

EZconn Corporation and Subsidiaries

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
EZconn Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of EZconn Corporation and its subsidiaries (collectively, the “Group”), as of September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022, and for the nine months ended September 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, and the related notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2023 and 2022, its consolidated financial performance for the three months ended September 30, 2023 and 2022, its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chun-Hung Chen and Hsiu-Chun Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 7, 2023

Notice to Readers

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

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

EZCONN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,159,861	36	\$ 983,593	29	\$ 683,718	20
Financial assets at amortized cost - current (Note 8)	98,609	3	33,027	1	33,494	1
Notes receivable (Note 9)	3,059	-	4,266	-	7,653	-
Trade receivables (Note 9)	545,279	17	621,454	18	873,041	26
Other receivables from unrelated parties (Note 9)	16,118	1	18,653	1	24,842	1
Other receivables from related parties (Note 27)	-	-	1,500	-	-	-
Current tax assets	-	-	-	-	336	-
Inventories (Note 10)	503,905	16	798,376	23	780,984	23
Prepayments	15,818	-	14,725	1	12,618	1
Other current assets	5,364	-	13,795	-	5,778	-
Total current assets	2,348,013	73	2,489,389	73	2,422,464	72
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Notes 7 and 21)	52,197	2	30,077	1	36,440	1
Financial assets at amortized cost - non-current (Notes 8 and 28)	2,309	-	2,284	-	2,284	-
Investments accounted for using the equity method (Note 12)	44,848	1	56,413	2	60,677	2
Property, plant and equipment (Notes 13 and 28)	571,804	18	608,478	18	608,325	18
Right-of-use assets (Note 14)	86,818	3	94,906	3	96,955	3
Intangible assets (Note 15)	7,560	-	9,740	-	7,742	-
Deferred tax assets (Note 4)	114,664	3	114,702	3	111,256	3
Prepayments for equipment	1,593	-	1,083	-	12,064	1
Refundable deposits	3,114	-	3,155	-	3,157	-
Total non-current assets	884,907	27	920,838	27	938,900	28
TOTAL	\$ 3,232,920	100	\$ 3,410,227	100	\$ 3,361,364	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 16)	\$ 330,000	10	\$ 330,000	10	\$ 330,000	10
Notes payable (Note 17)	70,390	2	26,488	1	14	-
Trade payables to unrelated parties (Note 17)	103,852	3	227,644	7	180,470	5
Trade payables to related parties (Note 27)	474	-	-	-	21	-
Other payables (Note 18)	265,659	8	304,712	9	314,589	9
Current tax liabilities (Note 4)	24,190	1	64,179	2	52,901	2
Provisions - current (Note 19)	8,055	-	8,055	-	8,055	-
Lease liabilities - current (Note 14)	15,814	1	14,097	-	13,468	1
Current portion of long-term borrowings (Notes 16 and 28)	12,000	1	12,000	-	12,000	-
Other current liabilities (Note 18)	70,270	2	66,244	2	69,045	2
Total current liabilities	900,704	28	1,053,419	31	980,563	29
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 16 and 28)	212,000	7	218,000	7	224,000	7
Deferred tax liabilities (Note 4)	4,732	-	31,044	1	42,408	1
Lease liabilities - non-current (Note 14)	52,724	2	61,404	2	63,476	2
Net defined benefit liabilities (Notes 4 and 20)	40,456	1	44,472	1	48,952	2
Other non-current liabilities	9,564	-	9,637	-	9,721	-
Total non-current liabilities	319,476	10	364,557	11	388,557	12
Total liabilities	1,220,180	38	1,417,976	42	1,369,120	41
EQUITY (Note 21)						
Ordinary shares	663,000	20	693,000	20	693,000	20
Capital surplus	225,635	7	234,872	7	234,872	7
Retained earnings						
Legal reserve	276,278	9	243,893	7	243,893	7
Special reserve	117,072	4	117,072	3	117,072	4
Unappropriated earnings	819,825	25	920,911	27	911,422	27
Total retained earnings	1,213,175	38	1,281,876	37	1,272,387	38
Other equity	(89,070)	(3)	(106,644)	(3)	(97,162)	(3)
Treasury shares	-	-	(110,853)	(3)	(110,853)	(3)
Total equity	2,012,740	62	1,992,251	58	1,992,244	59
TOTAL	\$ 3,232,920	100	\$ 3,410,227	100	\$ 3,361,364	100

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

EZCONN CORPORATION 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			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE	\$ 666,543	100	\$ 879,510	100	\$ 1,997,356	100	\$ 2,356,173	100
COST OF REVENUE (Notes 10, 20 and 22)	<u>442,079</u>	<u>66</u>	<u>555,730</u>	<u>63</u>	<u>1,355,429</u>	<u>68</u>	<u>1,586,890</u>	<u>67</u>
GROSS PROFIT	<u>224,464</u>	<u>34</u>	<u>323,780</u>	<u>37</u>	<u>641,927</u>	<u>32</u>	<u>769,283</u>	<u>33</u>
OPERATING EXPENSES (Notes 9, 20 and 22)								
Selling and marketing expenses	86,681	13	109,744	12	248,200	12	247,038	11
General and administrative expenses	68,132	10	77,933	9	183,330	9	204,496	9
Research and development expenses	26,405	4	25,812	3	78,635	4	79,699	3
Expected credit loss (gain)	<u>(2,488)</u>	<u>-</u>	<u>(1,801)</u>	<u>-</u>	<u>(4,991)</u>	<u>-</u>	<u>(2,587)</u>	<u>-</u>
Total operating expenses	<u>178,730</u>	<u>27</u>	<u>211,688</u>	<u>24</u>	<u>505,174</u>	<u>25</u>	<u>528,646</u>	<u>23</u>
PROFIT FROM OPERATIONS	<u>45,734</u>	<u>7</u>	<u>112,092</u>	<u>13</u>	<u>136,753</u>	<u>7</u>	<u>240,637</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)								
Interest income	8,384	1	1,738	-	16,763	1	2,729	-
Other income	1,645	-	91	-	2,615	-	4,316	-
Other gains and losses	42,574	7	91,119	10	69,896	3	172,177	7
Finance costs	(3,195)	-	(2,503)	-	(9,621)	-	(6,404)	-
Share of loss of associates accounted for using the equity method	<u>(4,424)</u>	<u>(1)</u>	<u>(226)</u>	<u>-</u>	<u>(11,565)</u>	<u>(1)</u>	<u>(711)</u>	<u>-</u>
Total non-operating income and expenses	<u>44,984</u>	<u>7</u>	<u>90,219</u>	<u>10</u>	<u>68,088</u>	<u>3</u>	<u>172,107</u>	<u>7</u>
PROFIT BEFORE INCOME TAX	90,718	14	202,311	23	204,841	10	412,744	17
INCOME TAX EXPENSE (Notes 4 and 23)	<u>23,049</u>	<u>4</u>	<u>47,034</u>	<u>5</u>	<u>62,706</u>	<u>3</u>	<u>99,767</u>	<u>4</u>
NET INCOME	<u>67,669</u>	<u>10</u>	<u>155,277</u>	<u>18</u>	<u>142,135</u>	<u>7</u>	<u>312,977</u>	<u>13</u>

(Continued)

