

CIPHERLAB CO., LTD. AND SUBSIDIARIES

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

Address: 12F, 333, Dunhua S. Rd., Sec. 2, Taipei, Taiwan

Tel: (02)86471166

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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 September 30, 2024 and 2023, and the related consolidated statement of comprehensive income for the three months ended September 30, 2024 and 2023, and for the nine months ended September 30, 2024 and 2023, and the consolidated statement of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. 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 Group as of September 30, 2024 and 2023, and of its consolidated financial performance for the three months ended September 30, 2024 and 2023, and its consolidated financial performance and cash flows for the nine months ended September 30, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche
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

November 6, 2024

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2024, December 31, 2023, and September 30, 2023

In Thousands of New Taiwan Dollars

Code	Assets	September 30, 2024		December 31, 2023		September 30, 2023	
		Amount	%	Amount	%	Amount	%
	Current assets						
1100	Cash (Note 6)	\$ 93,167	8	\$ 182,770	15	\$ 186,299	15
1110	Financial assets at fair value through profit or loss – current (Note 7)	9,923	1	-	-	-	-
1136	Financial assets at amortized cost – current (Note 28)	1,500	-	1,500	-	33,770	3
1150	Notes receivable (Note 8 & 20)	41	-	2,485	-	95	-
1170	Accounts receivable (Note 8 & 20)	171,271	14	176,098	15	194,743	16
1200	Other receivables (Note 8)	13,425	1	29,162	2	41,424	3
1220	Current tax assets	5,915	-	5,882	-	5,806	-
130X	Inventories (Note 9)	600,241	50	527,417	44	492,225	39
1479	Other current assets (Note 14)	38,605	3	43,971	4	51,809	4
11XX	Total current assets	<u>934,088</u>	<u>77</u>	<u>969,285</u>	<u>80</u>	<u>1,006,171</u>	<u>80</u>
	Non-current assets						
1600	Property, plant and equipment (Note 11 & 28)	117,041	10	119,989	10	115,863	9
1755	Right-of-use assets (Note 12)	52,206	4	27,214	2	35,276	3
1780	Intangible assets (Note 13)	1,775	-	4,041	-	7,608	1
1840	Deferred tax assets	91,511	8	80,022	7	78,202	6
1990	Other non-current assets (Note 14)	10,972	1	7,642	1	13,204	1
15XX	Total non-current assets	<u>273,505</u>	<u>23</u>	<u>238,908</u>	<u>20</u>	<u>250,153</u>	<u>20</u>
