabilities	113	581
Net defined benefit liabilities	( 498 )	( 466 )
Bonuses payable to employees and directors	<u>30,979</u>	<u>( 24,688 )</u>
Cash generated from operations	1,507,424	1,092,479
Interest received	59,313	41,883
Income tax paid	<u>( 228,657 )</u>	<u>( 360,103 )</u>
Net cash generated from operating activities	<u>1,338,080</u>	<u>774,259</u>

(Continued)



# EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

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

	<b>Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(\$ 41,035)	(\$ 21,499)
Increase in refundable deposits	( 825)	-
Decrease in refundable deposits	-	129
Acquisition of intangible assets	( 96,201)	( 82,384)
Increase in prepayments for equipment	( 482)	( 8,173)
Dividends received	-	363
Net cash used in investing activities	<u>( 138,543)</u>	<u>( 111,564)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	-	30,000
Decrease in short-term loans	( 30,000)	-
Repayment of the principal portion of lease liabilities	( 2,983)	( 2,695)
Dividends paid	( 1,306,402)	( 1,529,693)
Exercise of employee share options	6,752	7,881
Interest paid	( 488)	( 163)
Increase in non-controlling interests	-	15,432
Net cash used in financing activities	<u>( 1,333,121)</u>	<u>( 1,479,238)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>60,972</u>	<u>52,353</u>
<b>NET DECREASE IN CASH</b>	<b>( 72,612)</b>	<b>( 764,190)</b>
<b>CASH AT THE BEGINNING OF THE PERIOD</b>	<u>2,731,524</u>	<u>3,066,268</u>
<b>CASH AT THE END OF THE PERIOD</b>	<u>\$ 2,658,912</u>	<u>\$ 2,302,078</u>

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

(Concluded)

# EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

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

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on October 25, 2024.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company and the entities controlled by the Company (collectively, the “Group”) accounting policies.

- b. The IFRS Accounting Standards endorsed by FSC for application starting from 2025.

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB</b>
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 1)

Note 1: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

- c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRS Accounting Standards-Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7” Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets	To be determined by IASB

between An Investor and Its Associate or Joint Venture”	
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

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

#### IFRS 18 “Presentation and Disclosures in Financial Statements”

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

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discounted operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as “other” only if it cannot find a more informative label.
- Disclosure of performance measures as defined by management: When the Group communicates publicly outside the financial statements and communicates with the users of the financial statements the management's views on a certain aspect of the overall financial performance of the consolidated company, it should disclose the relevant information about the performance measures defined by the management in a single note to the financial statements, including the description of the measurement, how it is calculated, its reconciliation with the subtotals or aggregates specified in IFRS accounting standards, and the impact of income tax and non-controlling interests of the relevant reconciliation items.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### a. Statement of compliance

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

##### b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are

measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

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

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

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

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

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

d. Other significant accounting policies

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

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

Current assets include:

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

Current liabilities include:

- a) Liabilities held primarily for the purpose of trading;
- b) Liabilities due to be settled within 12 months after the reporting period; and

- c) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

2) Retirement benefits

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

3) Income tax expense

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

## 5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

## 6. CASH

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Bank deposits	\$ 2,658,875	\$ 2,731,487	\$ 2,302,043
Cash on hand	<u>37</u>	<u>37</u>	<u>35</u>
	<u>\$ 2,658,912</u>	<u>\$ 2,731,524</u>	<u>\$ 2,302,078</u>

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
<u>Non-current</u>			
Investments in equity instruments at FVTOCI	<u>\$ 4,700</u>	<u>\$ 5,369</u>	<u>\$ 4,947</u>
Domestic investments			
Unlisted shares			
Ordinary shares - Syntronix Corporation	<u>\$ 4,700</u>	<u>\$ 5,369</u>	<u>\$ 4,947</u>

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

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>September 30,</u> <u>2023</u>
<u>Non-current</u>			
Domestic investments			
Pledged time deposits	\$ <u>118</u>	\$ <u>118</u>	\$ <u>116</u>

- a. Refer to Note 27 for information relating to the credit risk management and impairment of financial assets at amortized cost.
- b. Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

## 9. ACCOUNTS RECEIVABLE, NET

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>September 30,</u> <u>2023</u>
Accounts receivable	\$ 284,985	\$ 195,003	\$ 367,818
Less: Allowance for impairment loss	<u>(1,684)</u>	<u>(43)</u>	<u>(66)</u>
	<u>\$ 283,301</u>	<u>\$ 194,960</u>	<u>\$ 367,752</u>

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

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

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

The Group writes off an account receivable when there is information indicating that the debtor is in severe financial difficulty, and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Group measures the loss allowance for accounts receivable, and the information is as follows:

September 30, 2024

	<b>Not Past Due</b>	<b>1 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 181 Days</b>	<b>Total</b>
Expected credit loss rate	-	0.84%	1.95%~3.35%	4.35%~4.76%	100%	
Gross carrying amount	\$ 253,363	\$ 25,968	\$ 2,648	\$ 1,582	\$ 1,424	\$ 284,985
Loss allowance (lifetime ECLs)	-	(171)	(89)	-	(1,424)	(1,684)
Amortized cost	<u>\$ 253,363</u>	<u>\$ 25,797</u>	<u>\$ 2,559</u>	<u>\$ 1,582</u>	<u>\$ -</u>	<u>\$ 283,301</u>

December 31, 2023

	<b>Not Past Due</b>	<b>1 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 181 Days</b>	<b>Total</b>
Expected credit loss rate	-	0.19%	1.14%~1.18%	4.35%~4.55%	100%	
Gross carrying amount	\$ 184,840	\$ 9,702	\$ 461	\$ -	\$ -	\$ 195,003
Loss allowance (lifetime ECLs)	-	(33)	(10)	-	-	(43)
Amortized cost	<u>\$ 184,840</u>	<u>\$ 9,669</u>	<u>\$ 451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,960</u>