EZCONN CORPORATION 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			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER								
COMPREHENSIVE								
INCOME (LOSS)								
(Notes 21 and 23)								
Items that will not be								
reclassified								
subsequently to profit								
or loss:								
Unrealized gain (loss)								
on investments in								
equity instruments								
at fair value								
through other								
comprehensive								
income	\$ 9,742	1	\$ 1,434	-	\$ 4,120	-	\$ 2,428	-
Income tax relating to								
items that will not								
be reclassified								
subsequently to								
profit or loss	(119)	-	(286)	-	(164)	-	(574)	-
	<u>9,623</u>	<u>1</u>	<u>1,148</u>	<u>-</u>	<u>3,956</u>	<u>-</u>	<u>1,854</u>	<u>-</u>
Items that may be								
reclassified								
subsequently to profit								
or loss:								
Exchange differences								
on translating								
foreign operations	30,038	5	9,081	1	17,023	1	24,305	1
Income tax relating to								
items that may be								
reclassified								
subsequently to								
profit or loss	(6,008)	(1)	(1,816)	-	(3,405)	-	(4,861)	-
	<u>24,030</u>	<u>4</u>	<u>7,265</u>	<u>1</u>	<u>13,618</u>	<u>1</u>	<u>19,444</u>	<u>1</u>
Other								
comprehensive								
income (loss) for								
the period, net of								
income tax	<u>33,653</u>	<u>5</u>	<u>8,413</u>	<u>1</u>	<u>17,574</u>	<u>1</u>	<u>21,298</u>	<u>1</u>
TOTAL								
COMPREHENSIVE								
INCOME FOR THE								
PERIOD	<u>\$ 101,322</u>	<u>15</u>	<u>\$ 163,690</u>	<u>19</u>	<u>\$ 159,709</u>	<u>8</u>	<u>\$ 334,275</u>	<u>14</u>
EARNINGS PER SHARE								
(Note 24)								
Basic	<u>\$ 1.02</u>		<u>\$ 2.34</u>		<u>\$ 2.14</u>		<u>\$ 4.72</u>	
Diluted	<u>\$ 1.02</u>		<u>\$ 2.33</u>		<u>\$ 2.13</u>		<u>\$ 4.66</u>	

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

(Concluded)

EZCONN CORPORATION AND SUBSIDIARIES

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

	Share Capital (Note 21)		Capital Surplus (Note 21)	Retained Earnings (Note 21)				Other Equity (Note 21)			Treasury Shares (Note 21)	Total Equity
	Share (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Comprehensive Income	Total		
BALANCE AT JANUARY 1, 2022	69,300	\$ 693,000	\$ 234,872	\$ 233,370	\$ 106,641	\$ 697,571	\$ 1,037,582	\$ (103,987)	\$ (13,085)	\$ (117,072)	\$ (110,853)	\$ 1,737,529
Appropriation of 2021 earnings												
Legal reserve	-	-	-	10,523	-	(10,523)	-	-	-	-	-	-
Special reserve	-	-	-	-	10,431	(10,431)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(79,560)	(79,560)	-	-	-	-	(79,560)
Net profit for the nine months ended September 30, 2022	-	-	-	-	-	312,977	312,977	-	-	-	-	312,977
Other comprehensive income for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	-	-	19,444	1,854	21,298	-	21,298
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	312,977	312,977	19,444	1,854	21,298	-	334,275
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	1,388	1,388	-	(1,388)	(1,388)	-	-
BALANCE AT SEPTEMBER 30, 2022	69,300	\$ 693,000	\$ 234,872	\$ 243,893	\$ 117,072	\$ 911,422	\$ 1,272,387	\$ (84,543)	\$ (12,619)	\$ (97,162)	\$ (110,853)	\$ 1,992,244
BALANCE AT JANUARY 1, 2023	69,300	\$ 693,000	\$ 234,872	\$ 243,893	\$ 117,072	\$ 920,911	\$ 1,281,876	\$ (88,935)	\$ (17,709)	\$ (106,644)	\$ (110,853)	\$ 1,992,251
Cancellation of treasury shares	(3,000)	(30,000)	(9,247)	-	-	(71,606)	(71,606)	-	-	-	110,853	-
Exercising the right of imputation	-	-	10	-	-	-	-	-	-	-	-	10
Appropriation of 2022 earnings												
Legal reserve	-	-	-	32,385	-	(32,385)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(139,230)	(139,230)	-	-	-	-	(139,230)
Net profit for the nine months ended September 30, 2023	-	-	-	-	-	142,135	142,135	-	-	-	-	142,135
Other comprehensive income for the nine months ended September 30, 2023, net of income tax	-	-	-	-	-	-	-	13,618	3,956	17,574	-	17,574
Total comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	-	142,135	142,135	13,618	3,956	17,574	-	159,709
BALANCE AT SEPTEMBER 30, 2023	66,300	\$ 663,000	\$ 225,635	\$ 276,278	\$ 117,072	\$ 819,825	\$ 1,213,175	\$ (75,317)	\$ (13,753)	\$ (89,070)	\$ -	\$ 2,012,740

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

EZCONN CORPORATION AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 204,841	\$ 412,744
Adjustments for:		
Depreciation expense	65,388	63,648
Amortization expense	2,724	2,061
Expected credit loss reversed on trade receivables	(4,991)	(2,587)
Finance costs	9,621	6,404
Interest income	(16,763)	(2,729)
Share of loss of associates accounted for using the equity method	11,565	711
Loss on disposal of property, plant and equipment	111	1,123
Write-down of inventories	52,457	42,103
Changes in operating assets and liabilities		
Notes receivable	1,207	(3,978)
Trade receivables	76,172	(243,789)
Other receivables from unrelated parties	4,532	(3,459)
Other receivables from related parties	1,500	-
Inventories	241,391	(91,841)
Prepayments	(1,093)	26,464
Other current assets	8,431	1,065
Notes payable	43,902	(1,075)
Trade payables to unrelated parties	(123,792)	(156,140)
Trade payables to related parties	474	21
Other payables	(37,568)	79,921
Other current liabilities	4,026	(11,589)
Net defined benefit liabilities	(4,016)	(3,908)
Cash generated from operations	540,119	115,170
Interest received	14,766	1,834
Interest paid	(9,393)	(6,504)
Income tax paid	(132,334)	(64,388)
Net cash generated from operating activities	413,158	46,112
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets a fair value through other comprehensive income	(18,000)	(10,000)
Purchase of financial assets at amortized cost	(282,433)	(35,388)
Proceeds from sales of financial assets at amortized cost	217,471	34,722
Acquisition of associate accounted for using the equity method	-	(30,000)
Payments for property, plant and equipment	(15,196)	(58,364)
Proceeds from disposal of property, plant and equipment	132	139
Decrease (increase) in refundable deposits	43	(206)
Payments for intangible assets	(319)	(597)
Net cash used in investing activities	\$ (98,302)	\$ (99,694)

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EZCONN CORPORATION AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 1,010,000	\$ 1,992,025
Repayments of short-term borrowings	(1,010,000)	(1,926,025)
Repayments of long-term borrowings	(6,000)	-
Repayment of the principal portion of lease liabilities	(11,044)	(10,334)
Decrease (increase) in other non-current liabilities	(73)	25
Cash dividends paid	(139,230)	(79,560)
Exercising the right of imputation	<u>10</u>	<u>-</u>
Net cash used in financing activities	<u>(156,337)</u>	<u>(23,869)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>17,749</u>	<u>34,027</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	176,268	(43,424)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>983,593</u>	<u>727,142</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,159,861</u>	<u>\$ 683,718</u>

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

(Concluded)

EZCONN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

EZconn Corporation (the “Company”) was incorporated in the Republic of China (ROC) on September 4, 1996. The Company mainly manufactures and sells precision metal components and optical fiber components of various electronic products.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since July 14, 2015.

These consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) 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 Company’s board of directors on November 7, 2023.

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

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

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, or other regulations and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in 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 (as prices) or indirectly (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 (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 Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 11, Tables 4 and 5 for the detailed information of subsidiaries (including percentage of ownership and main business).

d. Other material accounting policies

Except for the following, refer to the consolidated financial statements for the year ended December 31, 2022.

1) Retirement benefits

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

2) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The accounting judgments and key sources of estimation uncertainty of these consolidated financial statements are the same as the consolidated financial statements for the year ended December 31, 2022.