1XXX	Total assets	<u>\$ 1,207,593</u>	<u>100</u>	<u>\$ 1,208,193</u>	<u>100</u>	<u>\$ 1,256,324</u>	<u>100</u>
	Liabilities and equity						
	Current liabilities						
2100	Short-term borrowings (Note 15)	\$ 140,000	12	\$ 80,000	7	\$ 75,000	6
2170	Accounts payable (Note 16 & 27)	65,432	5	121,129	10	125,216	10
2219	Other payables (Note 17)	98,408	8	97,478	8	113,532	9
2280	Lease liabilities – current (Note 12)	25,575	2	9,251	1	15,323	1
2320	Long-term borrowing with maturity under 1 year (Note 15)	-	-	983	-	977	-
2399	Other current liabilities (Note 17 & 20)	62,892	5	51,642	4	51,269	4
21XX	Total current liabilities	<u>392,307</u>	<u>32</u>	<u>360,483</u>	<u>30</u>	<u>381,317</u>	<u>30</u>
	Non-current liabilities						
2540	Long-term borrowings (Note 15)	-	-	2,295	-	2,543	-
2570	Deferred tax liabilities	5,783	-	4,343	-	7,183	1
2580	Lease liabilities – non-current (Note 12)	30,390	3	21,190	2	23,265	2
2640	Net defined benefit liability – non-current (Note 5)	8,369	1	8,366	1	8,764	1
2670	Other non-current liabilities (Note 17 & 20)	51,042	4	51,925	4	53,892	4
25XX	Total non-current liabilities	<u>95,584</u>	<u>8</u>	<u>88,119</u>	<u>7</u>	<u>95,647</u>	<u>8</u>
2XXX	Total liabilities	<u>487,891</u>	<u>40</u>	<u>448,602</u>	<u>37</u>	<u>476,964</u>	<u>38</u>
	Equity attributable to owners of parent company (Note 19)						
3110	Ordinary share capital	684,891	57	684,891	57	684,891	55
3210	Capital surplus	1,151	-	1,151	-	1,151	-
	Retained earnings						
3310	Legal reserve	73,869	6	77,998	6	77,998	6
3320	Special reserve	867	-	1,084	-	1,084	-
3350	(Accumulated deficit) Unappropriated retained earnings	(42,941)	(3)	(4,346)	-	10,974	1
3300	Total retained earnings	<u>31,795</u>	<u>3</u>	<u>74,736</u>	<u>6</u>	<u>90,056</u>	<u>7</u>
	Other equity						
3410	Exchange differences on translation of foreign financial statements	4,483	-	1,313	-	5,549	-
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	<u>2,303</u>	<u>-</u>	<u>(867)</u>	<u>-</u>	<u>3,369</u>	<u>-</u>
31XX	Total equity interest attributable to owners of parent company	<u>720,140</u>	<u>60</u>	<u>759,911</u>	<u>63</u>	<u>779,467</u>	<u>62</u>
36XX	Non-controlling interest	(438)	-	(320)	-	(107)	-
3XXX	Total equity interest	<u>719,702</u>	<u>60</u>	<u>759,591</u>	<u>63</u>	<u>779,360</u>	<u>62</u>
	Total liabilities and equity	<u>\$ 1,207,593</u>	<u>100</u>	<u>\$ 1,208,193</u>	<u>100</u>	<u>\$ 1,256,324</u>	<u>100</u>

