Stock Code: 6160

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements
and
Independent Auditors’ Review Report

For the Three Months Ended March 31, 2024 and 2023

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INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors and Shareholders of CipherLab Co., Ltd.:

Introduction

We have reviewed the accompanying consolidated balance sheets of CipherLab Co., Ltd. and its subsidiaries (hereinafter the "Group") as of March 31, 2024 and 2023, and the related consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these 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 these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the International Standard on Review Engagements No. 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 causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2024 and 2023, its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche Tohmatsu Limited
Accountant Ruske Ho, Accountant Alice Huang

Securities and Futures Administration Commission R.O.C (Taiwan) Approved Number 0930128050

Securities and Futures Administration Commission R.O.C (Taiwan) Approved Number 0920131587

May 8, 2024

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

March 31, 2024, December 31, 2023, and March 31, 2023

In Thousands of New Taiwan Dollars

Code	Assets	March 31, 2024 Amount	%	December 31, 2023 Amount	%	March 31, 2023 Amount	%
	Current assets						
1100	Cash and cash equivalents (Note 6)	$ 175,802	14	$ 182,770	15	$ 148,465	11
1136	Financial assets at amortized cost (Note 27)	1,500	-	1,500	-	1,500	-
1150	Notes receivable (Note 7 & 19)	643	-	2,485	-	36	-
1170	Accounts receivable (Note 7 & 19)	213,643	17	176,098	15	312,938	23
1200	Other receivables (Note 7)	35,112	3	29,162	2	118,733	9
1220	Current tax assets (Note 21)	5,882	1	5,882	-	42	-
130X	Inventories (Note 8)	527,974	43	527,417	44	495,538	36
1470	Other current assets (Note 13)	41,113	3	43,971	4	33,105	3
11XX	Total current assets	1,001,669	81	969,285	80	1,110,357	82
	Non-current assets						
1600	Property, plant and equipment (Note 10 & 27)	118,200	9	119,989	10	110,296	8
1755	Right-of-use assets (Note 11)	22,435	2	27,214	2	45,791	3
1780	Other intangible assets (Note 12)	3,309	-	4,041	-	9,248	1
1840	Deferred tax assets	81,471	7	80,022	7	71,011	5
1990	Other non-current assets (Note 13)	8,282	1	7,642	1	13,806	1
15XX	Total non-current assets	233,697	19	238,908	20	250,152	18
1XXX	Total assets	$ 1,235,366	100	$ 1,208,193	100	$ 1,360,509	100
Code	**Liabilities and equity**						
	Current liabilities						
2100	Short-term borrowings (Note 14)	$ 140,000	11	$ 80,000	7	$ 160,000	12
2170	Accounts payable (Note 15 & 26)	88,654	7	121,129	10	71,414	5
2219	Other payables (Note 16)	93,900	8	97,478	8	122,389	9
2230	Current tax liabilities (Note 21)	-	-	-	-	6,051	-
2280	Lease liabilities – current (Note 11)	4,441	-	9,251	1	24,808	2
2320	Long-term borrowing with maturity under 1 year (Note 14)	988	-	983	-	968	-
2399	Other current liabilities (Note 16 & 19)	54,862	5	51,642	4	43,334	3
21XX	Total current liabilities	382,845	31	360,483	30	428,964	31
	Non-current liabilities						
2540	Long-term borrowings (Note 14)	2,046	-	2,295	-	3,032	-
2570	Deferred tax liabilities	6,602	-	4,343	-	4,898	-
2580	Lease liabilities – non-current (Note 11)	21,414	2	21,190	2	23,782	2
2640	Net defined benefit liability – non-current (Note 4)	8,367	1	8,366	1	8,717	1
2670	Other non-current liabilities (Note 16 & 19)	50,957	4	51,925	4	52,121	4
25XX	Total non-current liabilities	89,386	7	88,119	7	92,550	7
2XXX	Total liabilities	472,231	38	448,602	37	521,514	38
	Equity attributable to owners of parent company (Note 18)						
3110	Ordinary share capital	684,891	56	684,891	57	684,891	50
3210	Capital surplus	1,151	-	1,151	-	1,151	-
	Retained earnings						
3310	Legal reserve	77,998	6	77,998	6	74,587	6
3320	Special reserve	1,084	-	1,084	-	11,508	1
3350	(Accumulated deficit) Unappropriated retained earnings	(4,225)	-	(4,346)	-	68,479	5
3300	Total retained earnings	74,857	6	74,736	6	154,574	12
	Other equity						
3410	Exchange differences on translation of foreign financial statements	4,853	-	1,313	-	575	-
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(2,180)	-	(2,180)	-	(2,180)	-
3400	Total other equity interest	2,673	-	(867)	-	(1,605)	-
31XX	Total equity interest attributable to owners of parent company	763,572	62	759,911	63	839,011	62
36XX	Non-controlling interest	(437)	-	(320)	-	(16)	-
3XXX	Total equity interest	763,135	62	759,591	63	838,995	62
	Total liabilities and equity	$ 1,235,366	100	$ 1,208,193	100	$ 1,360,509	100

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

Chairman：Liau, Yi-Yan   Manager：Liau, Yi-Yan   Accounting：Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended March 31, 2024 and 2023

In Thousands of New Taiwan Dollars
Except (Losses) Earnings per Share

Code		For the three months ended March 31, 2024 Amount	%	For the three months ended March 31, 2023 Amount	%
	Operating revenues (Note 19)				
4100	Sales revenue	$ 273,783	95	$ 455,974	98
4600	Service revenue	13,348	5	10,698	2
4000	Total operating revenue	287,131	100	466,672	100
	Operating costs				
5110	Cost of sales (Note 8,17, 20 & 26)	(171,367)	(60)	(304,855)	(66)
5600	Cost of services	(168)	-	(422)	-
5000	Total operating costs	(171,535)	(60)	(305,277)	(66)
5900	Operating profit margin	115,596	40	161,395	34
	Operating expenses (Note 17&20)				
6100	Selling expenses	(57,992)	(20)	(59,859)	(13)
6200	Administrative expenses	(16,735)	(6)	(19,194)	(4)
6300	Research and development expenses	(46,231)	(16)	(42,204)	(9)
6450	(Impairment loss) Impairment gain and reversal of impairment loss determined in accordance with IFRS 9 (Note 7)	(492)	-	3,090	1
6000	Total operating expenses	(121,450)	(42)	(118,167)	(25)
6900	Net operating (loss) profit	(5,854)	(2)	43,228	9
	Non-operating income and expenses (Note 20)				
7100	Interest income	97	-	408	-
7010	Other income (Note 23)	239	-	641	-
7020	Other gains and losses	6,387	2	(465)	-
7050	Financial costs	(835)	-	(1,190)	-
7000	Total non-operating income and expenses	5,888	2	(606)	-

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Code		For the three months ended March 31, 2024 Amount	%	For the three months ended March 31, 2023 Amount	%
7900	Profit before tax	$ 34	-	$ 42,622	9
7950	Income tax expense (Note 4 & 21)	(30)	-	(8,432)	(2)
8200	Profit for the year	4	-	34,190	7
	Other comprehensive income (Note 18 & 21)				
8360	Items that may be reclassified to profit or loss:				
8361	Exchange differences in translation of financial statements of foreign operations	4,426	1	(651)	-
8399	Income tax related to items that will be reclassified to profit or loss	(886)	-	130	-
8300	Total other comprehensive income (after tax)	3,540	1	(521)	-
8500	Total comprehensive income	$ 3,544	1	$ 33,669	7
	Profit (loss) attributable to:				
8610	Owners of parent company	$ 121	-	$ 34,259	7
8620	Non-controlling interests	(117)	-	(69)	-
8600		$ 4	-	$ 34,190	7
	Comprehensive income attributable to:				
8710	Owners of parent company	$ 3,661	1	$ 33,738	7
8720	Non-controlling interests	(117)	-	(69)	-
8700		$ 3,544	1	$ 33,669	7
	Earnings per share (Note 22)				
9710	Basic	$ -		$ 0.50	
9810	Diluted	$ -		$ 0.50	