6. CASH AND CASH EQUIVALENTS

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 666	\$ 825	\$ 1,056
Checking accounts and demand deposits	827,506	651,494	483,218
Cash equivalents			
Time deposits with original maturities of three months or less	267,149	331,274	199,444
Repurchase agreements collateralized by bonds	<u>64,540</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,159,861</u>	<u>\$ 983,593</u>	<u>\$ 683,718</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Non-current</u>			
Domestic investments			
Listed shares			
TrueLight Corporation	\$ 27,150	\$ -	\$ -
Unlisted shares			
OpXion Tech. Incorporation	8,153	14,000	14,000
Foreign investments			
Unlisted shares			
Lightel Technologies Inc.	<u>16,894</u>	<u>16,077</u>	<u>22,440</u>
	<u>\$ 52,197</u>	<u>\$ 30,077</u>	<u>\$ 36,440</u>

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

In September 2023, the Group acquired the ordinary shares of TrueLight Corporation via capital injection. Since the shares are held for medium- to long-term strategic purposes, the management designated these investments as at FVTOCI.

In March 2022, the Group acquired the ordinary shares of OpXion Tech. Incorporation via capital injection since the shares are held for medium- to long-term strategic purposes, the management designated these investments as at FVTOCI.

8. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Time deposits with original maturities of more than 3 months	\$ <u>98,609</u>	\$ <u>33,027</u>	\$ <u>33,494</u>
<u>Non-current</u>			
Pledged deposits	\$ <u>2,309</u>	\$ <u>2,284</u>	\$ <u>2,284</u>

Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security.

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Notes receivable, net</u>			
At amortized cost			
Gross carrying amount	\$ 3,142	\$ 4,349	\$ 7,737
Less: Allowance for impairment loss	<u>(83)</u>	<u>(83)</u>	<u>(84)</u>
	\$ <u>3,059</u>	\$ <u>4,266</u>	\$ <u>7,653</u>
Notes receivable - operating	\$ <u>3,059</u>	\$ <u>4,266</u>	\$ <u>7,653</u>
<u>Trade receivables (a)</u>			
At amortized cost			
Gross carrying amount	\$ 647,324	\$ 723,496	\$ 978,831
Less: Allowance for impairment loss	<u>(102,045)</u>	<u>(102,042)</u>	<u>(105,790)</u>
	\$ <u>545,279</u>	\$ <u>621,454</u>	\$ <u>873,041</u>
<u>Other receivables (b)</u>			
Tax refund business receivable	\$ 10,556	\$ 14,299	\$ 19,415
Interest receivable	3,234	1,237	1,252
Receivables from sales of scrap and by-products	693	1,514	1,837
Others	<u>1,635</u>	<u>1,603</u>	<u>2,338</u>
	\$ <u>16,118</u>	\$ <u>18,653</u>	\$ <u>24,842</u>

a. Trade receivables

The average credit period of sales of goods is 30 to 120 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures 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 allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, when the debtor has been placed under liquidation. For trade receivables 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 following table details the loss allowance of trade receivables based on the Group's provision matrix:

September 30, 2023

	China	Asia	America	Europe	Others	Total
Gross carrying amount	\$ 50,350	\$ 276,025	\$ 178,564	\$ 40,996	\$ 101,389	\$ 647,324
Loss allowance (Lifetime ECLs)	<u>(68)</u>	<u>(408)</u>	<u>(89)</u>	<u>(91)</u>	<u>(101,389)</u>	<u>(102,045)</u>
Amortized cost	<u>\$ 50,282</u>	<u>\$ 275,617</u>	<u>\$ 178,475</u>	<u>\$ 40,905</u>	<u>\$ -</u>	<u>\$ 545,279</u>

December 31, 2022

	China	Asia	America	Europe	Others	Total
Gross carrying amount	\$ 83,179	\$ 364,531	\$ 136,506	\$ 38,019	\$ 101,261	\$ 723,496
Loss allowance (Lifetime ECLs)	<u>(83)</u>	<u>(548)</u>	<u>(68)</u>	<u>(82)</u>	<u>(101,261)</u>	<u>(102,042)</u>
Amortized cost	<u>\$ 83,096</u>	<u>\$ 363,983</u>	<u>\$ 136,438</u>	<u>\$ 37,937</u>	<u>\$ -</u>	<u>\$ 621,454</u>

September 30, 2022

	China	Asia	America	Europe	Others	Total
Gross carrying amount	\$ 94,670	\$ 447,107	\$ 275,144	\$ 57,144	\$ 104,766	\$ 978,831
Loss allowance (Lifetime ECLs)	<u>(95)</u>	<u>(670)</u>	<u>(138)</u>	<u>(121)</u>	<u>(104,766)</u>	<u>(105,790)</u>
Amortized cost	<u>\$ 94,575</u>	<u>\$ 446,437</u>	<u>\$ 275,006</u>	<u>\$ 57,023</u>	<u>\$ -</u>	<u>\$ 873,041</u>

The aging of receivables was as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Up to 30 days	\$ 224,914	\$ 201,977	\$ 304,943
31-60 days	126,646	164,615	142,006
61-90 days	85,654	85,155	189,471
91-120 days	66,102	86,170	126,515
Over 120 days	<u>144,008</u>	<u>185,579</u>	<u>215,896</u>
	<u>\$ 647,324</u>	<u>\$ 723,496</u>	<u>\$ 978,831</u>

The above aging schedule was based on the number of past due days from the invoice date.

The movements of the loss allowance of trade receivables were as follows:

	For the Nine Months Ended September 30	
	2023	2022
Balance at January 1	\$ 102,042	\$ 94,683
Impairment loss reversed on receivables	(4,991)	(2,587)
Foreign exchange gains and losses	<u>4,994</u>	<u>13,694</u>
Balance at September 30	<u>\$ 102,045</u>	<u>\$ 105,790</u>

PCT International Inc. (PCT), one of the Company's customers, filed for bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code in November 2019, and in June 2020, PCT also filed for a debt reorganization plan. In March 2021, the Company, PCT, the Official Committee of Unsecured Creditors ("Committee"), and certain other parties entered into a settlement agreement. The Bankruptcy Court approved the debt reorganization plan associated with the settlement in November 2021. PCT made the first payment in December 2021, agreeing to pay the balance of the Company's claims in full within a 10-year schedule with options for early payments. Nevertheless, since the Company has recognized full impairment losses regarding PCT's debt for the past few years, the scheduled payments from PCT will be reversed in the future. As of September 30, 2023, the remaining US\$3,131 thousand was fully recognized as an allowance for impairment loss.

b. Other receivables

Other receivables were primarily tax refund receivable, receivable from sales of scrap and by-products and interest receivable. As of September 30, 2023, December 31, 2022 and September 30, 2022, the Group had assessed the impairment loss of other receivables based on expected credit losses.

10. INVENTORIES

	September 30, 2023	December 31, 2022	September 30, 2022
Finished goods	\$ 166,454	\$ 263,890	\$ 227,762
Work in progress	142,843	197,612	214,027
Raw materials	<u>194,608</u>	<u>336,874</u>	<u>339,195</u>
	<u>\$ 503,905</u>	<u>\$ 798,376</u>	<u>\$ 780,984</u>

The costs of inventories recognized as cost of goods sold for the three months ended September 30, 2023 and 2022 were \$442,079 thousand and \$555,730 thousand, respectively, including write-downs of inventory of \$12,395 thousand and \$9,071 thousand, respectively. The costs of inventories recognized as cost of goods sold for the nine months ended September 30, 2023 and 2022 were \$1,355,429 thousand and \$1,586,890 thousand, respectively, including write-downs of inventory of \$52,457 thousand and \$42,103 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership		
			September 30, 2023	December 31, 2022	September 30, 2022
The Company	EC-Link Technology Inc. (EC-Link)	Investment	100%	100%	100%
	EZconn Europe GmbH	Manufacture and sale of precision metal components and optical fiber components of various electronic products	100%	100%	100%
EC-Link	Light Master Technology Inc. (Light Master)	Investment	100%	100%	100%
EZconn Europe GmbH	EZconn Czech a.s.	Manufacture of various optical fiber components	100%	100%	100%
Light Master	Light Master Technology (Ningbo) Inc.	Manufacture and sale of optical fiber components and cable connector	100%	100%	100%
EZconn Czech a.s.	EZconn Technologies CZ s.r.o.	Manufacture and research of optical communication components	100%	100%	100%

The financial statements of subsidiaries included in the consolidated financial statements were reviewed by the independent auditors.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Investments in associate that is not individually material</u>			
AuthenX Inc.	<u>\$ 44,848</u>	<u>\$ 56,413</u>	<u>\$ 60,677</u>

Associate is accounted for using the equity method.