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended September 30, 2024 and 2023

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

C o d e	For the three months ended September 30, 2024		For the three months ended September 30, 2023		For the nine months ended September 30, 2024		For the nine months ended September 30, 2023	
	A m o u n t	%	A m o u n t	%	A m o u n t	%	A m o u n t	%
	Operating revenues (Note 20)							
4100	\$ 313,982	95	\$ 261,325	95	\$ 856,486	95	\$ 1,020,405	97
4600	16,577	5	12,577	5	45,493	5	34,611	3
4000	<u>330,559</u>	<u>100</u>	<u>273,902</u>	<u>100</u>	<u>901,979</u>	<u>100</u>	<u>1,055,016</u>	<u>100</u>
	Operating costs							
5110	(207,163)	(63)	(170,745)	(63)	(556,710)	(62)	(679,319)	(64)
5600	(604)	-	(236)	-	(1,327)	-	(1,088)	-
5000	<u>(207,767)</u>	<u>(63)</u>	<u>(170,981)</u>	<u>(63)</u>	<u>(558,037)</u>	<u>(62)</u>	<u>(680,407)</u>	<u>(64)</u>
5900	<u>122,792</u>	<u>37</u>	<u>102,921</u>	<u>37</u>	<u>343,942</u>	<u>38</u>	<u>374,609</u>	<u>36</u>
	Operating expenses (Note 18 & 21)							
6100	(69,316)	(21)	(65,479)	(24)	(190,994)	(21)	(191,143)	(18)
6200	(18,030)	(5)	(15,890)	(6)	(53,130)	(6)	(52,482)	(5)
6300	(51,417)	(16)	(42,698)	(15)	(159,450)	(18)	(134,717)	(13)
6450	(Impairment loss) Impairment gain and reversal of impairment loss determined in accordance with IFRS 9 (Note 8)				(1,540)	-	2,983	-
6000	<u>(139,045)</u>	<u>(42)</u>	<u>(123,494)</u>	<u>(45)</u>	<u>(405,114)</u>	<u>(45)</u>	<u>(375,359)</u>	<u>(36)</u>
6900	<u>(16,253)</u>	<u>(5)</u>	<u>(20,573)</u>	<u>(8)</u>	<u>(61,172)</u>	<u>(7)</u>	<u>(750)</u>	<u>-</u>
	Non-operating income and expenses (Note 21)							
7100	83	-	774	-	653	-	2,236	-
7010	325	-	196	-	956	-	1,431	-
7020	(1,521)	(1)	6,991	3	9,013	1	12,955	1
7050	(1,226)	-	(752)	-	(3,274)	-	(2,971)	-
7000	<u>(2,339)</u>	<u>(1)</u>	<u>7,209</u>	<u>3</u>	<u>7,348</u>	<u>1</u>	<u>13,651</u>	<u>1</u>
7900	(18,592)	(6)	(13,364)	(5)	(53,824)	(6)	12,901	1
7950	<u>3,722</u>	<u>1</u>	<u>2,660</u>	<u>1</u>	<u>10,765</u>	<u>1</u>	<u>(2,227)</u>	<u>-</u>
8200	<u>(14,870)</u>	<u>(5)</u>	<u>(10,704)</u>	<u>(4)</u>	<u>(43,059)</u>	<u>(5)</u>	<u>10,674</u>	<u>1</u>
	Other comprehensive income (Note 19 & 22)							
8360	Items that may be reclassified to profit or loss:							
8361	Exchange differences in translation of financial statements of foreign operations							
	(1,877)	-	4,701	2	3,963	1	5,566	-
8399	Income tax related to items that will be reclassified to profit or loss							
	<u>375</u>	<u>-</u>	<u>(940)</u>	<u>(1)</u>	<u>(793)</u>	<u>-</u>	<u>(1,113)</u>	<u>-</u>
8300	<u>(1,502)</u>	<u>-</u>	<u>3,761</u>	<u>1</u>	<u>3,170</u>	<u>1</u>	<u>4,453</u>	<u>-</u>
8500	<u>(\$ 16,372)</u>	<u>(5)</u>	<u>(\$ 6,943)</u>	<u>(3)</u>	<u>(\$ 39,889)</u>	<u>(4)</u>	<u>\$ 15,127</u>	<u>1</u>
	Profit (loss) attributable to:							
8610	(\$ 14,806)	(5)	(\$ 10,550)	(4)	(\$ 42,941)	(5)	\$ 10,939	1
8620	(64)	-	(154)	-	(118)	-	(265)	-
8600	<u>(\$ 14,870)</u>	<u>(5)</u>	<u>(\$ 10,704)</u>	<u>(4)</u>	<u>(\$ 43,059)</u>	<u>(5)</u>	<u>\$ 10,674</u>	<u>1</u>
	Comprehensive income attributable to:							
8710	(\$ 16,308)	(5)	(\$ 6,789)	(3)	(\$ 39,771)	(4)	\$ 15,392	1
8720	(64)	-	(154)	-	(118)	-	(265)	-
8700	<u>(\$ 16,372)</u>	<u>(5)</u>	<u>(\$ 6,943)</u>	<u>(3)</u>	<u>(\$ 39,889)</u>	<u>(4)</u>	<u>\$ 15,127</u>	<u>1</u>
	Earnings per share (Note 23)							
9710	<u>(\$ 0.22)</u>		<u>(\$ 0.15)</u>		<u>(\$ 0.63)</u>		<u>\$ 0.16</u>	
9810	<u>(\$ 0.22)</u>		<u>(\$ 0.15)</u>		<u>(\$ 0.63)</u>		<u>\$ 0.16</u>	

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended September 30, 2024 and 2023