September 30, 2023

	<b>Not Past Due</b>	<b>1 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 181 Days</b>	<b>Total</b>
Expected credit loss rate	-	0.19%	1.14%~1.18%	4.35%~4.55%	100%	
Gross carrying amount	\$ 341,247	\$ 26,571	\$ -	\$ -	\$ -	\$ 367,818
Loss allowance (lifetime ECLs)	-	(66)	-	-	-	(66)
Amortized cost	<u>\$ 341,247</u>	<u>\$ 26,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,752</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>
Balance at January 1	\$ 43	\$ 97
Add: Net remeasurement of loss allowance	1,641	-
Less: Net remeasurement of loss allowance	-	(31)
Balance at September 30	<u>\$ 1,684</u>	<u>\$ 66</u>

**10. SUBSIDIARIES**

Subsidiaries included in the consolidated financial statements

<b>Investor</b>	<b>Investee</b>	<b>Nature of Activities</b>	<b>Proportion of Ownership</b>			<b>Remark</b>
			<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>	
eMemory Technology Inc.	PUFsecurity Corporation	Product designing, software services, data processing services, intellectual property, etc.	75.30%	75.38%	75.41%	1
	eMemory Japan Corporation	Product designing, intellectual property management, technology services	100%	100%	100%	2
PUFsecurity Corporation	PUFsecurity USA Corporation	Sales promotion	100%	100%	100%	-
	PUFsecurity Technology (Shanghai) Corporation	Product designing and related services	100%	100%	100%	3

Remarks:

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

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

The employees of the Group exercised the employee share options issued by PUFsecurity Corporation for the year ended September 30, 2024. Therefore, the Company's shareholding percentage decreased from 75.38% to 75.30%.

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

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in associates

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Associates that is not individually material			
iMQ Technology Inc.	\$ 9,718	\$ 12,063	\$ 12,718

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

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

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

## 12. PROPERTY, PLANT AND EQUIPMENT

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Assets used by the Group	\$ 477,173	\$473,153	\$ 459,222
Assets leased under operating leases	<u>313</u>	<u>317</u>	<u>318</u>
	<u>\$ 477,486</u>	<u>\$473,470</u>	<u>\$459,540</u>



a. Assets used by the Group

	Freehold Land	Buildings	Research and Development Equipment	Office Equipment	Total
<u>Cost</u>					
Balance at January 1, 2024	\$ 123,905	\$ 378,205	\$ 104,512	\$ 26,528	\$ 633,150
Additions	-	4,685	29,694	850	35,229
Disposals	-	( 330)	( 18,587)	( 2,310)	( 21,227)
Effect of exchange rate changes	-	-	-	9	9
Balance at September 30, 2024	<u>\$ 123,905</u>	<u>\$ 382,560</u>	<u>\$ 115,619</u>	<u>\$ 25,077</u>	<u>\$ 647,161</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2024	\$ -	\$ 105,658	\$ 44,149	\$ 10,190	\$ 159,997
Depreciation expense	-	8,083	18,835	4,297	31,215
Disposals	-	( 330)	( 18,587)	( 2,310)	( 21,227)
Effect of exchange rate changes	-	-	-	3	3
Balance at September 30, 2024	<u>\$ -</u>	<u>\$ 113,411</u>	<u>\$ 44,397</u>	<u>\$ 12,180</u>	<u>\$ 169,988</u>
Carrying amount at September 30, 2024	<u>\$ 123,905</u>	<u>\$ 269,149</u>	<u>\$ 71,222</u>	<u>\$ 12,897</u>	<u>\$ 477,173</u>
Carrying amount at December 31, 2023 and January 1, 2024	<u>\$ 123,905</u>	<u>\$ 272,547</u>	<u>\$ 60,363</u>	<u>\$ 16,338</u>	<u>\$ 473,153</u>
<u>Cost</u>					
Balance at January 1, 2023	\$ 123,905	\$ 394,320	\$ 89,651	\$ 22,613	\$ 630,489
Additions	-	1,629	18,219	5,835	25,683
Disposals	-	( 299)	( 23,561)	( 2,915)	( 26,775)
Reclassified	-	-	( 48)	( 21)	( 69)
Effect of exchange rate changes	-	-	( 2)	( 26)	( 28)
Balance at September 30, 2023	<u>\$ 123,905</u>	<u>\$ 395,650</u>	<u>\$ 84,259</u>	<u>\$ 25,486</u>	<u>\$ 629,300</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2023	\$ -	\$ 111,962	\$ 49,816	\$ 8,236	\$ 170,014
Depreciation expense	-	8,956	14,280	3,607	26,843
Disposals	-	( 299)	( 23,561)	( 2,915)	( 26,775)
Reclassified	-	-	( 1)	( 1)	( 2)
Effect of exchange rate changes	-	-	-	( 2)	( 2)
Balance at September 30, 2023	<u>\$ -</u>	<u>\$ 120,619</u>	<u>\$ 40,534</u>	<u>\$ 8,925</u>	<u>\$ 170,078</u>
Carrying amount at September 30, 2023	<u>\$ 123,905</u>	<u>\$ 275,031</u>	<u>\$ 43,725</u>	<u>\$ 16,561</u>	<u>\$ 459,022</u>

b. Assets leased under operating leases

	Freehold Land	Buildings	Total
<u>Cost</u>			
Balance at January 1 and September 30, 2024	<u>\$ 114</u>	<u>\$ 265</u>	<u>\$ 379</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2024	\$ -	\$ 62	\$ 62
Depreciation expense	-	4	4
Balance at September 30, 2024	<u>\$ -</u>	<u>\$ 66</u>	<u>\$ 66</u>
Carrying amount at September 30, 2024	<u>\$ 114</u>	<u>\$ 199</u>	<u>\$ 313</u>
Carrying amount at December 31, 2023 and January 1, 2024	<u>\$ 114</u>	<u>\$ 203</u>	<u>\$ 317</u>