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

Chairman：Liau, Yi-Yan Manager：Liau, Yi-Yan Accounting：Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2024 and 2023

In Thousands of New Taiwan Dollars

Code		Equities attributable to owners of parent company								Non-controlling interests	Total equity
				Retained Earnings			Other Equity				
		Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Total		
A1	Balance as of January 1, 2023	$ 684,891	$ 1,151	$ 74,587	$ 11,508	$ 34,552	$ 1,096	($ 2,180)	$ 805,605	($ 279)	$ 805,326
D1	Net profit for the three months ended March 31, 2023	-	-	-	-	34,259	-	-	34,259	(69)	34,190
D3	Other comprehensive income for the three months ended March 31, 2023	-	-	-	-	-	(521)	-	(521)	-	(521)
D5	Total comprehensive income for the three months ended March 31, 2023	-	-	-	-	34,259	(521)	-	33,738	(69)	33,669
M7	Changes in ownership of interests in subsidiaries (Note 9)	-	-	-	-	(332)	-	-	(332)	332	-
Z1	Balance as of March 31, 2023	$ 684,891	$ 1,151	$ 74,587	$ 11,508	$ 68,479	$ 575	($ 2,180)	$ 839,011	($ 16)	$ 838,995
A1	Balance as of January 1, 2024	$ 684,891	$ 1,151	$ 77,998	$ 1,084	($ 4,346)	$ 1,313	($ 2,180)	$ 759,911	($ 320)	$ 759,591
D1	Net profit for the three months ended March 31, 2024	-	-	-	-	121	-	-	121	(117)	4
D3	Other comprehensive income for the three months ended March 31, 2024	-	-	-	-	-	3,540	-	3,540	-	3,540
D5	Total comprehensive income for the three months ended March 31, 2024	-	-	-	-	121	3,540	-	3,661	(117)	3,544
Z1	Balance as of March 31, 2024	$ 684,891	$ 1,151	$ 77,998	$ 1,084	($ 4,225)	$ 4,853	($ 2,180)	$ 763,572	($ 437)	$ 763,135

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

Chairman： Liau, Yi-Yan　　Manager： Liau, Yi-Yan　　Accounting： Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended March 31, 2024 and 2023

In Thousands of New Taiwan Dollars

Code		For the three months ended March 31, 2024	For the three months ended March 31, 2023
	Cash flows from operating activities		
A10000	Profit before tax	$ 34	$ 42,622
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expenses	10,450	10,564
A20200	Amortization expenses	882	1,173
A20300	Expected credit impairment loss (reversal gain)	492	(3,090)
A20400	Gains on financial assets measured at fair value through profit or loss	-	(4)
A20900	Financial costs	835	1,190
A21200	Interest income	(97)	(408)
A23700	Inventory valuation and obsolescence losses	3,534	2,831
A24100	Unrealized foreign exchange gains	(4,171)	(1,040)
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily measured at fair value through profit or loss	-	4
A31130	Notes receivable	1,842	767
A31150	Accounts receivable	(28,840)	(77,023)
A31180	Other receivables	(4,993)	(61,421)
A31200	Inventories	210	60,297
A31240	Other current assets	2,957	11,451
A32150	Accounts payable	(36,352)	(36,169)
A32180	Other payables	(1,954)	(172)
A32230	Other current liabilities	2,675	(4,488)
A32240	Net defined benefit liabilities	1	(47)
A32990	Other non-current liabilities	(1,575)	2,965
A33000	Cash flows used in operations	(54,070)	(49,998)
A33500	Income tax paid	-	(42)
A33100	Interest received	97	521
AAAA	Net cash flows used in operating activities	(53,973)	(49,519)

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Code		For the three months ended March 31, 2024	For the three months ended March 31, 2023
	Cash flows from investing activities		
B02700	Acquisition of property, plant and equipment	($ 4,097)	($ 6,022)
B04500	Acquisition of intangible assets	(150)	(617)
B06700	Increase in other non-current assets	(1,223)	(4,935)
BBBB	Net cash flows used in investing activities	(5,470)	(11,574)
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	60,000	-
C01700	Repayment for long-term borrowings	(244)	-
C04020	Repayment of lease liabilities	(6,310)	(6,522)
C05600	Interest paid	(811)	(1,115)
CCCC	Net cash flows generated from (used in) financing activities	52,635	(7,637)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(160)	416
EEEE	Net decrease in cash and cash equivalents	(6,968)	(68,314)
E00100	Cash and cash equivalents at beginning of the period	182,770	216,779
E00200	Cash and cash equivalents at end of the period	$ 175,802	$ 148,465

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

Chairman：Liau, Yi-Yan Manager：Liau, Yi-Yan Accounting：Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the three months ended March 31, 2024 and 2023
(In thousands of New Taiwan Dollar, Unless Stated Otherwise)

1. COMPANY HISTORY

(1) CIPHERLAB CO., LTD. (hereinafter referred to as "the Company," the Company and entities controlled by the Company, hereinafter referred to as the "consolidated company") was established in October 1988 with the approval of the Ministry of Economic Affairs and officially started business operations in June 1989. The Company specializes in manufacturing and selling various computer-related products, such as peripheral equipment, electronic cash registers, barcode scanners, magnetic card readers, electronic measuring instruments, and software programs. They also provide trading and maintenance of the aforementioned maintenance parts, import and export trade, and acting as domestic and foreign manufacturers' agents for distribution. In addition, the Company is involved in importing and manufacturing telecommunications control radio frequency equipment.

(2) The Company’s stocks have been listed on the OTC market through Taipei Exchange for trading since March 1, 2002.

(3) The Company does not have an ultimate parent entity or ultimate financial controller due to the shareholding dispersion.

(4) The consolidated financial statements are expressed in New Taiwan dollars, the company's functional currency.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issuance by the Board of Directors on May 8, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

The adoption of the amendments to IFRS accounting standards approved and issued by the FSC will not significantly affect the consolidated company’s accounting policies.

(2) IFRS accounting standards issued by the IASB but not yet endorsed and issued into effect by the FSC.

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 17 “Insurance Contract”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: The amendments apply to annual reporting periods beginning on or after January 1, 2025. In initial application of the amendments, the consolidated company shall note restate the comparative periods, but instead, recognize any effect in the retained earnings or exchange differences on translation of foreign operations under equity (whichever is appropriate), and the relevant affected assets and liabilities.

IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 will replace IAS 1 “Presentation of Financial Statements.” The primary changes include:

- Items in the statement of profit or loss will need to be classified into categories: operating, investing, financing, income taxes and discontinued operations.
- Operating profit or loss, profit or loss before financing and income taxes, and subtotal and total of profit or loss shall be presented in the statements of profit or loss.
- Providing enhanced guidance on the principles of aggregation and disaggregation: the consolidated company shall identify assets, liabilities, equity, income, expenses, and cash flows from single transactions or other matters, and group and aggregate based on shared characteristics, to make each line item of the primary financial statements with at least one similar characteristic. Items with different characteristics shall be disaggregated in the primary financial statements and notes. Only if the consolidated company is unable to find a more informative name, the item may be labelled as “others.”
- New disclosure requirements for management-defined performance measures (MPM): the consolidated company shall disclose the information related to management-defined performance measures in a single note in the financial

statements, including descriptions to the measures, how to calculate, a reconciliation between the MPM and the most similar specified subtotal in IFRS Accounting Standards, and the effects on income taxes and non-controlling interests arising from relevant reconciliation items. When making public communications outside the financial statements, and communicating an aspect of the financial performance of the consolidated company as a whole.

Except for the aforementioned effects, as of the approval date of the consolidated financial statements, the consolidated company continues to evaluate the impact of the amendments to the other standards and interpretations on the financial status and financial performance; the relevant impact will be disclosed upon completion of the assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" which are endorsed and issued into effect by FSC. The consolidated financial statements do not include all the information that shall be disclosed in accordance with IFRS accounting standards in the yearly financial statements.