In Thousands of New Taiwan Dollars

Code		Equities attributable to owners of parent company					Other Equity		Total	Non-controlling interests	Total equity
		Retained Earnings					Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income			
		Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)					
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
	Appropriation and distribution of 2022 earnings (Note 19)										
B1	Legal reserve appropriated	-	-	3,411	-	(3,411)	-	-	-	-	-
B5	Cash dividend attributable to shareholders of parent company	-	-	-	-	(41,093)	-	-	(41,093)	-	(41,093)
B17	Reversal of special reserve	-	-	-	(10,424)	10,424	-	-	-	-	-
D1	Net profit for the nine months ended September 30, 2023	-	-	-	-	10,939	-	-	10,939	(265)	10,674
D3	Other comprehensive income for the nine months ended September 30, 2023	-	-	-	-	-	4,453	-	4,453	-	4,453
D5	Total comprehensive income for the nine months ended September 30, 2023	-	-	-	-	10,939	4,453	-	15,392	(265)	15,127
M7	Changes in ownership of interests in subsidiaries (Note 10)	-	-	-	-	(437)	-	-	(437)	437	-
Z1	Balance as of September 30, 2023	\$ 684,891	\$ 1,151	\$ 77,998	\$ 1,084	\$ 10,974	\$ 5,549	(\$ 2,180)	\$ 779,467	(\$ 107)	\$ 779,360
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
	Covering up losses of 2023 (Note 19)										
B13	Covering up losses by legal reserve	-	-	(4,129)	-	4,129	-	-	-	-	-
B17	Reversal of special reserve	-	-	-	(217)	217	-	-	-	-	-
D1	Net profit for the nine months ended September 30, 2024	-	-	-	-	(42,941)	-	-	(42,941)	(118)	(43,059)
D3	Other comprehensive income for the nine months ended September 30, 2024	-	-	-	-	-	3,170	-	3,170	-	3,170
D5	Total comprehensive income for the nine months ended September 30, 2024	-	-	-	-	(42,941)	3,170	-	(39,771)	(118)	(39,889)
Z1	Balance as of September 30, 2024	\$ 684,891	\$ 1,151	\$ 73,869	\$ 867	(\$ 42,941)	\$ 4,483	(\$ 2,180)	\$ 720,140	(\$ 438)	\$ 719,702

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended September 30, 2024 and 2023

In Thousands of New Taiwan Dollars

Code		For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
	Cash flows from operating activities		
A10000	Profit (loss) before tax	(\$ 53,824)	\$ 12,901
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expenses	31,872	32,623
A20200	Amortization expenses	2,554	3,505
A20300	Expected credit impairment loss (reversal gain)	1,540	(2,983)
A20400	Losses (gains) on financial assets measured at fair value through profit or loss	77	(4)
A20900	Financial costs	3,274	2,971
A21200	Interest income	(653)	(2,236)
A22500	Losses on disposals of property, plant and equipment	-	299
A23700	Inventory valuation and obsolescence losses	6,400	6,720
A24100	Unrealized foreign exchange gains	(1,140)	(2,540)
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily measured at fair value through profit or loss	(10,000)	4
A31130	Notes receivable	2,444	708
A31150	Accounts receivable	6,405	45,909
A31180	Other receivables	16,142	16,689
A31200	Inventories	(75,747)	66,120
A31240	Other current assets	5,438	(7,158)
A32150	Accounts payable	(57,588)	15,657
A32180	Other payables	3,366	(12,135)
A32230	Other current liabilities	10,911	3,430
A32240	Net defined benefit liabilities	3	-
A32990	Other non-current liabilities	(1,338)	4,736
A33000	Cash flows from operations	(109,864)	185,216
A33100	Interest received	653	2,337
A33500	Income tax paid	(33)	(11,651)
AAAA	Net cash flows generated from (used in) operating activities	(109,244)	175,902

(Continue)

(Previous)

Code		For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
	Cash flows from investing activities		
B00040	Acquisition of financial assets at amortized cost	\$ -	(\$ 32,270)
B02700	Acquisition of property, plant and equipment	(7,239)	(11,746)
B02800	Disposal of property, plant and equipment	-	16
B04500	Acquisition of intangible assets	(288)	(1,309)
B06700	Increase in other non-current assets	(7,543)	(10,354)
BBBB	Net cash flows used in investing activities	(15,070)	(55,663)
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	60,000	-
C00200	Decrease in short-term borrowings	-	(85,000)
C01700	Repayment for long-term borrowings	(3,278)	(480)
C04020	Repayment of lease liabilities	(19,530)	(19,602)
C04500	Cash dividends paid	-	(41,093)
C05600	Interest paid	(3,228)	(2,986)
CCCC	Net cash flows generated from (used in) financing activities	33,964	(149,161)
DDDD	Effect of exchange rate changes on cash and cash equivalents	747	(1,558)
EEEE	Net decrease in cash	(89,603)	(30,480)
E00100	Cash at beginning of the period	182,770	216,779
E00200	Cash at end of the period	\$ 93,167	\$ 186,299