<u>Cost</u>	<b>Freehold Land</b>	<b>Buildings</b>	<b>Total</b>
Balance at January 1 and September 30, 2023	\$ <u>114</u>	\$ <u>265</u>	\$ <u>379</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ -	\$ 57	\$ 57
Depreciation expense	<u>-</u>	<u>4</u>	<u>4</u>
Balance at September 30, 2023	\$ <u>-</u>	\$ <u>61</u>	\$ <u>61</u>
Carrying amount at September 30, 2023	\$ <u>114</u>	\$ <u>204</u>	\$ <u>318</u>

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

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

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Year 1	\$ <u>45</u>	\$ <u>30</u>	\$ <u>45</u>

There was no indication of impairment for the nine months ended September 30, 2024 and 2023.

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

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

### 13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
<u>Carrying amount</u>			
Buildings	\$ 6,048	\$ 2,488	\$ 3,146
Office equipment	208	-	-
Transportation equipment	<u>112</u>	<u>1,119</u>	<u>1,454</u>
	\$ <u>6,368</u>	\$ <u>3,607</u>	\$ <u>4,600</u>

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Additions to right-of-use assets			\$ <u>7,121</u>	\$ <u>1,857</u>
Depreciation charge for right-of-use assets				
Buildings	\$ 633	\$ 671	\$ 937	\$ 1,628
Office equipment	42	-	125	-
Transportation equipment	<u>335</u>	<u>335</u>	<u>1,006</u>	<u>1,006</u>
	<u>\$ 1,010</u>	<u>\$ 1,006</u>	<u>\$ 3,068</u>	<u>\$ 2,634</u>
Income from the subleasing of right-of-use assets (presented in other income)	(\$ <u>332</u> )	(\$ <u>358</u> )	(\$ <u>1,047</u> )	(\$ <u>1,073</u> )

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets for the nine months ended September 30, 2024 and 2023.

b. Lease liabilities

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
<u>Carrying amount</u>			
Current	\$ <u>2,674</u>	\$ <u>2,358</u>	\$ <u>2,895</u>
Non-current	\$ <u>3,838</u>	\$ <u>1,314</u>	\$ <u>1,743</u>

Discount rates for lease liabilities were as follows:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Buildings	1.38%~2.20%	1.38%~2.00%	1.38%~2.00%
Office equipment	3.00%	-	-
Transportation equipment	2.73%	2.73%	2.73%

c. Other lease information

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Expenses relating to short-term leases	\$ <u>1,036</u>	\$ <u>1,024</u>	\$ <u>2,972</u>	\$ <u>3,482</u>
Total cash outflow for leases			(\$ <u>6,283</u> )	(\$ <u>6,340</u> )

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

## 14. INTANGIBLE ASSETS

	Patents	Software	Trademarks	Total
<u>Cost</u>				
Balance at January 1, 2024	\$ 180,937	\$ 85,100	\$ 3,000	\$ 269,037
Additions	8,840	87,361	-	96,201
Disposals	( 158)	( 74,308)	-	( 74,466)
Reclassified	( 344)	-	-	( 344)
Balance at September 30, 2024	<u>\$ 189,275</u>	<u>\$ 98,153</u>	<u>\$ 3,000</u>	<u>\$ 290,428</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2024	\$ 123,077	\$ 63,696	\$ 2,965	\$ 189,738
Amortization expense	12,006	64,482	17	76,505
Disposals	( 76)	( 74,308)	-	( 74,384)
Balance at September 30, 2024	<u>\$ 135,007</u>	<u>\$ 53,870</u>	<u>\$ 2,982</u>	<u>\$ 191,859</u>
Carrying amount at September 30, 2024	<u>\$ 54,268</u>	<u>\$ 44,283</u>	<u>\$ 18</u>	<u>\$ 98,569</u>
Carrying amount at December 31, 2023 and January 1, 2024	<u>\$ 57,860</u>	<u>\$ 21,404</u>	<u>\$ 35</u>	<u>\$ 79,299</u>
<u>Cost</u>				
Balance at January 1, 2023	\$ 168,765	\$ 33,193	\$ 3,000	\$ 204,958
Additions	9,003	73,381	-	82,384
Disposals	( 49)	( 24,717)	-	( 24,766)
Reclassified	( 597)	-	-	( 597)
Balance at September 30, 2023	<u>\$ 177,122</u>	<u>\$ 81,857</u>	<u>\$ 3,000</u>	<u>\$ 261,979</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2023	\$ 106,556	\$ 21,284	\$ 2,931	\$ 130,771
Amortization expense	12,490	49,039	28	61,557
Disposals	( 49)	( 24,717)	-	( 24,766)
Balance at September 30, 2023	<u>\$ 118,997</u>	<u>\$ 45,606</u>	<u>\$ 2,959</u>	<u>\$ 167,562</u>
Carrying amount at September 30, 2023	<u>\$ 58,125</u>	<u>\$ 36,251</u>	<u>\$ 41</u>	<u>\$ 94,417</u>

The Group's major products are NeoBit®, NeoFuse®, NeoPUF®, NeoEE® and NeoMTP®, etc. There are 1,366 patents currently owned or pending approval for the products mentioned above. According to the requirements of IAS 38, the research and development costs were recognized as research and development expenses, instead of capitalized, in the periods when incurred. The costs of the patents and the trademarks mentioned above were the costs of the relevant fees and professional service expenses for legal right applications.