(2) Basis of Preparation

The financial statements have been prepared based on the historical cost except for financial instruments measured at fair values and the defined benefit liability recognized by the present value of the defined benefit obligation minus the fair value of the plan assets.

The fair value measurements are classified into levels 1 to 3 based on the observation level and significance of the inputs:

A. Level 1 inputs: the quoted price (unadjusted) in active markets for identical assets or liabilities at the date of measurement.

B. Level 2 inputs: observable inputs of the direct (i.e. as prices) or indirect (i.e. derive from prices) for assets or liabilities other than quoted prices of Level 1.

C. Level 3 inputs: unobservable inputs for the assets or liabilities.

(3) Basis of Consolidation

The consolidated financial statements include the financial statements of the consolidated company and the individual entities (the subsidiaries) controlled by the consolidated company. The financial statements of the subsidiaries have been adjusted so that its accounting policy is in accordance with the consolidated company. All intra-entity transactions, account balance, profit, and loss are eliminated in full when preparing the consolidated financial statements. The total consolidated comprehensive income of the subsidiaries is attributed to the owners of the consolidated company and non-controlling interests even if it causes the deficit balance.

When the change of the consolidated company's and its subsidiaries' ownership interest of the subsidiaries does not cause loss of control, it is treated as an equity transaction. The carrying amounts of the consolidated company and its subsidiaries and non-controlling interests have been adjusted to reflect the related change in interests of the subsidiaries. The difference between the adjusted amount of the non-controlling interests and the fair values of the paid or received considerations are directly recognized as equity and attributed to the consolidated company owner.

For the detailed information about subsidiaries, including the percentage of ownership and main business, please refer to Note 9, Table 3 and Table 4 as attached.

(4) Other Significant Accounting Policies

Except as explained below, please refer to the significant accounting policies in the consolidated financial statements for the year ended December 31, 2023.

A. Standard for Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within 12 months after the date of balance sheet; and

c. Cash and cash equivalents (excluding assets restricted from being exchanged or used to settle a liability exceed 12 months after the date of balance sheet).

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Labilities due to be settled within 12 months after the date of the balance sheet; and

c. Liabilities with settlement dates that cannot be deferred unconditionally to at least 12 months after the balance sheet date.

Assets and liabilities that cannot be classified as listed above should be classified as non-current.

B. Defined benefits post-employment benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Income tax expenses

Income tax expense is the sum of current income tax and deferred income tax. The interim period income tax expense is assessed based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period.

5. CRITICAL ACCOUNTING JUDGMENT AND MAJOR SOURCE OF ESTIMATION UNCERTAINTY

Please refer to the consolidated financial statements for the year ended December 31, 2023 for the critical accounting judgment and major source of estimation uncertainty adopted in the consolidated financial statements.

6. CASH AND CASH EQUIVALENTS

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand & revolving fund	$ 144	$ 144	$ 178
Checking accounts	30,667	24,241	31,607
Demand deposits	144,991	158,385	92,320
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	-	-	24,360
	$ 175,802	$ 182,770	$ 148,465

Cash equivalent market interest rates for the above interest-bearing financial assets at the date of the balance sheet are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Bank deposit (including time deposits classified as cash equivalent)	0.05%~1.45%	0.05%~1.45%	0.25%~4.82%

7. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES, AND OTHER RECEIVABLES

	March 31, 2024	December 31, 2023	March 31, 2023
Notes receivable			
Measurement at amortized costs			
Total carrying amount	$ 643	$ 2,485	$ 36
Less: loss allowance	-	-	-
	$ 643	$ 2,485	$ 36
Arising from operations	$ 643	$ 2,485	$ 36

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	March 31, 2024	December 31, 2023	March 31, 2023
Accounts receivable			
Measurement at amortized costs			
Total carrying amount	$ 214,350	$ 176,304	$ 313,267
Less: loss allowance	(707)	(206)	(329)
	$ 213,643	$ 176,098	$ 312,938

	March 31, 2024	December 31, 2023	March 31, 2023
Other receivables			
Receivables for Outward processing	$ 29,421	$ 20,873	$ 110,931
Tax refund receivable	5,265	8,106	7,788
Others	426	183	14
	$ 35,112	$ 29,162	$ 118,733

(1) Notes receivable

The consolidated company recognizes the loss allowance for notes receivable based on lifetime expected credit losses. The lifetime expected credit losses are measured by the customers' past default records and the current financial situation. As of March 31, 2024 and 2023, there are no overdue notes receivable. According to the assessment by the consolidated company, it is not necessary to set aside expected credit losses for notes receivables.

(2) Accounts receivable

The revenue arising from sales of goods is collected monthly with average credit period of 15~120 days. In order to minimize credit risk, the management of the consolidated company has appointed a team responsible for the determination of credit limit, credit approval and other monitoring procedures to ensure that proper action is taken for recovery of overdue debts. In addition, the consolidated company reviews the recoverable amount of the overdue notes and accounts receivable on the balance sheet date to ensure that adequate allowances are made for the irrecoverable amounts. In this regard, the management believes that the credit risk of the consolidated company has been significantly reduced.

The consolidated company recognizes the loss allowance for accounts receivable based on lifetime expected credit losses. The lifetime expected credit losses are measured by the customers' past default records and the current financial situation using a provision matrix and considering the GDP forecast. According to the consolidated company's past experience of credit losses, there is no significant difference in the loss patterns for different customer entities. Thus, the expected credit loss rate is determined solely by the number of overdue days for the receivables.

If there is evidence indicating that a counterparty is facing serious financial difficulties and the consolidated company cannot reasonably estimate the recoverable amount, the consolidated company will write off the related notes and accounts receivable, but continue with recourse. The amount recovered due to recourse is recognized in profit or loss.

The consolidated company's loss allowance for accounts receivables is estimated using a provision matrix as follows:

March 31, 2024

	Not past due	1-30 days overdue	31-60 days overdue	61-90 days overdue	91-120 days overdue	120 days overdue	Total
Expected credit loss rate	0.00%~6.33%	0%~27.27%	0.04%~7.86%	6.78%	100%	100%	
Total carrying amount	$ 181,461	$ 28,654	$ 3,937	$ 20	$ 105	$ 173	$ 214,350
Loss allowance (Lifetime ECL)	(253)	(132)	(43)	(1)	(105)	(173)	(707)
Amortized cost	$ 181,208	$ 28,522	$ 3,894	$ 19	$ -	$ -	$ 213,643

December 31, 2023

	Not past due	1-30 days overdue	31-60 days overdue	61-90 days overdue	91-120 days overdue	120 days overdue	Total
Expected credit loss rate	0.00%~6.33%	0%~7.74%	0.04%~7.86%	4.74%~100%	-	100%	
Total carrying amount	$ 139,216	$ 35,919	$ 1,108	$ 19	$ -	$ 42	$ 176,304
Loss allowance (Lifetime ECL)	(52)	(44)	(65)	(3)	-	(42)	(206)
Amortized cost	$ 139,164	$ 35,875	$ 1,043	$ 16	$ -	$ -	$ 176,098

March 31, 2023

	Not past due	1-30 days overdue	31-60 days overdue	61-90 days overdue	91-120 days overdue	120 days overdue	Total
Expected credit loss rate	0.00%~0.16%	0.00%~9.77%	0.07%~3.90%	5.95%~100%	100%	100%	
Total carrying amount	$ 294,626	$ 17,674	$ 799	$ 148	$ -	$ 20	$ 313,267
Loss allowance (Lifetime ECL)	(75)	(84)	(7)	(143)	-	(20)	(329)
Amortized cost	$ 294,551	$ 17,590	$ 792	$ 5	$ -	$ -	$ 312,938

Changes in loss allowance for accounts receivable are as follows:

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Beginning balance	$ 206	$ 3,452
Add: impairment losses recognized (reversed) in current period	492	(3,090)
Exchange difference in foreign currencies	9	(33)
Ending balance	$ 707	$ 329

8. INVENTORY

	March 31, 2024	December 31, 2023	March 31, 2023
Finished goods	$ 31,588	$ 37,895	$ 12,233
Work in process	40,888	26,764	23,346
Raw materials	425,660	430,111	434,867
Merchandise	29,838	32,647	25,092
	$ 527,974	$ 527,417	$ 495,538

The costs of goods sold related to inventories for the three months ended March 31, 2024 and 2023 were NT$171,367 thousand and NT$304,855 thousand, respectively.