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the nine months ended September 30, 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 November 6, 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) Application of IFRS accounting standards endorsed and issued into effect by the FSC in 2025

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note)

Note: The amendments are applicable to the annual reporting periods beginning on or after January 1, 2025. In initial application of the amendments, the comparative period shall not be restated. Instead, the effects shall be recognized in the exchange differences in translation of foreign operations under retained earnings or equity (whichever is applicable) at the initial application date, and in relevant affected assets and liabilities.

As of the approval date of the consolidated financial statements, the Group 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.

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

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note)</u>
“Annual Improvements to IFRS Accounting Standards—Volume 11”	January 1, 2026
Amendments to IFRS 7 and IFRS 9 “Classification and Measurement of Financial Instruments”	January 1, 2026
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 17 and IFRS 9—Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability”	January 1, 2027

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

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 other impact of the amendments to each standard and interpretation 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 10, Table 4 and Table 5 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 (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. Liabilities 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

	September 30, 2024	December 31, 2023	September 30, 2023
Cash on hand & revolving fund	\$ 117	\$ 144	\$ 144
Checking accounts	27,991	24,241	40,667
Demand deposits	<u>65,059</u>	<u>158,385</u>	<u>145,488</u>
	<u>\$ 93,167</u>	<u>\$ 182,770</u>	<u>\$ 186,299</u>

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

	September 30, 2024	December 31, 2023	September 30, 2023
Bank deposit	0.002%~1.15%	0.05%~1.45%	0.05%~1.45%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Financial assets – current</u>			
Mandatorily measured at fair value through profit or loss			
Non-derivative financial assets			
Beneficiary certificates of funds	<u>\$ 9,923</u>	<u>\$ -</u>	<u>\$ -</u>

8. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE, AND OTHER RECEIVABLES

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Notes receivable</u>			
Measurement at amortized costs			
Total carrying amount	\$ 41	\$ 2,485	\$ 95
Less: loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 41</u>	<u>\$ 2,485</u>	<u>\$ 95</u>
Arising from operations	<u>\$ 41</u>	<u>\$ 2,485</u>	<u>\$ 95</u>
<u>Accounts receivable</u>			
Measurement at amortized costs			
Total carrying amount	\$ 172,899	\$ 176,304	\$ 195,205
Less: loss allowance	(<u>1,628</u>)	(<u>206</u>)	(<u>462</u>)
	<u>\$ 171,271</u>	<u>\$ 176,098</u>	<u>\$ 194,743</u>
<u>Other receivables</u>			
Receivables for Outward processing	\$ 7,306	\$ 20,873	\$ 34,831
Tax refund receivable	6,103	8,106	6,490
Others	<u>16</u>	<u>183</u>	<u>103</u>
	<u>\$ 13,425</u>	<u>\$ 29,162</u>	<u>\$ 41,424</u>

(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 September 30, 2024, December 31, 2023 and September 30, 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 to 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:

September 30, 2024

	<u>Not past due</u>	<u>1-30 days overdue</u>	<u>31-60 days overdue</u>	<u>61-90 days overdue</u>	<u>91-120 days overdue</u>	<u>120 days overdue</u>	<u>Total</u>
Expected credit loss rate	0.00%~6.33%	0.00%~0.88%	0.04%~7.86%	6.78%	100%	100%	
Total carrying amount	\$ 138,718	\$ 28,646	\$ 1,969	\$ 2,332	\$ 898	\$ 336	\$ 172,899
Loss allowance (Lifetime ECL)	(61)	(73)	(102)	(158)	(898)	(336)	(1,628)
Amortized cost	<u>\$ 138,657</u>	<u>\$ 28,573</u>	<u>\$ 1,867</u>	<u>\$ 2,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,271</u>