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

Patents	5 years
Software	1-3 years
Trademarks	5 years

## 15. OTHER ASSETS

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>September 30,</u> <u>2023</u>
<u>Current</u>			
Prepayments			
Prepayments for annual fee on the patents	\$ 6,412	\$ 5,707	\$ 5,539
Prepayments for income tax	6,020	355	12,862
Prepayments for outsourced testing	1,618	1,816	1,846
Prepayments for software maintenance	701	1,637	1,096
Prepayments for membership	541	1,303	1,300
Prepayments for software	138	1,596	261
Others	8,531	7,756	5,752
	<u>\$ 23,961</u>	<u>\$ 20,170</u>	<u>\$ 28,656</u>
Other assets			
Temporary payments	<u>\$ 4,552</u>	<u>\$ 4,974</u>	<u>\$ 5,902</u>
<u>Non-current</u>			
Prepayments for equipment			
Prepayments for building purchase	\$ 224,714	\$ 224,714	\$ -
Prepayments for equipment	482	-	8,173
	<u>\$ 225,196</u>	<u>\$ 224,714</u>	<u>\$ 8,173</u>

## 16. SHORT-TERM LOANS

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

The interest rate on bank recurring loans were 2.185% and 2.18% on December 31,2023 and September 30,2023, respectively.

## 17. OTHER LIABILITIES

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>September 30,</u> <u>2023</u>
<u>Current</u>			
Other payables			
Bonuses	\$ 140,616	\$ 123,990	\$ 93,710
Payable for annual leave	5,255	5,737	3,165
Payable for professional service fees	2,079	1,969	1,922
Others	54,817	43,047	46,046
	<u>\$ 202,767</u>	<u>\$ 174,743</u>	<u>\$ 144,843</u>
Other liabilities			
Receipt under custody	\$ 2,038	\$ 1,895	\$ 1,872
Receipts in advance	524	582	679
Temporary receipts	30	2	9
	<u>\$ 2,592</u>	<u>\$ 2,479</u>	<u>\$ 2,560</u>

## 18. RETIREMENT BENEFIT PLANS

Employee benefit expenses for the three months and nine months ended September 30, 2024 and 2023 in

respect of the Group's defined contribution retirement plans, which calculated using the projected pension cost rates on December 31, 2023 and 2022 actuarial reports were \$39 thousand, \$58 thousand, \$118 thousand, and \$172 thousand, respectively.

## 19. EQUITY

### a. Ordinary shares

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Numbers of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>74,663</u>	<u>74,643</u>	<u>76,210</u>
Shares issued	<u>\$ 746,623</u>	<u>\$ 746,423</u>	<u>\$ 762,093</u>

For the nine months ended September 30, 2024, the shares changed due to the employees' exercise of their employee share options and the reduction in the retirement of treasury stock.

### b. Capital surplus

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
<u>Arising from issuance of ordinary shares</u>	\$ 13,817	\$ 7,633	\$ 7,633
Arising from issuance of ordinary-exercised/invalid employee share options	17,522	14,451	14,915
<u>May be used to offset a deficit only</u>			
Arising from changes in percentage of ownership interests in subsidiaries (2)	23,130	22,248	21,806
Arising from share of changes in capital surplus of associates (2)	63,239	63,134	62,971
<u>May not be used for any purpose</u>			
Arising from employee share option	<u>3,776</u>	<u>6,847</u>	<u>6,847</u>
	<u>\$ 121,484</u>	<u>\$ 114,313</u>	<u>\$ 114,172</u>

- Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- Such capital surplus arises from the effects of changes in ownership interests in subsidiaries and associates resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries and associates accounted for using the equity method.

### c. Retained earnings and dividend policy

Based on the Company's Articles of Incorporation state that, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations; however, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock. And then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the

shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 22 (g).

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

An appropriation of earnings to the legal reserve shall be made before the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2023 and 2022 which had been approved in the the shareholders' meeting on June 19, 2024 and June 9, 2023, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Legal reserve	\$ <u>          -</u>	\$ <u>125,888</u>
Special reserve (Reversal)	\$ <u>      190</u>	(\$ <u>26,005</u> )
Cash dividends	\$ <u>1,306,409</u>	\$ <u>1,417,769</u>
Cash dividends per share (NT\$)	\$ <u>      17.50</u>	\$ <u>      19.00</u>

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

d. Other equity items

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>
Balance at January 1	\$ <u>      61</u>	\$ <u>      706</u>
Recognized for the period		
Exchange differences on the translation of the financial statements of foreign operations	555	(419)
Share from associates accounted for using the equity method	<u>      (21)</u>	<u>          8</u>
Other comprehensive loss recognized for the period	<u>      534</u>	<u>      (411)</u>
Balance at September 30	\$ <u>      595</u>	\$ <u>      295</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>
Balance at January 1	\$ (5,231)	\$ (5,686)
Recognized for the period		
Unrealized gain (loss) - equity instruments	(669)	33
Other comprehensive income (loss) recognized for the period	(669)	33
Balance at September 30	<u>\$ (5,900)</u>	<u>\$ (5,653)</u>

e. Non-controlling interests

	<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>
Balance at January 1	\$ 30,504	\$ 33,120
Change in percentage of ownership interests in subsidiaries	(882)	(7,923)
Share in loss for the period	(13,880)	(7,651)
Other comprehensive income during the period		
Exchange differences on the translation of the financial statements of foreign operations	108	85
Share-based payments	1,905	1,239
Non-controlling interests	-	15,432
Exercise of employee share options by subsidiaries	368	-
Balance at September 30	<u>\$ 18,123</u>	<u>\$ 34,302</u>

f. Treasury shares

<b>Purpose of Buy-Back</b>	<b>Unit: In Thousands of Shares</b>			
	<b>Number of Shares at January 1</b>	<b>Increase During the Period</b>	<b>Decrease During the Period</b>	<b>Number of Shares at September 30</b>
<u>2023</u>				
Shares transferred to employees	<u>1,567</u>	-	-	<u>1,567</u>