The costs of goods sold for the three months ended March 31, 2024 and 2023, including inventory price decline and obsolescence losses, were NT$3,534 thousand and NT$2,831 thousand, respectively.

9. SUBSIDIARIES

(1) Subsidiaries included in the consolidated financial statements

The consolidated entities of the consolidated financial report were as follows:

			Percentage of ownership			
Investor company	Subsidiaries	Main business	March 31, 2024	December 31, 2023	March 31, 2023	Note
The Company	CIPHERLAB USA, INC.	Electronics sales	100	100	100	The main business risk is foreign currency risk
〃	CIPHERLAB LIMITED (SAMOA)	Investment holding	100	100	100	The main business risk is foreign currency risk
〃	MPLUS TECHNOLOGY CO., LTD (MPLUS TECHNOLOGY)	Development and sales of electronic products	95	95	95	The main business risk is foreign currency risk
CIPHERLAB LIMITED (SAMOA)	CipherLab Electron Trade (Shanghai) Limited Company (CipherLab (Shanghai))	Electronics sales	100	100	100	The main business risks are political risks and foreign currency risks due to government orders and cross-strait relations

A. CIPHERLAB LIMITED (SAMOA) was established on May 29, 2006 by the relevant laws and regulations of Samoa.

B. CipherLab (Shanghai) was approved and established in Shanghai on November 15, 2006, with an effective operation term from November 15, 2006, to November 14, 2036.

C. CIPHERLAB USA, INC. was approved and established in the USA on January 11, 2007.

D. MPLUS TECHNOLOGY was approved and established in ROC on May 19, 2016. MPLUS TECHNOLOGY implemented cash capital increase of NT$5,000 thousand on February 20, 2023, subscribed by the Company in full, and the payment for the capital increase was offset by the loans to MPLUS TECHNOLOGY. After the capital increase, the percentage of ownership of the Company to MPLUS TECHNOLOGY has increased from 94% to 95%. The difference of NT$332 thousand in the carrying amount of investments decreased the unappropriated earnings.

(2) Subsidiaries included in the consolidated financial statements: None.

10. PROPERTY, PLANT, AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation	Income-generating equipment	Other equipment	Total
Cost								
Balance as of January 1, 2024	$ 57,996	$ 55,493	$ 15,852	$243,798	$ 1,320	$105,310	$ 223	$479,992
Addition	-	-	-	888	-	798	-	1,686
Reclassification (Note)	-	-	-	600	-	-	-	600
Net exchange difference	-	-	-	-	56	60	9	125
Balance as of March 31, 2024	$ 57,996	$ 55,493	$ 15,852	$245,286	$ 1,376	$106,168	$ 232	$482,403
Accumulated depreciation								
Balance as of January 1, 2024	$ -	$ 25,444	$ 15,246	$224,549	$ 1,320	$ 93,260	$ 184	$360,003
Depreciation	-	248	27	2,387	-	1,419	2	4,083
Net exchange difference	-	-	-	-	56	54	7	117
Balance as of March 31, 2024	$ -	$ 25,692	$ 15,273	$226,936	$ 1,376	$ 94,733	$ 193	$364,203
Net balance as of December 31, 2023 and January 1, 2024	$ 57,996	$ 30,049	$ 606	$ 19,249	$ -	$ 12,050	$ 39	$119,989
Net balance as of March 31, 2024	$ 57,996	$ 29,801	$ 579	$ 18,350	$ -	$ 11,435	$ 39	$118,200
Cost								
Balance as of January 1, 2023	$ 57,996	$ 55,493	$ 16,406	$223,140	$ 1,320	$103,787	$ 308	$458,450
Addition	-	-	-	1,690	-	1,163	-	2,853
Disposal	-	-	(384)	(81)	-	(1,086)	-	(1,551)
Reclassification (Note)	-	-	-	1,361	-	-	-	1,361
Net exchange difference	-	-	-		(11)	(12)	1	(22)
Balance as of March 31, 2023	$ 57,996	$ 55,493	$ 16,022	$226,110	$ 1,309	$103,852	$ 309	$461,091
Accumulated depreciation								
Balance as of January 1, 2023	$ -	$ 24,453	$ 15,689	$213,208	$ 1,320	$ 93,511	$ 253	$348,434
Depreciation	-	248	28	2,573	-	1,080	2	3,931
Disposal	-	-	(384)	(81)	-	(1,086)	-	(1,551)
Net exchange difference	-	-	-	-	(11)	(9)	1	(19)
Balance as of March 31, 2023	$ -	$ 24,701	$ 15,333	$215,700	$ 1,309	$ 93,496	$ 256	$350,795
Net balance as of March 31, 2023	$ 57,996	$ 30,792	$ 689	$ 10,410	$ -	$ 10,356	$ 53	$110,296

Note: Reclassified from other non-current assets – prepayments for equipment, to property, plant, and equipment.

Depreciation expenses are calculated on a straight-line basis over the estimated useful lives as follows:

Buildings	55 years
Mechanical equipment	2 to 10 years
Molding equipment	2 to 5 years
Transportation equipment	5 years
Income-generating equipment	2 to 6 years
Other equipment	3 to 5 years

Please refer to Note 27 for the property, plant and equipment pledged as collaterals for borrowings.

11. LEASE ARRANGEMENT

(1) Right-of-use assets

	Buildings	Transportation	Total
Cost			
Balance as of January 1, 2024	$ 73,407	$ 3,334	$ 76,741
Addition	785	-	785
Reduction	(791)	-	(791)
Net exchange difference	1,275	-	1,275
Balance as of March 31, 2024	$ 74,676	$ 3,334	$ 78,010
Accumulated depreciation			
Balance as of January 1, 2024	$ 47,217	$ 2,310	$ 49,527
Depreciation	6,042	325	6,367
Reduction	(791)	-	(791)
Net exchange difference	472	-	472
Balance as of March 31, 2024	$ 52,940	$ 2,635	$ 55,575
Net balance as of March 31, 2024	$ 21,736	$ 699	$ 22,435
Cost			
Balance as of January 1, 2023	$ 75,576	$ 3,334	$ 78,910
Addition	1,226	-	1,226
Reduction	(1,198)	-	(1,198)
Net exchange difference	(232)	-	(232)
Balance as of March 31, 2023	$ 75,372	$ 3,334	$ 78,706
Accumulated depreciation			
Balance as of January 1, 2023	$ 26,525	$ 1,010	$ 27,535
Depreciation	6,308	325	6,633
Reduction	(1,198)	-	(1,198)
Net exchange difference	(55)	-	(55)
Balance as of March 31, 2023	$ 31,580	$ 1,335	$ 32,915
Net balance as of March 31, 2023	$ 43,792	$ 1,999	$ 45,791

Except for the additions above and depreciation expenses recognized, there is no significant sub-lease and impairment in right-of-use assets of the consolidated company for the three months ended March 31, 2024 and 2023.

(2) Lease liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
Carrying amount of lease liabilities			
Current	$ 4,441	$ 9,251	$ 24,808
Non-current	$ 21,414	$ 21,190	$ 23,782

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

	March 31, 2024	December 31, 2023	March 31, 2023
Buildings	1.111%～5.5%	1.111%～5.5%	1.111%～5.5%
Transportation equipment	1.111%～1.167%	1.111%～1.167%	1.111%～1.167%

(3) Significant lease activities and terms

The consolidated company leases certain buildings and transportation equipment with lease terms of 2 to 12 years for operating use. The consolidated company does not have bargain purchase options to acquire the leasehold buildings and vehicles at the end of the lease terms.