December 31, 2023

	<u>Not past due</u>	<u>1-30 days overdue</u>	<u>31-60 days overdue</u>	<u>61-90 days overdue</u>	<u>91-120 days overdue</u>	<u>120 days overdue</u>	<u>Total</u>
Expected credit loss rate	0.00%~6.33%	0.00%~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	<u>\$ 139,164</u>	<u>\$ 35,875</u>	<u>\$ 1,043</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,098</u>

September 30, 2023

	<u>Not past due</u>	<u>1-30 days overdue</u>	<u>31-60 days overdue</u>	<u>61-90 days overdue</u>	<u>91-120 days overdue</u>	<u>120 days overdue</u>	<u>Total</u>
Expected credit loss rate	0.00%~0.16%	0.00%~9.79%	0.07%~3.90%	5.92%~100%	100%	100%	
Total carrying amount	\$ 165,915	\$ 28,601	\$ 317	\$ 66	\$ 76	\$ 230	\$ 195,205
Loss allowance (Lifetime ECL)	(60)	(25)	(7)	(64)	(76)	(230)	(462)
Amortized cost	<u>\$ 165,855</u>	<u>\$ 28,576</u>	<u>\$ 310</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,743</u>

Changes in loss allowance for accounts receivable are as follows:

	<u>For the nine months ended September 30, 2024</u>	<u>For the nine months ended September 30, 2023</u>
Beginning balance	\$ 206	\$ 3,452
Add: impairment losses recognized (reversed) in current period	1,540	(2,983)
Less: actual write-offs in current period	(120)	-
Exchange difference in foreign currencies	<u>2</u>	<u>(7)</u>
Ending balance	<u>\$ 1,628</u>	<u>\$ 462</u>

9. INVENTORY

	September 30, 2024	December 31, 2023	September 30, 2023
Finished goods	\$ 32,393	\$ 37,895	\$ 28,639
Work in process	21,427	26,764	22,849
Raw materials	517,926	430,111	408,873
Merchandise	<u>28,495</u>	<u>32,647</u>	<u>31,864</u>
	<u>\$ 600,241</u>	<u>\$ 527,417</u>	<u>\$ 492,225</u>

The natures of cost of goods sold are as follows :

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Cost of inventories sold	\$ 203,786	\$ 165,808	\$ 550,310	\$ 672,599
Loss for market price decline and obsolete and slow-moving inventories	<u>3,377</u>	<u>4,937</u>	<u>6,400</u>	<u>6,720</u>
	<u>\$ 207,163</u>	<u>\$ 170,745</u>	<u>\$ 556,710</u>	<u>\$ 679,319</u>

10. SUBSIDIARIES

(1) Subsidiaries included in the consolidated financial statements

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

Investor company	Subsidiaries	Main business	Percentage of ownership			Note
			September 30, 2024	December 31, 2023	September 30, 2023	
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. In addition, cash capital increase of NT\$2,000 thousand

implemented on June 30, 2023 was subscribed by the Company in full. After the capital increase, the percentage of ownership of the Company to MPLUS TECHNOLOGY has increased from 94% to 95%. The difference of NT\$437 thousand in the carrying amount of investments decreased the unappropriated earnings.

(2) Subsidiaries not included in the consolidated financial statements: None.