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

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

## 20. SHARE-BASED PAYMENTS

The Company did not issue employee share options for the nine months ended September 30, 2024 and 2023. The information of employee share options was as follows:



	<b>For the Nine Months Ended September 30</b>			
	<b>2024</b>		<b>2023</b>	
	<b>Number of Options (thousand)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (thousand)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	44	\$ 318.4	69	\$ 318.4
Options exercised	<u>(20)</u>	318.4	<u>(25)</u>	318.4
Balance at September 30	<u>24</u>	318.4	<u>44</u>	318.4
Options exercisable, end of period	<u>24</u>	318.4	<u>44</u>	318.4

Compensation cost recognized were all NT\$0 thousand for the three months and the nine months ended September 30, 2024 and 2023.

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

The information of employee share options was as follows:

	<b>For the Nine Months Ended September 30</b>			
	<b>2024</b>		<b>2023</b>	
	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	3,418	\$ 2	3,995	\$ 2
Options exercised	(70)	2	-	-
Options forfeited	<u>(44)</u>	2	<u>(532)</u>	2
Balance at September 30	<u>3,304</u>	2	<u>3,463</u>	2
Options exercisable, end of period	<u>937</u>	2	<u>1,039</u>	2

Compensation cost recognized were NT\$9 thousand, NT\$13 thousand, NT\$26 thousand and NT\$31 thousand for the three months and the nine months ended September 30, 2024 and 2023, respectively.

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

The information of employee share options was as follows:

	<b>For the Nine Months Ended September 30</b>			
	<b>2024</b>		<b>2023</b>	
	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	2,080	\$ 4	2,080	\$ 4
Options exercised	(57)	4	-	-
Options forfeited	(135)	4	-	-
Balance at September 30	<u>1,888</u>	4	<u>2,080</u>	4
Options exercisable, end of period	<u>558</u>	4	<u>-</u>	-

Compensation cost recognized were NT\$86 thousand, NT\$269 thousand, NT\$539 thousand, and NT\$805 thousand for the three months and the nine months ended September 30, 2024 and 2023, respectively.

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

The information of employee share options was as follows:

	<b>For the Nine Months Ended September 30</b>			
	<b>2024</b>		<b>2023</b>	
	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	282	\$ 4	420	\$ 4
Options forfeited	<u>-</u>	-	<u>(138)</u>	4
Balance at September 30	<u>282</u>	4	<u>282</u>	4
Options exercisable, end of period	<u>85</u>	4	<u>-</u>	-

Compensation cost recognized (reversed) were NT\$34 thousand, NT\$(5) thousand, NT\$108 thousand, and NT\$90 thousand for the three months and the nine months ended September 30, 2024 and 2023, respectively.

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

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

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

The information of employee share options was as follows:

	<b>For the Nine Months Ended September 30</b>			
	<b>2024</b>		<b>2023</b>	
	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	2,965	\$ 5	-	\$ -
Options granted	-	-	2,968	5
Options forfeited	<u>(235)</u>	5	<u>-</u>	-
Balance at September 30	<u>2,730</u>	5	<u>2,968</u>	5
Weighted average fair value of options granted (NT\$)	<u>-</u>	-	<u>\$ 1.82</u>	-

Information on outstanding options is as follows :

	<b>September 30, 2023</b>
Range of exercise Price(NT\$)	<u>\$ 5</u>
Weighted average remaining contractual life (in year)	4.84 years

Options granted in August 2023 were priced using the Black-Scholes pricing model and the inputs of the model were as follows:

Grant-date share price (NT\$)	\$ 4.36
Exercise price (NT\$)	\$ 5
Expected volatility	56.84~60.95%
Expected life	3.5~4.5 years
Expected dividend yield	-
Risk-free interest rate	1.05~1.09%

Compensation cost recognized were NT\$402 thousand, NT\$313 thousand, NT\$1,232 thousand, and NT\$313 thousand for the three months and the nine months ended September 30, 2024 and 2023, respectively.

## 21. REVENUE

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Royalty revenue	\$ 608,838	\$ 527,940	\$ 1,776,572	\$ 1,499,556
Technical service revenue	290,639	259,151	818,679	651,911
	<u>\$ 899,477</u>	<u>\$ 787,091</u>	<u>\$ 2,595,251</u>	<u>\$ 2,151,467</u>

a. Contract balances

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>	<b>January 1, 2023</b>
Accounts receivable (Note 9)	<u>\$ 283,301</u>	<u>\$ 194,960</u>	<u>\$ 367,752</u>	<u>\$ 242,452</u>
Contract liabilities				
Technical service revenue	<u>\$ 77,233</u>	<u>\$ 77,268</u>	<u>\$ 70,754</u>	<u>\$ 67,508</u>

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

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>
From contract liabilities at the beginning of the year		
Technical service revenue	<u>\$ 46,097</u>	<u>\$ 32,674</u>

b. Partially completed contracts

	<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>
Domestic	\$ 1,538,713	\$ 1,297,336
Asia	926,120	730,499
Others	<u>130,418</u>	<u>123,632</u>
	<u>\$ 2,595,251</u>	<u>\$ 2,151,467</u>