Aggregate information of associate that is not individually material

	For the Nine Months Ended September 30, 2023	May 11, 2022 (Date of Acquisition) to September 30, 2022
The Group's share of:		
Loss for the current period/total comprehensive income (loss)	<u>\$ (11,565)</u>	<u>\$ (711)</u>

In May 2022, the Group participated in the capital injection of AuthenX Inc. with an amount of \$30,000 thousand, which increased the Group's holding percentage to 26.45%.

In December 2022, the Group subscribed for additional new shares of AuthenX Inc. at a percentage different from its existing ownership interests, which decreased its ownership interests from 31.86% to 29.52%.

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements, which have been reviewed.

13. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2023	December 31, 2022	September 30, 2022
Land	\$ 126,000	\$ 126,000	\$ 126,000
Buildings	182,748	192,551	196,996
Machinery equipment	213,241	231,598	214,967
Mold equipment	2,152	3,187	2,982
Transportation equipment	1,518	1,650	466
Office equipment	7,028	8,227	8,631
Other equipment	39,012	43,608	43,525
Property under construction	<u>105</u>	<u>1,657</u>	<u>14,758</u>
	<u>\$ 571,804</u>	<u>\$ 608,478</u>	<u>\$ 608,325</u>

Except for depreciation recognized, the Group did not have significant additions, disposal or impairment of property, plant and equipment during the nine months ended September 30, 2023 and 2022. The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	4, 5, 20 and 40 years
Machinery equipment	2-10 years
Mold equipment	2 years
Transportation equipment	5 years
Office equipment	3, 5 and 10 years
Other equipment	2, 3, 5, 8-10 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 28.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Carrying amount</u>			
Land	\$ 20,841	\$ 20,959	\$ 21,429
Buildings	62,965	71,805	74,853
Transportation equipment	<u>3,012</u>	<u>2,142</u>	<u>673</u>
	<u>\$ 86,818</u>	<u>\$ 94,906</u>	<u>\$ 96,955</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Additions to right-of-use assets			\$ 3,315	\$ 6,284
Depreciation charge for right-of-use assets				
Land	\$ 171	\$ 173	\$ 513	\$ 516
Buildings	3,471	3,503	10,426	10,302
Transportation equipment	<u>369</u>	<u>176</u>	<u>939</u>	<u>512</u>
	<u>\$ 4,011</u>	<u>\$ 3,852</u>	<u>\$ 11,878</u>	<u>\$ 11,330</u>

b. Lease liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Carrying amount</u>			
Current	<u>\$ 15,814</u>	<u>\$ 14,097</u>	<u>\$ 13,468</u>
Non-current	<u>\$ 52,724</u>	<u>\$ 61,404</u>	<u>\$ 63,476</u>

Range of discount rates for lease liabilities was as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Buildings	1.45%-4.75%	1.45%-4.75%	1.45%-4.75%
Transportation equipment	1.45%-4.00%	1.45%-4.00%	1.45%-2.11%

c. Material leasing activities and terms

As lessee, the Group leases land and buildings for plants and offices and transportation equipment with lease terms of 2 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land, buildings and transportation equipment at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Expenses relating to short-term leases	<u>\$ 910</u>	<u>\$ 435</u>	<u>\$ 2,910</u>	<u>\$ 1,303</u>
Total cash outflow for leases			<u>\$ (14,849)</u>	<u>\$ (12,551)</u>

15. INTANGIBLE ASSETS

The Group's intangible assets mainly comprise computer software. Except for amortization recognized, there were no significant additions, disposals or impairment of intangible assets during the nine months ended September 30, 2023 and 2022. Intangible assets are amortized on a straight-line basis over their estimated useful lives of 1 to 10 years.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
An analysis of amortization by function				
Operating costs	\$ 18	\$ 248	\$ 42	\$ 762
Selling and marketing expenses	9	2	23	3
General and administrative expenses	252	295	751	857
Research and development expenses	<u>643</u>	<u>144</u>	<u>1,908</u>	<u>439</u>
	<u>\$ 922</u>	<u>\$ 689</u>	<u>\$ 2,724</u>	<u>\$ 2,061</u>

16. BORROWINGS

a. Short-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>\$ 330,000</u>	<u>\$ 330,000</u>	<u>\$ 330,000</u>

The interest rate ranges of line of credit borrowings were 1.80%-2.00%, 1.785%-1.950% and 1.30%-1.52% per annum as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively.

b. Long-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
Secured borrowings	\$ 224,000	\$ 230,000	\$ 236,000
Less: Current portion of long-term borrowings	<u>(12,000)</u>	<u>(12,000)</u>	<u>(12,000)</u>
Long-term borrowings	<u>\$ 212,000</u>	<u>\$ 218,000</u>	<u>\$ 224,000</u>

To increase medium- and long-term working capital, the Group entered into a loan contract with a bank for the period November 2020 to November 2027. As of September 30, 2023, the effective interest rate was 2.35%-2.40% and interest is repayable on a monthly basis. The principal of the loan is repayable over a period of 2 years, where repayments of NT\$6,000 thousand are to be made semi-annually starting 2 years from the date of the initial drawdown, with the rest of the principal paid in one lump sum upon maturity. The Group provided land, property, and plant as collateral for this loan (refer to Notes 13 and 28 for the details).

For some of the loan agreements, the Group current ratio, debt ratio, and the net worth as stated in the financial statements are not to fall below specified ratios/amount, or else. The Group is required to propose improvement measures to the bank when failing to comply with the restrictions. As of September 30, 2023, the Group was not in violation of any of the aforementioned financial restrictions.

17. NOTES PAYABLE AND TRADE PAYABLES

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Notes payable</u>			
Operating	\$ -	\$ 8	\$ -
Non-operating	<u>70,390</u>	<u>26,480</u>	<u>14</u>
	<u>\$ 70,390</u>	<u>\$ 26,488</u>	<u>\$ 14</u>
<u>Trade payables (including related parties)</u>			
Operating	<u>\$ 104,326</u>	<u>\$ 227,644</u>	<u>\$ 180,491</u>

The average credit period of purchases of goods is 60-90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

18. OTHER LIABILITIES

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Other payables</u>			
Payables for salaries or bonuses	\$ 107,407	\$ 141,702	\$ 119,433
Payables for commissions	75,267	53,687	66,151
Payables for employees' compensation and remuneration of directors	21,200	39,000	46,300
Payables for employees' benefits	15,192	6,909	14,305
Payables for employees' insurance	7,517	11,983	6,553
Payables for professional expenses	5,274	5,271	5,152
Payables for employees' pension	2,927	3,045	2,782
Payables for equipment	795	2,508	2,120
Others	<u>30,080</u>	<u>40,607</u>	<u>51,793</u>
	<u>\$ 265,659</u>	<u>\$ 304,712</u>	<u>\$ 314,589</u>

(Continued)

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Other current liabilities</u>			
Refund liabilities	\$ 49,276	\$ 48,929	\$ 49,665
Contract liabilities	9,143	13,411	16,700
Others	<u>11,851</u>	<u>3,904</u>	<u>2,680</u>
	<u>\$ 70,270</u>	<u>\$ 66,244</u>	<u>\$ 69,045</u> (Concluded)

The changes in the balance of contract liabilities balances primarily resulted from the timing difference between the satisfaction of performance obligations and the customer's payment.