(4) Other lease information

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Expenses related to low-value asset leases	($ 51)	($ 63)
Expenses related to short-term leases	($ 65)	($ 74)
Total cash outflow for leases	($ 6,765)	($ 7,073)

All the lease commitments with lease period starting after the balance sheet date are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Lease commitment	$ 43,708	$ -	$ -

12. INTANGIBLE ASSETS

	March 31, 2024	December 31, 2023	March 31, 2023
Computer software	$ 3,309	$ 4,041	$ 9,248

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Cost		
Beginning balance	$ 22,397	$ 63,870
Separate acquisition	150	617
Net exchange difference	3	-
Ending balance	$ 22,550	$ 64,487
Accumulated amortization and impairments		
Beginning balance	$ 18,356	$ 54,066
Amortization expenses	882	1,173
Net exchange difference	3	-
Ending balance	$ 19,241	$ 55,239
Net ending balance	$ 3,309	$ 9,248

Amortization expenses of computer software are calculated on a straight-line basis over the estimated useful lives of 2~6 years.

13. OTHER ASSETS

	March 31, 2024	December 31, 2023	March 31, 2023
Prepayments	$ 41,113	$ 43,971	$ 33,105
Guarantee deposits paid	6,049	6,030	6,297
Prepayment for equipment	2,233	1,612	7,509
	$ 49,395	$ 51,613	$ 46,911
Current	$ 41,113	$ 43,971	$ 33,105
Non-current	8,282	7,642	13,806
	$ 49,395	$ 51,613	$ 46,911

14. BORROWINGS

(1) Short-term borrowings

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured loans			
Line of credit	$ 90,000	$ 30,000	$ 160,000
Secured loans			
Mortgage	$ 50,000	$ 50,000	$ -

As of March 31, 2024, December 31, 2023 and March 31, 2023, the interest rate intervals for short-term loans are 1.83%~1.85%, 1.85%, 1.78%~1.97%, respectively.

(2) Long-term borrowings

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured loans			
Bank loan	$ 3,034	$ 3,278	$ 4,000
Less: current portion	(988)	(983)	(968)
Long-term borrowings	$ 2,046	$ 2,295	$ 3,032

The consolidated company followed the "Directions for Business Financial Relief and Interest Supplement by the Ministry and Economic Affairs for Businesses with Operational Difficulties Due to COVID-19," and entered a borrowing contract with the Land Bank of Taiwan. The total amount of the loan was NT$4,000 thousand. The interest rate was calculated based on the Central Bank's guaranteed lending rate plus 0.9%, with an interest subsidy applied. The maximum period for subsidized interest is one year, with an upper limit of NT$220 thousand. The loan is paid back in installments, with a due date of March 8, 2027. The repayment method entails paying monthly interest before April 8, 2023, with the principal and interest amortized every month from April 8, 2023.

15. ACCOUNTS PAYABLE

	March 31, 2024	December 31, 2023	March 31, 2023
Accounts payable			
Arising from operations	$ 88,654	$ 121,129	$ 71,414

16. OTHER LIABILITIES

	March 31, 2024	December 31, 2023	March 31, 2023
Current			
Other payables			
Processing expense payable	$ 31,777	$ 26,260	$ 75,746
Salaries and bonus payable	24,778	23,148	14,524
Payables on R&D projects	11,250	4,995	-
Insurance expense payable	3,607	3,611	3,434
Payables on testing	2,064	9,729	343
Payables on equipment	1,993	4,404	1,941
Export expense payable	1,053	4,200	205
Employees' and directors' remuneration payable	-	-	11,827
Others	17,378	21,131	14,369
	$ 93,900	$ 97,478	$ 122,389

(Continue)

(Previous)

	March 31, 2024	December 31, 2023	March 31, 2023
Other liabilities			
Contractual liabilities (Note 19)	$ 51,492	$ 47,837	$ 39,662
Others	3,370	3,805	3,672
	$ 54,862	$ 51,642	$ 43,334
Non-current			
Other liabilities			
Contractual liabilities (Note 19)	$ 44,499	$ 45,467	$ 45,663
Guarantee deposits received	6,458	6,458	6,458
	$ 50,957	$ 51,925	$ 52,121

17. POST-EMPLOYMENT BENEFIT PLAN

The pension expenses related to the defined benefit plans recognized for the three months ended March 31, 2024 and 2023 are calculated by the pension cost rate determined by actuary on December 31, 2023 and 2022, and the amounts are NT$140 thousand, and NT$141 thousand, respectively.

18. EQUITY

(1) Ordinary share capital

	March 31, 2024	December 31, 2023	March 31, 2023
Authorized shares (in thousands of shares)	90,000	90,000	90,000
Authorized capital	$ 900,000	$ 900,000	$ 900,000
Number of shares issued and fully paid (in thousands of shares)	68,489	68,489	68,489
Capital issued	$ 684,891	$ 684,891	$ 684,891

The par value of each ordinary share issued is NT$10, and each share possesses one voting right and a right to receive dividends.

(2) Capital surplus

	March 31, 2024	December 31, 2023	March 31, 2023
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (A)			
Additional paid-in capital	$ 1,062	$ 1,062	$ 1,062
May only be used to offset a deficit			
Unclaimed dividends (B)	89	89	89
	$ 1,151	$ 1,151	$ 1,151

A. Such capital surplus may be used to offset a deficit. In the case 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 once a year.

B. According to the letter No. 10602420200 issued by the Ministry of Economic Affairs on September 21, 2017, unclaimed dividends should be recognized as capital reserves.

(3) Retained earnings and dividends policy

Suppose the consolidated company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, and setting aside as legal reserve 10% of the remaining profit by the laws and regulations except when the legal reserve has reached the company's paid-in capital. The rest shall be setting aside or reversing a special reserve; any remaining profit together with any undistributed retained earnings shall be used by the consolidated company’s board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholder’s meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of employees’ compensation and directors’ remuneration, refer to Note 20-7.

The Company's dividend policy evaluates the Company's future capital requirement, long-term financial planning, and shareholders' profit expectations. The actual distribution of share dividends should be accounted for not less than 50% of the distributable earnings of the current year. The company is in the steady growth stage with consistent profit increases and a solid financial structure. While maintaining a stable profit per share, the cash dividends shall account for at least 10% of the total dividends.

The legal reserve can be used to offset losses. When the company has no losses, the portion of the statutory surplus reserve exceeding 25% of the total paid-in capital may be allocated as share capital and can also be distributed as cash.

The Company may set aside special reserve by the accumulated deductions to other equity, only to the extent to the unappropriated earnings in prior period.

The proposal of making up losses of 2023 has been proposed by the board of directors on March 13, 2024, to cover up the losses by legal reserve of NT$4,129 thousand, and reversal of special reserve of NT$217 thousand, and is expected to be resolved by the shareholders’ meeting held on June 26, 2024.

The Company has held regular shareholders meeting on June 27, 2023, which resolved to approve the earnings distribution proposal as follows:

	2022
Legal reserve	$ 3,411
Special reserve	($ 10,424)
Cash dividends	$ 41,093
Cash dividend per share (NT$)	$ 0.60

(4) Special reserve

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Beginning balance and ending balance	$ 1,084	$ 11,508

(5) Other equity

A. Exchange differences on translation of foreign financial statements

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Beginning balance	$ 1,313	$ 1,096
Origination in the current period		
Exchange differences arising from translation of a foreign operation	4,426	(651)
Income tax related to exchange differences arising from translation of a foreign operation	(886)	130
Ending balance	$ 4,853	$ 575

B. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Beginning balance and ending balance	($ 2,180)	($ 2,180)

19. REVENUE

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Revenue from contracts with customers		
Sales revenue	$ 273,783	$ 455,974
Service revenue	13,348	10,698
	$ 287,131	$ 466,672

(1) Contract balances

	March 31, 2024	December 31, 2023	March 31, 2023	January 1, 2023
Notes and accounts receivables (Note 7)	$ 214,286	$ 178,583	$ 312,974	$ 233,925
Contract liabilities – current (Note 16)				
Sale of goods	$ 15,729	$ 14,034	$ 14,902	$ 22,516
Warranty service	35,763	33,803	24,760	21,059
	51,492	47,837	39,662	43,575
Contract liabilities – non-current (Note 16)				
Warranty service	44,499	45,467	45,663	42,698
	$ 95,991	$ 93,304	$ 85,325	$ 86,273

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

(2) Disaggregation of revenue from contracts with customers

Please refer to Note 31 for information regarding disaggregation of revenue.