**22. NET PROFIT FROM CONTINUING OPERATIONS**

a. Interest income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Bank deposits	\$ 18,222	\$ 14,979	\$ 57,769	\$ 42,524
Others	<u>3</u>	<u>2</u>	<u>10</u>	<u>8</u>
	<u>\$ 18,225</u>	<u>\$ 14,981</u>	<u>\$ 57,779</u>	<u>\$ 42,532</u>

b. Other income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Rental income	\$ 347	\$ 373	\$ 1,092	\$ 1,118
Dividend income	<u>-</u>	<u>363</u>	<u>-</u>	<u>363</u>
	<u>\$ 347</u>	<u>\$ 736</u>	<u>\$ 1,092</u>	<u>\$ 1,481</u>

c. Other gains and losses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Net foreign exchange (loss) gain	(\$ 33,616)	\$ 54,241	\$ 54,098	\$ 73,730
Government grant income (Note 25)	-	-	5,465	5,465
Others	<u>156</u>	<u>13</u>	<u>543</u>	<u>23</u>
	<u>(\$ 33,460)</u>	<u>\$ 54,254</u>	<u>\$ 60,106</u>	<u>\$ 79,218</u>

d. Finance costs

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Interest on lease liabilities	\$ 95	\$ 116	\$ 328	\$ 163
Interest on bank loans	<u>-</u>	<u>18</u>	<u>140</u>	<u>18</u>
	<u>\$ 95</u>	<u>\$ 134</u>	<u>\$ 468</u>	<u>\$ 181</u>

e. Depreciation and amortization

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
An analysis of depreciation by function				
Operating expenses	<u>\$ 11,406</u>	<u>\$ 9,949</u>	<u>\$ 34,287</u>	<u>\$ 29,481</u>
An analysis of amortization by function				
Selling and marketing expenses	\$ -	\$ 8	\$ 8	\$ 25
General and administrative expenses	1,330	1,535	4,102	4,574
Research and development expenses	<u>24,976</u>	<u>21,686</u>	<u>72,395</u>	<u>56,958</u>
	<u>\$ 26,306</u>	<u>\$ 23,229</u>	<u>\$ 76,505</u>	<u>\$ 61,557</u>

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

f. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Post-employment benefits				
Defined contribution plans	\$ 6,389	\$ 5,947	\$ 18,840	\$ 17,424
Defined benefit plans(Note 18)	<u>39</u>	<u>58</u>	<u>118</u>	<u>172</u>
	<u>6,428</u>	<u>6,005</u>	<u>18,958</u>	<u>17,596</u>
Share-based payments (Note 20)				
Equity-settled	<u>531</u>	<u>590</u>	<u>1,905</u>	<u>1,239</u>
Other employee benefits	<u>312,221</u>	<u>289,411</u>	<u>937,956</u>	<u>790,130</u>
 Total employee benefits expense	 <u>\$ 319,180</u>	 <u>\$ 296,006</u>	 <u>\$ 958,819</u>	 <u>\$ 808,965</u>
 An analysis of employee benefits expense by function				
Operating expenses	<u>\$ 319,180</u>	<u>\$ 296,006</u>	<u>\$ 958,819</u>	<u>\$ 808,965</u>

g. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of 1-25% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the three months and the nine months ended September 30, 2024 and 2023 are as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2024	2023
Employees' compensation	15%	15%
Remuneration of directors	1.5%	1.5%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Employees' compensation	<u>\$ 88,632</u>	<u>\$ 87,376</u>	<u>\$ 278,496</u>	<u>\$ 230,107</u>
Remuneration of directors	<u>\$ 8,864</u>	<u>\$ 8,738</u>	<u>\$ 27,850</u>	<u>\$ 23,011</u>

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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	<u>\$ 302,977</u>	<u>\$ 344,259</u>
Remuneration of directors	<u>\$ 30,298</u>	<u>\$ 34,426</u>

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

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

### 23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Current tax				
In respect of the current period	\$ 82,429	\$ 79,549	\$ 259,169	\$ 207,580
Income tax on unappropriated earnings	( 462 )	-	-	-
Adjustments for prior years' tax	<u>-</u>	<u>-</u>	<u>( 27,809 )</u>	<u>-</u>
	81,967	79,549	231,360	207,580
Deferred tax				
In respect of the current period	<u>( 2,410 )</u>	<u>981</u>	<u>( 324 )</u>	<u>3,005</u>
Income tax expense recognized in profit or loss	<u>\$ 79,557</u>	<u>\$ 80,530</u>	<u>\$ 231,036</u>	<u>\$ 210,585</u>

b. Income tax assessments

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

### 24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Basic earnings per share	<u>\$ 5.54</u>	<u>\$ 5.44</u>	<u>\$ 17.68</u>	<u>\$ 14.35</u>
Diluted earnings per share	<u>\$ 5.54</u>	<u>\$ 5.43</u>	<u>\$ 17.64</u>	<u>\$ 14.31</u>

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

## Net Profit for the period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Earnings used in the computation of basic earnings per share	\$ 413,969	\$ 405,903	\$ 1,319,642	\$ 1,070,690
Effect of potentially dilutive ordinary shares:				
Employees' compensation	-	-	-	-
Employee share options	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 413,969</u>	<u>\$ 405,903</u>	<u>\$ 1,319,642</u>	<u>\$ 1,070,690</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Weighted average number of ordinary shares used in the computation of basic earnings per share	74,657	74,632	74,655	74,624
Effect of potentially dilutive ordinary shares:				
Employees' compensation	106	114	125	152
Employee share options	<u>25</u>	<u>46</u>	<u>28</u>	<u>52</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>74,788</u>	<u>74,792</u>	<u>74,808</u>	<u>74,828</u>

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

## 25. GOVERNMENT GRANTS

PUFsecurity Corporation applied for A+ Industrial Innovation R&D Program "PUF-based AIoT Chip Secure Element R&D Project", proposed by the Ministry of Economic Affairs, and the program was approved on January 14, 2022. The total funds approved amounted to NT\$70,000 thousand, and the subsidies amounted to NT\$28,000 thousand. The actual distribution of government grant income, which expired on January 31, 2024, was NT\$26,468 thousand, had been fully recognized as government grant income. The collateral provided by PUFsecurity Corporation included cashier checks whose drawees are banking industries and the amount was NT\$28,000 thousand, and the guarantee was released on June 19, 2024.