19. PROVISIONS

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Warranties	<u>\$ 8,055</u>	<u>\$ 8,055</u>	<u>\$ 8,055</u>

Provision for warranty is estimated based on the Group's obligations for warranties under local regulations on sale of goods.

20. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plans was calculated using the actuarially determined pension cost rate at the end of the prior financial year which was stated in the respective 2022 and 2021 actuarial report; the employee benefits expense for the three months ended September 30, 2023 and 2022 were \$170 thousand and \$92 thousand, respectively, and the employee benefits expense for the nine months ended September 30, 2023 and 2022 were \$484 thousand and \$277 thousand, respectively.

21. EQUITY

a. Share capital

Ordinary shares

	September 30, 2023	December 31, 2022	September 30, 2022
Number of authorized shares (in thousands)	<u>180,000</u>	<u>180,000</u>	<u>100,000</u>
Amount of authorized shares	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,000,000</u>
Number of issued and fully paid shares (in thousands)	<u>66,300</u>	<u>69,300</u>	<u>69,300</u>
Amount of issued and fully paid shares	<u>\$ 663,000</u>	<u>\$ 693,000</u>	<u>\$ 693,000</u>

The holders of issued ordinary shares with a par value of \$10 are entitled the right to vote and receive dividends.

The changes of issued shares were mainly attributable to the cancellation of treasury shares.

b. Capital surplus

	September 30, 2023	December 31, 2022	September 30, 2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Issuance of ordinary shares	\$ 204,353	\$ 213,600	\$ 213,600
Share-based payments	8,236	8,236	8,236
<u>May only be used to offset a deficit (2)</u>			
Exercising the right of imputation	10	-	-
<u>May not be used for any purpose (3)</u>			
Changes in percentage of ownership interests in subsidiaries	<u>13,036</u>	<u>13,036</u>	<u>13,036</u>
	<u>\$ 225,635</u>	<u>\$ 234,872</u>	<u>\$ 234,872</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from when the right of disgorgement is exercised that may only be used to offset a deficit.
- 3) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposal or acquisition. Such capital surplus may not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company makes a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, 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 by the shareholders in their meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 22-g.

The Company's dividends policy is based on the shareholders' long-term interests. In formulating its dividends policy, the Company takes into account the overall business and industry conditions and trends, present and future operational expansion and to satisfy the shareholders' need for cash inflow. The Company's dividends policy states that cash dividends should be at least 10% of total dividends. A distribution plan is also to be made by the board of directors and passed for resolution in the shareholders' meeting.

Under the Company's dividends policy in the Articles, the proposed distribution of dividends can be distributed fully or partially by cash and is subject to the approval of the Company's board of directors with attendance of more than two-thirds of the directors and with consent of at least half of the attending directors; in addition, it shall be reported in the shareholders' meeting.

Appropriation of earnings to the legal reserve shall be made until 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 2022 and 2021 were as follows:

	2022	2021
Legal reserve	\$ 32,385	\$ 10,523
Special reserve	\$ -	\$ 10,431
Cash dividends	\$ 139,230	\$ 79,560
Cash dividends per share (NT\$)	\$ 2.1	\$ 1.2

The above appropriations of earnings as cash dividends were resolved by the Company's board of directors on March 14, 2023, and March 24, 2022, respectively. The proposed appropriations of earnings for the years ended December 31, 2022 and 2021 were resolved by the shareholders in their meetings on June 6, 2023 and June 27, 2022.

d. Special reserve

Additional special reserve relating to exchange differences on translating the financial statements of foreign operations (including the subsidiaries of the Company) should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated. Any special reserve appropriated may be reversed to the extent that the debit balance reverses and, thereafter, distributed.

e. Other equity items

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

The exchange differences arising on translation of the net assets of foreign operation from their functional currencies to the Company's presentation currency (the New Taiwan dollar) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

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

	For the Nine Months Ended September 30	
	2023	2022
Balance at January 1	\$ (17,709)	\$ (13,085)
Recognized for the period		
Unrealized gain - equity instruments	3,956	1,854
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal (refer to Note 7)	<u>-</u>	<u>(1,388)</u>
Balance at September 30	<u>\$ (13,753)</u>	<u>\$ (12,619)</u>

f. Treasury shares

In order to motivate employees and increase their loyalty to the Company, the board of directors resolved to purchase treasury shares on January 20, 2020. The planned repurchase period was January 21 to March 20, 2020, and the number of shares repurchased was 3,000 thousand. In March 2020, the Company completed its repurchase of shares for a total cost of \$110,853 thousand.

Items	Unit: In Thousands of Shares	
	For the Nine Months Ended September 30	
	2023	2022
Number of shares at January 1	3,000	3,000
Shares cancelled during the period	<u>(3,000)</u>	<u>-</u>
Number of shares at September 30	<u>-</u>	<u>3,000</u>

The Company cancelled the treasury shares overdue that had not yet been transferred to employees pursuant to the law, and the board of directors of the Company resolved to decrease its capital by \$30,000 thousand in March 2023 through cancellation of 3,000 thousand issued shares on March 20, 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.

22. NET INCOME FROM CONTINUING OPERATIONS

a. Interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Bank deposits	\$ 8,218	\$ 1,732	\$ 16,509	\$ 2,717
Others	<u>166</u>	<u>6</u>	<u>254</u>	<u>12</u>
	<u>\$ 8,384</u>	<u>\$ 1,738</u>	<u>\$ 16,763</u>	<u>\$ 2,729</u>

b. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Grant income	\$ 786	\$ 19	\$ 1,676	\$ 3,835
Others	<u>859</u>	<u>72</u>	<u>939</u>	<u>481</u>
	<u>\$ 1,645</u>	<u>\$ 91</u>	<u>\$ 2,615</u>	<u>\$ 4,316</u>

c. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Loss on disposal of property, plant and equipment	\$ (4)	\$ (2)	\$ (111)	\$ (1,123)
Net foreign exchange gains	42,672	91,758	70,139	173,462
Others	<u>(94)</u>	<u>(637)</u>	<u>(132)</u>	<u>(162)</u>
	<u>\$ 42,574</u>	<u>\$ 91,119</u>	<u>\$ 69,896</u>	<u>\$ 172,177</u>

d. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Interest on bank borrowings	\$ 2,903	\$ 2,202	\$ 8,726	\$ 5,490
Interest on lease liabilities	<u>292</u>	<u>301</u>	<u>895</u>	<u>914</u>
	<u>\$ 3,195</u>	<u>\$ 2,503</u>	<u>\$ 9,621</u>	<u>\$ 6,404</u>

The Group did not capitalize interest for the nine months ended September 30, 2023 and 2022.

e. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Property, plant and equipment	\$ 17,633	\$ 17,096	\$ 53,510	\$ 52,318
Right of use assets	4,011	3,852	11,878	11,330
Intangible assets	<u>922</u>	<u>689</u>	<u>2,724</u>	<u>2,061</u>
	<u>\$ 22,566</u>	<u>\$ 21,637</u>	<u>\$ 68,112</u>	<u>\$ 65,709</u>
An analysis of depreciation by function				
Operating costs	\$ 14,711	\$ 14,115	\$ 44,239	\$ 41,880
Operating expenses	<u>6,933</u>	<u>6,833</u>	<u>21,149</u>	<u>21,768</u>
	<u>\$ 21,644</u>	<u>\$ 20,948</u>	<u>\$ 65,388</u>	<u>\$ 63,648</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
An analysis of amortization by function				
Operating costs	\$ 18	\$ 248	\$ 42	\$ 762
Operating expenses	<u>904</u>	<u>441</u>	<u>2,682</u>	<u>1,299</u>
	<u>\$ 922</u>	<u>\$ 689</u>	<u>\$ 2,724</u>	<u>\$ 2,061</u>
				(Concluded)

Refer to Note 15 for information relating to an analysis of amortization by function.

f. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Post-employment benefits (Note 20)				
Defined contribution plans	\$ 6,572	\$ 3,238	\$ 19,071	\$ 12,927
Defined benefit plans	<u>170</u>	<u>92</u>	<u>484</u>	<u>277</u>
	6,742	3,330	19,555	13,204
Insurance expense	11,530	15,236	37,486	42,203
Remuneration of directors	2,632	6,976	6,592	12,148
Other employee benefits	<u>139,130</u>	<u>168,721</u>	<u>418,263</u>	<u>498,618</u>
Total employee benefits expense	<u>\$ 160,034</u>	<u>\$ 194,263</u>	<u>\$ 481,896</u>	<u>\$ 566,173</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 94,259	\$ 113,547	\$ 295,876	\$ 352,257
Operating expenses	<u>65,775</u>	<u>80,716</u>	<u>186,020</u>	<u>213,916</u>
	<u>\$ 160,034</u>	<u>\$ 194,263</u>	<u>\$ 481,896</u>	<u>\$ 566,173</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 no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The employees' compensation and the remuneration of directors for the nine months ended September 30, 2023, and 2022 were as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2023	2022
Compensation of employees	8.32%	8.06%
Remuneration of directors	2.43%	2.51%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Compensation of employees	<u>\$ 7,600</u>	<u>\$ 17,300</u>	<u>\$ 16,400</u>	<u>\$ 35,300</u>
Remuneration of directors	<u>\$ 2,100</u>	<u>\$ 6,500</u>	<u>\$ 4,800</u>	<u>\$ 11,000</u>

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

The employees' compensation and remuneration of directors for the year ended December 31, 2022, which were approved by the Company's board of directors on March 14, 2023, were as follows:

	Cash
Compensation of employees	<u>\$ 30,000</u>
Remuneration of directors	<u>\$ 9,000</u>

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the compensation of employees 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.

h. Gain or loss on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Foreign exchange gains	\$ 64,768	\$ 124,621	\$ 144,559	\$ 244,507
Foreign exchange losses	<u>(22,096)</u>	<u>(32,863)</u>	<u>(74,420)</u>	<u>(71,045)</u>
	<u>\$ 42,672</u>	<u>\$ 91,758</u>	<u>\$ 70,139</u>	<u>\$ 173,462</u>

23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Current tax				
In respect of the current period	\$ 42,233	\$ 24,661	\$ 67,165	\$ 84,350
Income tax on unappropriated earnings	-	-	7,625	-
Repatriation tax	14,694	-	14,694	-
Adjustments for prior years	<u>3,796</u>	<u>932</u>	<u>2,755</u>	<u>(3,495)</u>
	<u>60,723</u>	<u>25,593</u>	<u>92,239</u>	<u>80,855</u>
Deferred tax				
In respect of the current period	(7,393)	21,441	748	18,912
Deferred tax impact on repatriation on subsidiaries' earnings	<u>(30,281)</u>	<u>-</u>	<u>(30,281)</u>	<u>-</u>
	<u>(37,674)</u>	<u>21,441</u>	<u>(29,533)</u>	<u>18,912</u>
Income tax expense recognized in profit or loss	<u>\$ 23,049</u>	<u>\$ 47,034</u>	<u>\$ 62,706</u>	<u>\$ 99,767</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
<u>Deferred tax</u>				
In respect of the current period				
Translation of foreign operations	\$ (6,008)	\$ (1,816)	\$ (3,405)	\$ (4,861)
Fair value changes of financial assets at FVTOCI	<u>(119)</u>	<u>(286)</u>	<u>(164)</u>	<u>(574)</u>
Total income tax recognized in other comprehensive income	<u>\$ (6,127)</u>	<u>\$ (2,102)</u>	<u>\$ (3,569)</u>	<u>\$ (5,435)</u>

c. Income tax assessments

The tax returns of the Company through 2021 have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment of its 2021 tax return and applied for a re-examination. Nevertheless, to be conservative, the Company provided for the income tax assessed by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Basic earnings per share	\$ 1.02	\$ 2.34	\$ 2.14	\$ 4.72
Diluted earnings per share	\$ 1.02	\$ 2.33	\$ 2.13	\$ 4.66

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

Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Net profit for the period	\$ 67,669	\$ 155,277	\$ 142,135	\$ 312,977

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022

Number of shares (in thousands)

Weighted average number of ordinary shares used in the computation of basic earnings per share	66,300	66,300	66,300	66,300
Effect of potentially dilutive ordinary shares				
Compensation of employees	216	384	372	825
Weighted average number of ordinary shares used in the computation of diluted earnings per share	66,516	66,684	66,672	67,125

The Group may settle compensation paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, and other equity).

Key management personnel of the Group review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, and the amount of new debt issued or existing debt redeemed.

26. FINANCIAL INSTRUMENTS

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

The management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair value cannot be reliably measured.

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

1) Fair value hierarchy

September 30, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 27,150	\$ -	\$ -	\$ 27,150
Domestic unlisted shares	-	-	8,153	8,153
Foreign unlisted shares	-	-	16,894	16,894
	<u>\$ 27,150</u>	<u>\$ -</u>	<u>\$ 25,047</u>	<u>\$ 52,197</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic unlisted shares	\$ -	\$ -	\$ 14,000	\$ 14,000
Foreign unlisted shares	-	-	16,077	16,077
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,077</u>	<u>\$ 30,077</u>

September 30, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic unlisted shares	\$ -	\$ -	\$ 14,000	\$ 14,000
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>22,440</u>	<u>22,400</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,440</u>	<u>\$ 36,440</u>

There were no transfers between Levels 1 and 2 in the nine months ended September 30, 2023 and 2022.

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

The fair values of foreign and domestic unlisted equity investments were estimated using the market approach, either by the method of comparable listed companies or by the comparable transaction method, while the fair values of the preference shares were estimated using the option pricing method. The fair values of domestic unlisted equity investments of the ordinary shares were estimated using the Royalties Savings Act method. The significant unobservable inputs used were the discount for lack of marketability and discount for non-controlling interests. An increase in the discount for lack of marketability or non-controlling interests would result in an increase in the fair value.

c. Categories of financial instruments

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 1,817,793	\$ 1,653,633	\$ 1,608,774
Financial assets at FVTOCI - equity instruments	52,197	30,077	36,440
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (2)	865,768	938,142	895,361

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables (excluding tax refund receivable), and refundable deposits.
- 2) The balances included financial liabilities at amortized cost, which comprise long-term loans, short-term loans, notes payable, trade payables and other payables (excluding payables for salaries or bonuses and payables for employees' compensation and remuneration of directors).

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, borrowings and lease liabilities. According to business nature and the degree and magnitude of risks, the Group monitors and manages the financial risks relating to the operations. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group minimizes the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the market risks of changes in foreign currency exchange rates and interest rates.

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

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. To manage the volatility of future cash flows arising from changes in foreign exchange rates, the Group maintains a balance of net foreign currency assets and liabilities in hedge.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Group's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 5% strengthening/weakening of the functional currency against U.S. dollars, the net income before tax for the nine months ended September 30, 2023 and 2022 would have decreased/increased by \$76,029 thousand and \$68,596 thousand, respectively.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Group was exposed to fair value and cash flow interest rate risk because the Group held both fixed-rate financial assets and financial liabilities. The Group's management monitors fluctuations in market interest rate regularly. If it is needed, the management performs necessary procedures to control significant interest rate risks from fluctuations in market interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Fair value interest rate risk			
Financial assets	\$ 432,607	\$ 366,585	\$ 235,223
Financial liabilities	622,538	635,501	642,944
Cash flow interest rate risk			
Financial assets	825,341	648,516	482,082

The changes in interest rates did not have significant influence on the Group, so there was no sensitivity analysis.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes, the Group does not actively trade these investments. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The changes in equity securities did not have significant influence on the Group, so there was no sensitivity analysis.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a 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 with financial guarantees provided by the Group, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group transacted with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

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

a) Liquidity for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the earliest date on which the Group can be required to pay.