20. NET PROFIT

(1) Interest income

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Bank deposits	$ 74	$ 384
Others	23	24
	$ 97	$ 408

(2) Other income

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Government Grants (Note 23)	$ -	$ 528
Others	239	113
	$ 239	$ 641

(3) Other gains and losses

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Net foreign exchange gains (losses)	$ 6,387	($ 469)
Gains on financial assets measured at fair value through profit or loss	-	4
	$ 6,387	($ 465)

(4) Financial costs

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Interest on bank loans	$ 496	$ 776
Interest on lease liabilities	339	414
	$ 835	$ 1,190

(5) Depreciation and amortization

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Property, plant, and equipment	$ 4,083	$ 3,931
Right-of-use assets	6,367	6,633
Intangible assets	882	1,173
Total	$ 11,332	$ 11,737
Depreciation expenses by function		
Operating costs	$ 3,350	$ 3,565
Operating expenses	7,100	6,999
	$ 10,450	$ 10,564
Amortization expenses by function		
Operating costs	$ 82	$ 136
Selling expenses	112	122
Administrative expenses	39	38
Research and development expenses	649	877
	$ 882	$ 1,173

(6) Employee benefit expenses

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Post-employment benefits		
Defined contribution plan	$ 3,023	$ 2,852
Defined benefit plan (Note 17)	140	141
	3,163	2,993
Other employee benefit	69,585	82,712
Total employee benefit	$ 72,748	$ 85,705
Summarized by function		
Operating costs	$ 12,913	$ 15,731
Operating expenses	59,835	69,974
	$ 72,748	$ 85,705

(7) Employees’ compensation and directors’ remuneration

The company distributes 0.5% ~ 10% and no higher than 3% of pretax net profit of the current year as employees' compensation and directors' remuneration.

The employees' compensation and directors' remuneration for the three months ended March 31, 2024 and 2023 are as follows:

Accrual rate

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Compensation of employees	-	10%
Remuneration of directors	-	3%

Amount

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Compensation of employees	$ -	$ 4,889
Remuneration of directors	$ -	$ 1,467

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 in the next year.

As the Company incurred net loss before tax, in 2023 employees' compensation and directors' remuneration were not accrued. The employees' compensation and directors' remuneration for the year of 2022 were resolved by the board of directors on March 29, 2023 as follows:

Amount

	2022	
	Cash	Stock
Compensation of employees	$ 4,209	$ -
Remuneration of directors	1,262	-

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

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

(8) Gains or losses on foreign currency exchange

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Total gains on foreign currency exchange	$ 9,756	$ 7,128
Total losses on foreign currency exchange	(3,369)	(7,597)
Net Gains (losses)	$ 6,387	($ 469)

21. INCOME TAX

(1) Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Current income tax expense		
In respect of current year	$ 30	$ 8,432
Income tax expense recognized in profit or loss	$ 30	$ 8,432

(2) Income tax recognized in other comprehensive income

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Deferred tax		
In respect of the current year		
－Translation of foreign financial statements	$ 886	($ 130)

(3) Income tax assessments

The tax authorities have assessed the income tax returns of the Company and its subsidiary, MPLUS TECHNOLOGY, through 2021 and 2020, respectively.

22. EARNINGS PER SHARE

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 year

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Earnings used in the computation of basic earnings per share	$ 121	$ 34,259
Earnings used in the computation of diluted earnings per share	$ 121	$ 34,259

Number of shares

Units: Thousands of Shares

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Weighted average number of ordinary shares used in the computation of basic earnings per share	68,489	68,489
Compensation of employees	-	319
Weighted average number of ordinary shares used in the computation of diluted earnings per share	68,489	68,808

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were 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.

23. GOVERNMENT GRANTS

According to the “Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens”, the consolidated company was eligible to apply for government grants for various expenses. The subsidies received were NT$528 thousand for the three months ended March 31, 2023, which were recognized under other income.

24. CASH FLOW INFORMATION

(1) Non-cash transaction

The consolidated company entered the following non-cash transaction investing activities for the three months ended March 31, 2024 and 2023 as follows:

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Partial cash payment for real property, plant and equipment		
Purchase of molding equipment, income-generating equipment, etc.	$ 1,686	$ 2,853
Changes in payables on purchases of equipment (Net)	2,411	3,169
Cash paid	$ 4,097	$ 6,022

(2) Changes in liabilities arising from financing activities

For the three months ended March 31, 2024

	January 1, 2024	Cash flows	Non-cash changes: Additions	Non-cash changes: Reductions	Non-cash changes: Exchange effect	December 31, 2024
Short-term loans	$ 80,000	$ 60,000	$ -	$ -	$ -	$ 140,000
Long-term loans	3,278	(244)	-	-	-	3,034
Lease liabilities	30,441	(6,310)	785	-	939	25,855
	$ 113,719	$ 53,446	$ 785	$ -	$ 939	$ 168,889

For the three months ended March 31, 2023

	January 1, 2023	Cash flows	Non-cash changes: Additions	Non-cash changes: Reductions	Non-cash changes: Exchange effect	March 31, 2023
Short-term loans	$ 160,000	$ -	$ -	$ -	$ -	$ 160,000
Long-term loans	4,000	-	-	-	-	4,000
Lease liabilities	54,086	(6,522)	1,226	-	(200)	48,590
	$ 218,086	($ 6,522)	$ 1,226	$ -	($ 200)	$ 212,590

25. FINANCIAL INSTRUMENTS

(1) Fair value of financial instruments not measured at fair value

The consolidated company's management considers that carrying amount of financial instruments that are not measured at fair value in the consolidated financial statements approximate the fair values.

(2) Categories of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets			
Financial assets at amortized cost (Note 1)	$ 427,484	$ 389,939	$ 580,181
Financial liabilities			
Measured at amortized cost (Note 2)	303,328	281,302	334,011

Note 1: Including financial assets measure at amortized cost such as cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables (excluding tax refund receivable), and refundable deposits.

Note 2: Including financial liabilities measured at amortized cost such as short-term loans, accounts payable, other payables (excluding salaries and bonus payable, employees' welfare funds, operating tax, and insurance expenses), long-term loans with maturity within 1 year, long-term loans and guaranteed deposits received.

(3) Financial risk management objectives and policies

The consolidated company's major financial instruments include investments in equity and debt instruments, borrowings, receivables, payables, and lease liabilities. The financial risks relating to the operation of the consolidated company include market risk (including foreign currency risk and interest risk), credit risk, and liquidity risk.

A. Market risk

The main financial risks borne by the consolidated company are foreign currency risk (please refer to (I) below) and interest risk (please refer to (II) below).

(I) Foreign currency risk

The company engages in foreign currency sales and purchases, which exposes it to exchange rate fluctuations. To minimize risks, the company regularly assesses the net risk for sales and cost amounts in non-functional currencies and adjusts its cash holdings accordingly.

The carrying amounts of the consolidated company’s foreign currency denominated monetary assets and monetary liabilities are set out in Note 29.

Sensitivity analysis

The consolidated company is mainly exposed to the US dollar exchange rate fluctuation.

The following table details the consolidated company’s sensitivity to a 1% change in the functional currency against US dollars. 1% is the sensitivity rate used when reporting exchange rate risk to key management in the consolidated company. This rate is based on management's evaluation of potential fluctuations in foreign currency exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. It is imperative to consider the consolidated company's external borrowing, accounts receivable, and accounts payable in addition to internal receivables from foreign operating institutions and foreign currency bank account balances for sensitivity analysis.

The positive number in the table below means that when the functional currency depreciates by 1% against the US dollar, it will increase the pre-tax net profit; when the functional currency appreciates by 1% relative to the US dollar, the impact on the pre-tax net profit will be the same amount negative number.