11. PROPERTY, PLANT, AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation	Income-generating equipment	Other equipment	Total
<u>Cost</u>								
Balance as of January 1, 2024	\$ 57,996	\$ 55,493	\$ 15,852	\$243,798	\$ 1,320	\$105,310	\$ 223	\$479,992
Addition	-	-	-	3,321	-	1,434	-	4,755
Disposal	-	-	(1,025)	-	-	(21,216)	-	(22,241)
Reclassification (Note)	-	-	-	3,545	-	680	-	4,225
Net exchange difference	-	-	-	-	41	52	9	102
Balance as of September 30, 2024	<u>\$ 57,996</u>	<u>\$ 55,493</u>	<u>\$ 14,827</u>	<u>\$250,664</u>	<u>\$ 1,361</u>	<u>\$ 86,260</u>	<u>\$ 232</u>	<u>\$466,833</u>
<u>Accumulated depreciation</u>								
Balance as of January 1, 2024	\$ -	\$ 25,444	\$ 15,246	\$224,549	\$ 1,320	\$ 93,260	\$ 184	\$360,003
Depreciation expenses	-	743	83	7,193	-	3,912	5	11,936
Disposal	-	-	(1,025)	-	-	(21,216)	-	(22,241)
Net exchange difference	-	-	-	-	41	46	7	94
Balance as of September 30, 2024	<u>\$ -</u>	<u>\$ 26,187</u>	<u>\$ 14,304</u>	<u>\$231,742</u>	<u>\$ 1,361</u>	<u>\$ 76,002</u>	<u>\$ 196</u>	<u>\$349,792</u>
Net balance as of December 31, 2023 and January 1, 2024	<u>\$ 57,996</u>	<u>\$ 30,049</u>	<u>\$ 606</u>	<u>\$ 19,249</u>	<u>\$ -</u>	<u>\$ 12,050</u>	<u>\$ 39</u>	<u>\$119,989</u>
Net balance as of September 30, 2024	<u>\$ 57,996</u>	<u>\$ 29,306</u>	<u>\$ 523</u>	<u>\$ 18,922</u>	<u>\$ -</u>	<u>\$ 10,258</u>	<u>\$ 36</u>	<u>\$117,041</u>
<u>Cost</u>								
Balance as of January 1, 2023	\$ 57,996	\$ 55,493	\$ 16,406	\$223,140	\$ 1,320	\$103,787	\$ 308	\$458,450
Addition	-	-	-	8,977	-	2,455	-	11,432
Disposal	-	-	(554)	(288)	-	(5,042)	-	(5,884)
Reclassification (Note)	-	-	-	7,408	-	-	-	7,408
Net exchange difference	-	-	-	-	67	69	7	143
Balance as of September 30, 2023	<u>\$ 57,996</u>	<u>\$ 55,493</u>	<u>\$ 15,852</u>	<u>\$239,237</u>	<u>\$ 1,387</u>	<u>\$101,269</u>	<u>\$ 315</u>	<u>\$471,549</u>
<u>Accumulated depreciation</u>								
Balance as of January 1, 2023	\$ -	\$ 24,453	\$ 15,689	\$213,208	\$ 1,320	\$ 93,511	\$ 253	\$348,434
Depreciation expenses	-	743	83	8,427	-	3,434	5	12,692
Disposal	-	-	(554)	(288)	-	(4,727)	-	(5,569)
Net exchange difference	-	-	-	-	67	56	6	129
Balance as of September 30, 2023	<u>\$ -</u>	<u>\$ 25,196</u>	<u>\$ 15,218</u>	<u>\$221,347</u>	<u>\$ 1,387</u>	<u>\$ 92,274</u>	<u>\$ 264</u>	<u>\$355,686</u>
Net balance as of September 30, 2023	<u>\$ 57,996</u>	<u>\$ 30,297</u>	<u>\$ 634</u>	<u>\$ 17,890</u>	<u>\$ -</u>	<u>\$ 8,995</u>	<u>\$ 51</u>	<u>\$115,863</u>

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
Machinery and equipment	2 to 10 years
Molding equipment	2 to 5 years
Transportation	5 years
Income-generating equipment	2 to 6 years
Other equipment	3 to 5 years

Please refer to Note 28 for the property, plant and equipment pledged as collaterals for borrowings.