## 26. CAPITAL MANAGEMENT

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

## 27. FINANCIAL INSTRUMENTS

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

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

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

#### 1) Fair value hierarchy

September 30, 2024

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ _____ -	\$ _____ -	\$ <u>4,700</u>	\$ <u>4,700</u>

December 31, 2023

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

September 30, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ _____ -	\$ _____ -	\$ <u>4,947</u>	\$ <u>4,947</u>

There were no transfers between Levels 1 and 2 in the nine months ended September 30, 2024 and 2023.

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

<b>Financial Assets</b>	<b>Financial Assets at FVTOCI</b>	
	<b>Equity Instruments</b>	
	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2024</b>	<b>2023</b>
Balance at January 1	\$ 5,369	\$ 4,914
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	( 669)	33
Balance at September 30	<u>\$ 4,700</u>	<u>\$ 4,947</u>

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

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

c. Categories of financial instruments

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
<u>Financial assets</u>			
Financial asset at amortized cost (Note 1)	\$ 2,948,307	\$ 2,934,532	\$ 2,677,503
Investment in equity instrument at FVTOCI	4,700	5,369	4,947
<u>Financial liabilities</u>			
Amortized cost (Note 2)	34,308	71,333	70,225

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

Sensitivity analysis

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative. The sensitivity analysis included cash, accounts receivable and other payables (including related parties).

	<u>USD Impact</u>		<u>CNY Impact</u>		<u>EUR Impact</u>		<u>JPY Impact</u>	
	For the Nine Months Ended September 30		For the Nine Months Ended September 30		For the Nine Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023	2024	2023	2024	2023
Profit or loss	\$40,357	\$77,714	(\$ 22)	\$ 463	(\$ 3)	\$ -	(\$ 192)	\$ 18

b) Interest rate risk

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

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Fair value interest rate risk			
Financial assets	\$ 2,288,798	\$ 2,281,888	\$ 1,860,138
Cash flow interest rate risk			
Financial assets	370,195	449,717	442,021
Financial liabilities	-	30,000	30,000

### Sensitivity analysis

The sensitivity analyses below are determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the asset and liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If the market interest rates had increased/decreased by 0.1% and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2024 and 2023 would increase/decrease by \$278 thousand and \$309 thousand, respectively, mainly due to the Group's exposure to floating interest rate assets.

## 2) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations and result in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation mainly arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to minimize credit risk, the Group has made credit and receivable management regulations to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

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

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

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

## 3) Liquidity risk

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

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

September 30, 2024

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 17,998	\$ 16,003	\$ 317	\$ -	\$ 34,318
Lease liabilities	348	463	2,085	3,961	6,857
	<u>\$ 18,346</u>	<u>\$ 16,466</u>	<u>\$ 2,402</u>	<u>\$ 3,961</u>	<u>\$ 41,175</u>

Additional information about the maturity analysis for financial liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Lease liabilities	<u>\$ 2,896</u>	<u>\$ 3,961</u>	<u>\$ -</u>

December 31, 2023

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

Additional information about the maturity analysis for financial liabilities:

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

September 30, 2023

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 17,479	\$ 22,264	\$ 492	\$ -	\$ 40,235
Lease liabilities	358	716	2,148	1,875	5,097
Variable interest rate liabilities	74	109	30,144	-	30,327
	<u>\$ 17,911</u>	<u>\$ 23,089</u>	<u>\$ 32,784</u>	<u>\$ 1,875</u>	<u>\$ 75,659</u>

Additional information about the maturity analysis for financial liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Lease liabilities	\$ 3,222	\$ 1,875	\$ -
Variable interest rate liabilities	<u>30,327</u>	<u>-</u>	<u>-</u>
	<u>\$ 33,549</u>	<u>\$ 1,875</u>	<u>\$ -</u>

b) Financing facilities

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Unsecured bank overdraft facilities			
- Amount used	\$ -	\$ 30,000	\$ 30,703
- Amount unused	<u>330,000</u>	<u>170,000</u>	<u>169,297</u>
	<u>\$ 330,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>

The bank facilities used as of September 30, 2023, including a letter of credit of 3,250 thousand yen, which is guaranteed by the bank in respect of the purchase of machinery and equipment's guarantee letter issued by the company.

## 28. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

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

b. Operating revenue

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Sales	Substantive related parties	\$ -	\$ 784	\$ -	\$ 14,519

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

c. Contract liabilities

Related Party Category/Name	September 30, 2024	December 31, 2023	September 30, 2023
Substantive related parties	\$ _____	\$ _____	\$ 808

d. Operating Expenses

Line Item	Related Party Category	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2024	2023	2024	2023
Research experiment and material expenses	Substantive related parties	\$ _____	\$ _____	\$ 5,714	\$ _____

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

e. Payables to related parties

Line Item	Related Party Category	September 30, 2024	December 31, 2023	September 30, 2023
Other payables – related parties	Key Management Personnel T.C. Chen	\$ 35	\$ _____	\$ 50

f. Compensation of key management personnel

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ 32,269	\$ 31,281	\$ 101,237	\$ 90,034
Post-employment benefits	157	206	534	692
Share-based payment transactions	103	( 4 )	308	22
	<u>\$ 32,529</u>	<u>\$ 31,483</u>	<u>\$ 102,079</u>	<u>\$ 90,748</u>