September 30, 2023

	On Demand or Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 311,768	\$ -	\$ -
Lease liabilities	16,292	54,869	-
Fixed interest rate liabilities	<u>342,000</u>	<u>212,000</u>	<u>-</u>
	<u>\$ 670,060</u>	<u>\$ 266,869</u>	<u>\$ -</u>

December 31, 2022

	On Demand or Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 378,142	\$ -	\$ -
Lease liabilities	15,159	64,260	-
Fixed interest rate liabilities	<u>342,000</u>	<u>218,000</u>	<u>-</u>
	<u>\$ 735,301</u>	<u>\$ 282,260</u>	<u>\$ -</u>

September 30, 2022

	On Demand or Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 329,361	\$ -	\$ -
Lease liabilities	14,552	66,530	-
Fixed interest rate liabilities	<u>342,000</u>	<u>224,000</u>	<u>-</u>
	<u>\$ 685,913</u>	<u>\$ 290,530</u>	<u>\$ -</u>

b) Financing facilities

The Group relies on bank loans as a significant source of liquidity. As of the balance sheet date, the unused amounts of bank loan facilities were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Bank loan facilities			
Amounts unused	<u>\$ 1,102,052</u>	<u>\$ 1,097,088</u>	<u>\$ 1,050,628</u>

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation and are not disclosed in this note. Besides the information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Category</u>
AuthenX Inc.	Associate (since May 11, 2022)

b. Purchases

Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Associate	\$ <u>528</u>	\$ <u>202</u>	\$ <u>685</u>	\$ <u>202</u>

c. Payables to related parties

Related Party Category	September 30, 2023	December 31, 2022	September 30, 2022
Associate	\$ <u>474</u>	\$ <u>-</u>	\$ <u>21</u>

d. Other receivables

Related Party Category	September 30, 2023	December 31, 2022	September 30, 2022
Associate	\$ <u>-</u>	\$ <u>1,500</u>	\$ <u>-</u>

e. Prepayments

Related Party Category	September 30, 2023	December 31, 2022	September 30, 2022
Associate	\$ <u>140</u>	\$ <u>536</u>	\$ <u>-</u>

f. Other transactions with related parties

Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Cost of goods sold				
Associate	\$ <u>-</u>	\$ <u>800</u>	\$ <u>2,250</u>	\$ <u>800</u>
Operating expenses				
Associate	\$ <u>660</u>	\$ <u>3,307</u>	\$ <u>660</u>	\$ <u>3,668</u>

g. Remuneration of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 16,030	\$ 23,529	\$ 42,236	\$ 54,778
Post-employment benefits	<u>259</u>	<u>219</u>	<u>724</u>	<u>657</u>
	\$ <u>16,289</u>	\$ <u>23,748</u>	\$ <u>42,960</u>	\$ <u>55,435</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral and guarantees for the tariff of imported raw materials and goods (see Notes 8 and 13):

	September 30, 2023	December 31, 2022	September 30, 2022
Pledged deposits (classified as financial assets at amortized cost - non-current)	\$ 2,309	\$ 2,284	\$ 2,284
Land	126,000	126,000	126,000
Buildings	<u>132,060</u>	<u>134,743</u>	<u>135,637</u>
	<u>\$ 260,369</u>	<u>\$ 263,027</u>	<u>\$ 263,921</u>

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

September 30, 2023

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 44,230	32.2700 (USD:NTD)	\$ 1,427,296
JPY	79,832	0.2162 (JPY:NTD)	17,260
USD	11,270	7.1798 (USD:RMB)	363,697
RMB	6,091	4.4946 (RMB:NTD)	27,377
EUR	259	24.2704 (EUR:CZK)	8,795
Non-monetary items			
USD	524	32.2700 (USD:NTD)	16,894
<u>Financial liabilities</u>			
Monetary items			
USD	7,594	32.2700 (USD:NTD)	245,070
USD	785	7.1798 (USD:RMB)	25,348

December 31, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 38,284	30.7100 (USD:NTD)	\$ 1,175,698
JPY	74,166	0.2324 (JPY:NTD)	17,236
USD	14,085	6.9646 (USD:RMB)	432,564
RMB	6,028	4.4094 (RMB:NTD)	26,580
EUR	102	24.0280 (EUR:CZK)	3,340
Non-monetary items			
USD	524	30.7100 (USD:NTD)	16,077
<u>Financial liabilities</u>			
Monetary items			
USD	7,506	30.7100 (USD:NTD)	230,501
USD	3,193	6.9646 (USD:RMB)	98,065

September 30, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 40,576	31.7500 (USD:NTD)	\$ 1,288,273
JPY	81,054	0.2201 (JPY:NTD)	17,840
USD	12,382	7.0998 (USD:RMB)	393,114
RMB	6,054	4.4720 (RMB:NTD)	27,073
EUR	651	24.6851 (EUR:CZK)	20,345
Non-monetary items			
USD	707	31.7500 (USD:NTD)	22,400
<u>Financial liabilities</u>			
Monetary items			
USD	7,760	31.7500 (USD:NTD)	246,374
USD	1,987	7.0998 (USD:RMB)	63,086

30. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)

- 3) Marketable securities held (excluding investment 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 (Table 2)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
 - 9) Trading in derivative instruments (None)
 - 10) Intercompany relationships and significant intercompany transactions (Table 6)
- b. Information on investees (Table 4)
- 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, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 5)
 - 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:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 7)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services. (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 8)

31. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments under IFRS 8 "Operating Segments" are described below.

Segments, Revenues and Results

The following is an analysis of the Group's revenues and results from continuing operations by reportable segment:

	Optical Fiber Component	Radio Frequency Connector	Total
<u>For the nine months ended September 30, 2023</u>			
Segment revenues	\$ 1,497,700	\$ 499,656	\$ 1,997,356
Segment income (loss)	\$ 157,948	\$ (21,195)	\$ 136,753
Interest income			16,763
Other income			2,615
Other gains and losses			69,896
Finance costs			(9,621)
Share of associate's loss accounted for using the equity method			(11,565)
Profit before tax (continuing operations)			\$ 204,841
<u>For the nine months ended September 30, 2022</u>			
Segment revenues	\$ 1,683,598	\$ 672,575	\$ 2,356,173
Segment income (loss)	\$ 266,748	\$ (26,111)	\$ 240,637
Interest income			2,729
Other income			4,316
Other gains and losses			172,177
Finance costs			(6,404)
Share of associate's loss accounted for using the equity method			(711)
Profit before tax (continuing operations)			\$ 412,744

The segment revenues were all generated from external customers. There were no inter-segment transactions for the nine months ended September 30, 2023 and 2022.

Segment profit represented the profit before tax earned by each segment without other income, other gains and losses and finance costs. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. However, the measure of segment assets was not provided to the chief operating decision maker.

TABLE 1

EZCONN CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2023
(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, 2023				Note
				Number of Shares (In thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
EZconn Corporation	Enablence Technology Inc.	-	Investments in equity instruments at FVTOCI - non-current	1	\$ -	-	\$ -	2
	Lightel Technologies Inc.	-	As above	1,250	16,894	4.79	16,894	-
	OpXion Tech. Incorporation	-	As above	6,000	8,153	17.14	8,153	-
	TrueLight Corporation	-	As above	1,000	27,150	1.04	27,150	-

Note 1: The marketable securities were not pledged.

Note 2: The carrying amount was zero as of September 30, 2023 due to the impairment loss recognized in prior years.

TABLE 2

EZCONN CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount (Note)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
EZconn Corporation	Light Master Technology (Ningbo) Inc.	Sub-subsidiary	Purchases	\$ 444,443 (US\$ 14,370 thousand)	55	T/T 90 days	-	-	\$ (217,678) (US\$ 6,746 thousand)	59	

Note: All intercompany transactions have been eliminated upon consolidation.