	Impact of the US dollar	
	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Profit or loss	$ 1,512	$ 3,042

The effects mentioned are primarily caused by the consolidated company's foreign currency borrowings, receivables, payables, and bank account balances that remain circulated on the balance sheet date and have not undergone cash flow hedging measures.

The consolidated company's sensitivity to exchange rates has decreased for the three months ended March 31, 2024 primarily because of the decrease in net assets denominated in foreign currencies.

(II) Interest risk

The consolidated company's bank deposits and borrowings consist of fixed and floating interest rates which may lead to the consolidated company's exposure to interest risk.

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

	March 31, 2024	December 31, 2023	March 31, 2023
Fair value interest rate risk			
－Financial assets	$ -	$ -	$ 24,360
－Financial liabilities	105,855	80,441	58,590
Cash flow interest rate risk			
－Financial assets	146,491	159,885	93,820
－Financial liabilities	63,034	33,278	154,000

Sensitivity analysis

The sensitivity analysis below was determined based on the consolidated company’s exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The rate of change used when reporting interest rates to the key management in the consolidate company reflects a 25-basis point increase or decrease per annum. This rate serves as a reference for potential fluctuations to the management team in their evaluations.

If interest rates have increased/decreased by 25 basis points and all other variables were held constant, the consolidated company’s pre-tax profit for the three months ended March 31, 2024 and 2023 would increase/decrease by NT$52 thousand, and decrease/increase by NT$38 thousand, respectively, which was mainly due to the net exposure to the fluctuations in the consolidated company’s bank deposits and borrowings with floating interest rates.

The consolidated company’s sensitivity to interest rates changed for the three months ended March 31, 2024, mainly due to the increase in financial assets and decrease in financial liabilities at floating interest rates.

B. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the consolidated company. As at the end of the reporting period, the consolidated company’s maximum exposure to credit risk, which would cause a financial loss to the consolidated company due to the failure of the counterparty to discharge its obligation, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The consolidated company has adopted a policy to only carry out transactions with reputable counterparties; therefore, no significant credit risk is anticipated.

C. Liquidity risk

The consolidated company's objective is to finance its operations and mitigate the effects of fluctuations in cash flows using cash and cash equivalents, equity investments and bank loans. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The consolidated company relies on bank borrowings as a significant source of liquidity. As of the balance sheet date, the consolidated company had available unutilized short-term bank loan facilities set out in (II) below.

(I) Liquidity and interest rate risk tables

March 31, 2024

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years	5+ years
Non-interest-bearing liabilities	$ 108,320	$ 44,274	$ 1,242	$ 6,458	$ -
Floating rate instrument	$ 30,127	$ 30,277	$ 786	$ 2,095	$ -
Fixed rate instrument	$ 30,005	$ -	$ 50,238	$ -	$ -
Lease liabilities	$ 295	$ 1,104	$ 4,283	$ 15,638	$ 9,834

December 31, 2023

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years	5+ years
Non-interest-bearing liabilities	$ 147,728	$ 43,643	$ 195	$ 6,458	$ -
Floating rate instrument	$ 87	$ 175	$ 30,964	$ 2,357	$ -
Fixed rate instrument	$ 50,018	$ -	$ -	$ -	$ -
Lease liabilities	$ 1,897	$ 4,352	$ 4,232	$ 14,981	$ 10,382

March 31, 2023

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years	5+ years
Non-interest-bearing liabilities	$ 110,964	$ 51,578	$ 1,011	$ 6,458	$ -
Floating rate instrument	$ 30,127	$ 120,508	$ 784	$ 3,135	$ -
Fixed rate instrument	$ 10,008	$ -	$ -	$ -	$ -
Lease liabilities	$ 1,981	$ 4,595	$ 19,562	$ 15,530	$ 13,379

(II) Financing facilities

	March 31, 2024	December 31, 2023	March 31, 2023
Amount of short-term bank loans			
－Amount used	$ 140,000	$ 80,000	$ 160,000
－Amount unused	532,000	540,705	350,000
	$ 672,000	$ 620,705	$ 510,000
Amount of long-term bank loans			
－Amount used	$ 3,034	$ 3,278	$ 4,000
－Amount unused	-	-	-
	$ 3,034	$ 3,278	$ 4,000

26. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Except for information disclosed elsewhere in the other notes, details of transactions between the consolidated company and other related parties are disclosed as follows:

(1) Related party name and category

Related Party Name	Relationship with the Company
AtechOEM Inc.	Substantive Related Parties
Weikeng Industrial Co., Ltd.	Substantive Related Parties

(2) Operating transactions

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Purchases of goods		
Substantive Related Parties	$ 1,591	$ 1,291

There is no significant difference regarding the terms and conditions for the purchase price and the payment terms between the consolidated company and related parties.

(3) Payables to related parties

Item	Related party category/Name	March 31, 2024	December 31, 2023	March 31, 2023
Accounts payable	Substantive related parties	$ 1,804	$ 1,129	$ 1,355

There is no guarantee provided for outstanding balance of payables to related parties.

(4) Compensation of key management personnel

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Short-term employee benefits	$ 4,146	$ 5,473
Post-employment benefits	35	27
	$ 4,181	$ 5,500

The compensation to directors and other key management personnel were determined by the Compensation Committee in accordance with the individual performance and market trends.

27. ASSETS PLEDGED AS SECURITY

The following assets have been provided in response to relevant tax laws and regulations as collateral for short-term bank loans:

	March 31, 2024	December 31, 2023	March 31, 2023
Property, plant and equipment			
Land	$ 57,996	$ 57,996	$ 57,996
Buildings	29,801	30,049	30,792
Financial assets at amortized cost			
Pledged time deposits	1,500	1,500	1,500
	$ 89,297	$ 89,545	$ 90,288

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENT

Significant contingent liabilities and unrecognized commitments of the consolidated company as of the balance sheet date, excluding those disclosed in other notes, were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Acquisition of property, plant and equipment	$ 3,572	$ 1,640	$ 9,274

29. SIGNIFICANT FINANCIAL ASSETS AND LIABILITES DENOMIATED IN FOREIGN CURRENCIES

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

March 31, 2024

	Foreign currency	Exchange rate	Carrying amount
Foreign currency financial assets			
Monetary item			
USD	$ 7,741	32.00 (USD : NTD)	$ 247,716
Foreign currency financial liabilities			
Monetary item			
USD	3,017	32.00 (USD : NTD)	96,555

December 31, 2023

	Foreign currency	Exchange rate	Carrying amount
Foreign currency financial assets			
Monetary item			
USD	$ 7,648	30.705 (USD : NTD)	$ 234,852
Foreign currency financial liabilities			
Monetary item			
USD	3,057	30.705 (USD : NTD)	93,856

March 31, 2023

	Foreign currency	Exchange rate	Carrying amount
Foreign currency financial assets			
Monetary item			
USD	$ 13,862	30.450 (USD : NTD)	$ 422,096
Foreign currency financial liabilities			
Monetary item			
USD	3,871	30.450 (USD : NTD)	117,875

Foreign currency exchange gains and losses with significant impact (including realized and unrealized) are as follows:

	For the three months ended March 31, 2024		For the three months ended March 31, 2023	
Foreign currency	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	31.448 (USD : NTD)	$ 6,387	30.395 (USD : NTD)	($ 477)
USD	7.103 (USD : CNY)	-	6.8418 (USD : CNY)	8
		$ 6,387		($ 469)

30. OTHER DISCLOSURES

(1) Information on significant transactions:

A. Financing provided to others: None;

B. Endorsements/guarantees provided: None;

C. Marketable securities held (excluding investments in subsidiaries, associates, and jointly controlled entities): Table 1;

D. Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None;

E. Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None;

F. Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None;

G. Total purchases from or sales to related parties of at least to NT$100 million or 20% of the paid-in capital: None;

H. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None;

I. Trading in derivative instruments: None;

J. Others: intercompany relationships and significant intercompany transactions: Table 2.

(2) Information on investment: Table 3.