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

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2024	December 31, 2023	September 30, 2023
Pledged time deposits (classified as financial assets at amortized cost)	\$ 118	\$ 118	\$ 116

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENT

In addition to those disclosed in other notes, significant commitments and contingencies of the Group at

balance sheet date were as follows:

Detail of significant outstanding contracts of property, plant and equipment as of September 30, 2024, including tax were as follows:

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

### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

September 30, 2024

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 25,810	31.65 (USD:NTD)	\$ 816,897
USD	50	7.0074 (USD:CNY)	1,586
JPY	869	0.2223	<u>193</u>
			<u>\$ 818,676</u>
<u>Financial liabilities</u>			
Monetary items			
USD	358	31.65	\$ 11,342
CNY	98	4.523	443
EUR	2	35.38	57
JPY	18,184	0.2223	<u>4,042</u>
			<u>\$ 15,884</u>

December 31, 2023

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



	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 353	30.705	\$ 10,825
JPY	6,316	0.2162	<u>1,372</u>
			<u>\$ 12,197</u>

September 30, 2023

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 48,284	32.27(USD:NTD)	\$1,558,120
USD	50	7.1798 (USD:CNY)	1,585
CNY	2,096	4.415	9,256
JPY	7,439	0.2162	<u>1,608</u>
			<u>\$1,570,569</u>
<u>Financial liabilities</u>			
Monetary items			
USD	169	32.27	\$ 5,445
CNY	1	4.415	4
JPY	5,770	0.2162	<u>1,247</u>
			<u>\$ 6,696</u>

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

<b>For the Nine Months Ended September 30</b>				
<b>2024</b>			<b>2023</b>	
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>
USD	31.65 (USD:NTD)	<u>(\$ 6,079)</u>	32.27 (USD:NTD)	<u>\$ 10,542</u>

### 32. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures):  
Table 1
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20%  
of the paid-in capital: None

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
  - 9) Trading in derivative instruments: None
  - 10) Intercompany relationships and significant intercompany transactions: Table 2
- b. Information on investees: Table 3
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 4
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 5

### **33. SEGMENT INFORMATION**

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

The measurement basis of segment information presented to the chief operating decision maker is the same as that of the consolidated financial statements. The segment revenues and operating results for the nine months ended September 30, 2024 and 2023 can be found in the consolidated statements of comprehensive income for the nine months ended September 30, 2024 and 2023. The segment assets as of September 30, 2024 and 2023, December 31, 2023 can be found in the consolidated balance sheets as of September 30, 2024 and 2023, December 31, 2023.

**EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**SEPTEMBER 30, 2024**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2024				Note
				Number of Shares (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
The Company	<u>Shares</u> Syntronix Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	1,210	\$ 4,700	2.81	\$ 4,700	Note 2

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

Note 2: The market value was based on the fair value as of September 30, 2024.

Note 3: As of September 30, 2024, the above marketable securities had not been pledged or mortgaged.

**EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024  
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	The Company	PUFsecurity Corporation	1	Sales	\$ 4,730	-	0.18%
			1	Other income	731	-	0.03%
			1	Other gains and losses	13,600	-	0.52%
			1	Other receivables - related parties	8,356	-	0.22%
			1	Other current liabilities	88	-	-
		eMemory Japan	1	Operating expense	18,118	-	0.70%
			1	Other payables - related parties	4,037	-	0.11%
1	PUFsecurity Corporation	PUFsecurity USA Corporation	3	Operating expense	13,851	-	0.53%
			3	Other receivables - related parties	5	-	-
		PUFsecurity Technology (Shanghai) Corporation	3	Other payables - related parties	4,739	-	0.12%
			3	Operating expense	4,395	-	0.17%
			3	Other payables - related parties	444	-	0.01%

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

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

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

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

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

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2024			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				September 30, 2024	December 31, 2023	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
The Company	PUFsecurity Corporation	Hsinchu County	Product designing, software services, data processing services, intellectual property, etc.	\$ 275,634	\$ 275,634	82,563	75.30	\$ 47,512	(\$56,318)	(\$42,414)	Subsidiary
	eMemory Japan Corporation	Japan	Product designing, intellectual property management, technology services	22,255	22,255	-	100.00	7,896	1,750	1,750	Subsidiary
	iMQ Technology Inc.	Hsinchu City	Electronic parts and components manufacturing	27,900	27,900	2,057	2.24	9,718	(105,281)	(2,429)	Investment accounted for using the equity method
PUFsecurity Corporation	PUFsecurity USA Corporation	USA	Sales promotion	7,777	7,777	-	100.00	5,381	519	519	Subsidiary

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND AND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2024	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2024	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2024	Accumulated Repatriation of Investment Income as of September 30, 2024
					Outward	Inward						
PUFsecurity Technology (Shanghai) Corporation	Product designing and related services	\$ 7,445 (USD 250)	Notes 1 and 2	\$ 7,445 (USD 250)	\$ -	\$ -	\$ 7,445 (USD 250)	\$ 55	100.00	\$ 55	\$ 6,969	\$ -

Accumulated Outward Remittance for Investments in Mainland China as of September 30, 2024	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 7,445 (USD 250)	\$ 7,445 (USD 250)	\$ 1,826,246

Note 1: Direct investment in mainland China.

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

**EMEMORY TECHNOLOGY INC.**

**INFORMATION OF MAJOR SHAREHOLDERS  
SEPTEMBER 30, 2024**

No.	Name	Shares	
		Number of Shares Held	Ownership Percentage
1	SmallCap World Fund Inc.	5,972,499	7.99%
2	Government of Singapore	4,936,965	6.61%

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.