TABLE 3

EZCONN CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Notes 2 and 3)	Allowance for Impairment Loss
					Amount	Actions Taken		
Light Master Technology (Ningbo) Inc.	EZconn Corporation	Parent company	Trade receivables from related parties \$ 217,678 (US\$ 6,746 thousand)	-	\$ -	-	\$ 79,241	Note 1

Note 1: No impairment loss was recognized on trade receivables from related parties.

Note 2: Subsequent period was from October 1, 2023 to November 7, 2023.

Note 3: All intercompany transactions have been eliminated upon consolidation.

TABLE 4

EZCONN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2023			Net Income (Loss) of the Investee (Foreign Currencies in Thousands)	Share of Profit (Loss)	Note
				September 30, 2023 (Foreign Currencies in Thousands)	December 31, 2022 (Foreign Currencies in Thousands)	Number of Shares (In Thousands)	%	Carrying Amount (Foreign Currencies in Thousands)			
EZconn Corporation	EC-Link Technology Inc.	Samoa Islands	Investment	\$ 679,543	\$ 679,543	-	100.00	\$ 692,727	\$ 32,245 (US\$ 1,043)	\$ 32,485	2
	EZconn Europe GmbH	Germany	Manufactures and sale of precision metal components and optical fiber components of various electronic products	185,143	185,143	-	100.00	73,317	(15,197) (US\$ -491)	(15,197)	2
	AuthenX Inc.	Taiwan	Manufacturing of electronic products	61,015	61,015	7,625	29.52	44,848	(27,589)	(11,565)	3
EC-Link Technology Inc.	Light Master Technology Inc.	Samoa Islands	Investment	738,241 (US\$ 22,877)	738,241 (US\$ 22,877)	-	100.00	662,878 (US\$ 20,542)	32,286 (US\$ 1,044)	-	
EZconn Europe GmbH	EZconn Czech a.s.	Czech	Manufacturing of various optical fiber components	64,768 (EUR 1,910)	64,768 (EUR 1,910)	-	100.00	75,610 (EUR 2,230)	(13,457) (EUR -401)	-	
EZconn Czech a.s.	EZconn technologies CZ s.r.o.	Czech	Manufacturing and research of optical communication components	13,972 (CZK 10,000)	13,972 (CZK 10,000)	-	100.00	9,444 (CZK 6,759)	(1,344) (CZK -955)	-	

Note 1: For information on invested company in mainland China, refer to Table 5.

Note 2: All intercompany transactions have been eliminated upon consolidation.

Note 3: Refer to Note 12 for more information.

TABLE 5

EZCONN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Foreign Currencies in Thousands) (Note 3)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 (Foreign Currencies in Thousands) (Note 3)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2023 (Foreign Currencies in Thousands) (Note 3)	Net Income (Loss) of the Investee (Foreign Currencies in Thousands) (Notes 4 and 6)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Foreign Currencies in Thousands) (Notes 4, 6, 7 and 8)	Carrying Amount as of September 30, 2023 (Foreign Currencies in Thousands) (Notes 3, 6 and 8)	Accumulated Repatriation of Investment Income as of September 30, 2023 (Note 2)
					Outflow	Inflow						
Light Master Technology (Ningbo) Inc.	Manufacture and sale of optical fiber components and cable connector	\$ 484,050 (US\$ 15,000)	Note 1	\$ 682,091 (US\$ 21,137)	\$ -	\$ -	\$ 682,091 (US\$ 21,137)	\$ 45,794 (US\$ 1,481)	100	\$ 47,021 (US\$ 1,520)	\$ 660,095 (US\$ 20,455)	\$ 588,542

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2023 (Foreign Currencies in Thousands) (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Foreign Currencies in Thousands) (Notes 1 and 3)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$682,091 (US\$21,137)	\$736,627 (US\$22,827)	\$1,207,644 (Note 5)

Note 1: The Company indirectly invested in Light Master Technology (Ningbo) Inc. through EC-Link Technology Inc. by investing via 3rd region. The amount included capital surplus of US\$1,690 thousand of Light Master Technology (Ningbo) Inc.

Note 2: The board of directors of Light Master Technology (Ningbo) Inc. adopt a resolution to distribute dividends in cash of \$118,359 thousand (RMB27,301 thousand), \$81,943 thousand (RMB19,074 thousand), \$119,269 thousand (RMB28,528 thousand), \$117,566 thousand (RMB27,063 thousand) and \$151,405 thousand (RMB34,201 thousand) on November 2018, 2019, September 2020, October 2021 and August 2023, respectively. The Company repatriated of Investment Income through EC-Link Technology Inc. for the year ended December 31, 2019, March, December 2021 and August 2023. The accumulated repatriation of investment income as of September 30, 2023 was \$588,542 thousand.

Note 3: The calculation was based on the spot exchange rate of September 30, 2023.

Note 4: The calculation was based on the average exchange rate from January 1, 2023 to September 30, 2023.

Note 5: The calculation was based on 60% of the Company’s net worth on September 30, 2023.

Note 6: The basis for investment income (loss) recognition is the financial statements reviewed and attested by parent company’s CPA in the ROC.

Note 7: The share of profits/losses of investee included the effect of unrealized gross profit on intercompany transaction.

Note 8: All intercompany transactions have been eliminated upon consolidation.

TABLE 6

EZCONN CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount (Note 3)	Payment Terms	% to Total Sales or Assets (Note 4)
0	EZconn Corporation	Light Master Technology (Ningbo) Inc.	a	Trade payables to related parties	\$ 217,678	No significant difference to others	6.73
		Light Master Technology (Ningbo) Inc.	a	Cost of goods sold	444,443	No significant difference to others	22.25
		Light Master Technology (Ningbo) Inc.	a	Other payables to related parties	852	No significant difference to others	0.03
		EZconn Czech a.s.	a	Sales revenue	753	No significant difference to others	0.04
		EZconn Czech a.s.	a	Trade receivables from related parties	686	No significant difference to others	0.03
1	EZconn Europe GmbH	EZconn Czech a.s.	c	Other income	873	No significant difference to others	0.04
2	EZconn Czech a.s.	EZconn Technologies CZ s.r.o.	c	Trade payables to related parties	575	No significant difference to others	0.02
		EZconn Technologies CZ s.r.o.	c	Cost of goods sold	4,845	No significant difference to others	0.24
3	Light Master Technology (Ningbo) Inc.	EZconn Czech a.s.	c	Sales revenue	577	No significant difference to others	0.03

Note 1: The information about the transactions between the Company and the subsidiaries are marked in the note column as follows:

- a. The Company: 0.
- b. The subsidiaries were marked in numerical order from 1.

Note 2: Investment types as follows:

- a. The Company to the subsidiaries.
- b. The subsidiaries to the Company.
- c. Between the subsidiaries.

Note 3: All intercompany transactions have been eliminated upon consolidation.

Note 4: The ratio of transaction amounts to total sales revenue or assets is calculated as follows: (1) asset or liability: The ratio was calculated based on the ending balance over the total consolidated assets; (2) income or loss: The ratio was calculated based on the midterm accumulated amounts over the total consolidated sales revenue.

TABLE 7

EZCONN CORPORATION AND SUBSIDIARIES

**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
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	% to Total		Payment Term	Comparison with Normal Transaction	Ending Balance	% to Total		
Light Master Technology (Ningbo) Inc.	Purchases	\$ 444,443	55	No significant difference to others	No significant difference to others	No significant difference to others	\$ (217,678)	59	\$ 1,034	

Note: All intercompany transactions have been eliminated upon consolidation.

TABLE 8**EZCONN CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
CabTel Corporation Investment Accounts commissioned to CTBC Bank	6,295,555	9.49
TMX LLC Investment Accounts commissioned to CTBC Bank	3,579,828	5.39
EGTRAN Corporation	3,565,741	5.37

Note 1: 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.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, refer to Market Observation Post System.