(3) Information on investments in Mainland China:

A. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: Table 4;

B. Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss: None;

(I) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

(II) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

(III) The amount of property transactions and the amount of the resultant gains or losses.

(IV) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

(V) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

(VI) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

(4) Major shareholder information: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 5.

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 reportable segments of the consolidated company are as below:

(1) Segment revenue and operating results

Revenue and operating results of operating segments are analyzed by reportable segments as follows:

	Segment Revenue		Segment Profit or Loss	
	For the three months ended March 31, 2024	For the three months ended March 31, 2023	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Direct customer segment	$ -	$ 937	($ 80)	$ 455
Agency segment	202,855	365,899	(1,922)	41,087
US sales segment	72,408	80,309	5,635	11,417
China sales segment	9,307	11,727	(4,286)	(5,018)
Other segments	2,561	7,800	(2,375)	(490)
Total for operation units	$ 287,131	$ 466,672	(3,028)	47,451
Interest income			97	408
Other incomes			239	641
Other gains and losses			6,387	(465)
Headquarters' management costs and directors' remuneration			(2,826)	(4,223)
Financial costs			(835)	(1,190)
Net profit (loss) before tax			$ 34	$ 42,622

Segment profits refer to the earnings by each division, excluding apportionable administrative costs of headquarter and directors' remuneration, interest income, other incomes, other profit or loss, financial costs, and income tax expense. The amount of measurement is then provided to the chief operating decision-maker to allocate resources to divisions and evaluate the division's performance.

(2) Total segment assets

The amount of measurement for the consolidate company's assets was not provided to the chief operating decision-maker, so the relevant information will not be disclosed.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Marketable securities held at the end of the period

March 31, 2024

Table 1

Unit: in thousands of NTD

Holding Company Name	Marketable Securities Type and Name	Relationship with the holding company	Financial Statement Account	End of the reporting period				Note
				Shares／Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
CIPHERLAB CO., LTD.	Shares							
	JRC INTERNATIONAL PTY LIMITED	None	Financial assets measured at fair value through other comprehensive income	760	$ -	19	$ -	Note
	WELCOM DESIGN K.K.	〃	〃	40	-	4	-	〃

Note: The abovementioned unlisted (counter) stock investment held by the consolidated company was evaluated and measured at fair value as zero as of the balance sheet date. The unrealized loss of NT$2,180 thousand has been adjusted.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Intercompany relationships and significant intercompany transactions

For the three months ended March 31, 2024

Table 2

Unit: in thousands of NTD

No. (Note 1)	Company Name	Counterparty	Relationship	Intercompany Transactions			
				Financial Statement Item	Amount (Note 2)	Transaction Terms	Percentage of Consolidated Net Revenue or Total Assets (%) (Note 3)
0	CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	Parent company to subsidiary	Sales revenue	$ 47,729	The payment period is 210 days after monthly closing, and the price is not significantly different from that of general sales	17
				Accounts receivable – related parties	28,131		2
				Unrealized profit of associated companies	35,715		12
				Other payables – related parties	16		-
0	CIPHERLAB CO., LTD.	CipherLab Electron Trade (Shanghai) Limited Company	Parent company to subsidiary	Unrealized profit of associated companies	405		-
0	CIPHERLAB CO., LTD.	MPLUS TECHNOLOGY CO., LTD.	Parent company to subsidiary	Sales revenue	1,366	The payment period is 210 days after monthly closing, and the price is not significantly different from that of general sales	-
				Other incomes	2,131	Consulting service, etc.	1
				Administrative expenses	13		-
				Accounts receivable – related parties	1,903		-
				Other receivables – related parties	2,262		-

The business relationship between the parent company and its subsidiaries:

The company is mainly engaged in the manufacture and sales of electronic products. CIPHERLAB LIMITED (SAMOA) is a holding company, CIPHERLAB USA, INC. and CipherLab (Shanghai) are the main business of sales of electronic products, and MPLUS TECHNOLOGY is primarily involved operation of development and sales of electronic products.

Note 1: Significant transaction between the parent company and its subsidiaries or among subsidiaries are numbered as follows:

1. Enter 0 for the parent company.
2. Subsidiaries are numbered sequentially from “1” according to company type.

Note 2: The table attached only discloses information regarding one-sided transactions that have been written off in the preparation of consolidated financial statements.

Note 3: Regarding the ratio of the transaction amount to the consolidated total operating income or total assets, it is calculated by the ending balance to the consolidated if it is recognized as liabilities; if as profit or loss, then by the ending cumulative amount to the consolidated total operating income.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Name, location, and related information of investees
For the three months ended March 31, 2024

Table 3

Unit: in thousands of NTD, unless specified otherwise

Investor Company	Investee Company	Location	Main Business and Products	Original Investment Amount		Balance as of March 31, 2024			Net Income/Losses of the Investee	Recognized Investment Income/Losses	Note
				March 31, 2024	December 31, 2023	Shares	Percentage of Ownership	Carrying Amount			
CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	USA	Electronics sales	USD 5,150	USD 5,150	5,000,000	100	NTD 54,293 (Note 2)	NTD 1,807	NTD 1,807	Note 1 and 3
	CIPHERLAB LIMITED (SAMOA)	Samoa	Investment holding	USD 4,150	USD 4,150	4,150,000	100	NTD 19,165 (Note 2)	(NTD 3,097)	(NTD 3,097)	〃
	MPLUS TECHNOLOGY CO., LTD.	Taiwan	Electronic product development and design	NTD 37,000	NTD 37,000	3,700,000	95	(NTD 8,084)	(NTD 2,291)	(NTD 2,174)	〃

Note 1: No market price is available, and the carrying amount on the balance sheet date is the fair value.

Note 2: The unrealized sales gross profit at the period's end was deducted.

Note 3: The amounts have been eliminated at preparing the consolidated financial statement.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Information on investment in Mainland China

For the three months ended March 31, 2024

Table 4

Unit: in thousands of NTD, unless specified otherwise

1. Name of the investee company in Mainland China, main business and products, paid-in capital, investment method, investment flows, shareholding ratio, investment profit or loss, investment carrying amount, and inward remittance of investment earnings:

Investee company name	Main business and products	Total Amount of Paid-in capital	Investment Method (Note 1)	Accumulated outflow of investment from Taiwan at the beginning of the period	Investment flows		Accumulated outflow of investment from Taiwan at the end of the reporting period	Current profit or loss of the investee company	Ownership of direct or indirect investment (%)	Current recognized investment profit or loss (Note 2.2.(2))	Carrying value at the end of the period	Accumulated inward remittance of investment earnings at the end of reporting period	Note
					Out flow	Inflow							
CipherLab Electron Trade (Shanghai) Limited Company	Electronics sales	$ 130,384 (USD 4,150)	(2)	$ 130,384 (USD 4,150)	$ -	$ -	$ 130,384 (USD 4,150) (Note 4)	($ 3,055)	100	($ 3,055)	$ 18,304	$ -	Has been consolidated and written off when preparing this consolidated financial statement

2. Investment amount in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 130,384 (USD 4,150)	$ 130,384 (USD 4,150)	$ 457,881

Note 1: The methods for engaging in investment in mainland China include the following:

1. Direct investment in Mainland China.
2. Indirect investment in Mainland China through a third area (CIPHERLAB LIMITED (SAMOA)).
3. Other method

Note 2: The investment income (loss) recognized in current period:

1. No investment income (loss) has been recognized due to the investment is still in the development stage.
2. The investment income (loss) was determined based on the following basis:

(1) The financial report was reviewed and certified by an international accounting firm in cooperation with an accounting firm in the ROC.

(2) The financial statements were reviewed by the parent company’s auditors.

(3) Others

Note 3: The figures presented in this table are in New Taiwan Dollars.

Note 4: The company has remitted a total of US$4,150 thousand for investment.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Information on major shareholders

March 31, 2024

Table 5

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Chang En Enterprise Management Co., Ltd.	6,706,934	9.79
Lin, Yong-Fa	6,613,376	9.65
Lin, Jun-Yao	4,638,000	6.77

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