12. LEASE ARRANGEMENT

(1) Right-of-use assets

	Buildings	Transportation	Total
<u>Cost</u>			
Balance as of January 1, 2024	\$ 73,407	\$ 3,334	\$ 76,741
Addition	43,596	715	44,311
Reduction	(40,389)	(1,758)	(42,147)
Net exchange difference	<u>928</u>	<u>-</u>	<u>928</u>
Balance as of September 30, 2024	<u>\$ 77,542</u>	<u>\$ 2,291</u>	<u>\$ 79,833</u>
<u>Accumulated depreciation</u>			
Balance as of January 1, 2024	\$ 47,217	\$ 2,310	\$ 49,527
Depreciation	18,965	971	19,936
Reduction	(40,389)	(1,758)	(42,147)
Net exchange difference	<u>311</u>	<u>-</u>	<u>311</u>
Balance as of September 30, 2024	<u>\$ 26,104</u>	<u>\$ 1,523</u>	<u>\$ 27,627</u>
Net balance as of September 30, 2024	<u>\$ 51,438</u>	<u>\$ 768</u>	<u>\$ 52,206</u>
<u>Cost</u>			
Balance as of January 1, 2023	\$ 75,576	\$ 3,334	\$ 78,910
Addition	2,770	-	2,770
Reduction	(2,664)	-	(2,664)
Net exchange difference	<u>1,605</u>	<u>-</u>	<u>1,605</u>
Balance as of September 30, 2023	<u>\$ 77,287</u>	<u>\$ 3,334</u>	<u>\$ 80,621</u>
<u>Accumulated depreciation</u>			
Balance as of January 1, 2023	\$ 26,525	\$ 1,010	\$ 27,535
Depreciation	18,956	975	19,931
Reduction	(2,664)	-	(2,664)
Net exchange difference	<u>543</u>	<u>-</u>	<u>543</u>
Balance as of September 30, 2023	<u>\$ 43,360</u>	<u>\$ 1,985</u>	<u>\$ 45,345</u>
Net balance as of September 30, 2023	<u>\$ 33,927</u>	<u>\$ 1,349</u>	<u>\$ 35,276</u>

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 nine months ended September 30, 2024 and 2023.

(2) Lease liabilities

	September 30, 2024	December 31, 2023	September 30, 2023
Carrying amount of lease liabilities			
Current	<u>\$ 25,575</u>	<u>\$ 9,251</u>	<u>\$ 15,323</u>
Non-current	<u>\$ 30,390</u>	<u>\$ 21,190</u>	<u>\$ 23,265</u>

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

	September 30, 2024	December 31, 2023	September 30, 2023
Buildings	1.375% ~ 5.5%	1.111% ~ 5.5%	1.111% ~ 5.5%
Transportation	1.167% ~ 1.853%	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 1 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 September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Expenses related to low-value asset leases	<u>\$ 51</u>	<u>\$ 37</u>	<u>\$ 153</u>	<u>\$ 138</u>
Expenses related to short-term leases	<u>\$ 15</u>	<u>\$ 19</u>	<u>\$ 84</u>	<u>\$ 135</u>
Total cash outflow for leases			<u>\$ 21,113</u>	<u>\$ 21,072</u>

13. INTANGIBLE ASSETS

	September 30, 2024	December 31, 2023	September 30, 2023
Computer software	<u>\$ 1,775</u>	<u>\$ 4,041</u>	<u>\$ 7,608</u>
		For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
<u>Cost</u>			
Beginning balance		\$ 22,397	\$ 63,870
Separate acquisition		288	1,309
Disposals		-	(42,409)
Net exchange difference		<u>3</u>	<u>2</u>
Ending balance		<u>\$ 22,688</u>	<u>\$ 22,772</u>

(Continue)

	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
(Previous)		
<u>Accumulated amortization</u>		
Beginning balance	\$ 18,356	\$ 54,066
Amortization expenses	2,554	3,505
Disposals	-	(42,409)
Net exchange difference	3	2
Ending balance	<u>\$ 20,913</u>	<u>\$ 15,164</u>
Net ending balance	<u>\$ 1,775</u>	<u>\$ 7,608</u>

Amortization expenses of computer software are calculated on a straight-line basis over the estimated useful lives of 1 to 6 years.

14. OTHER ASSETS

	September 30, 2024	December 31, 2023	September 30, 2023
Prepayments	\$ 38,605	\$ 43,971	\$ 51,809
Guarantee deposits paid	7,295	6,030	6,370
Prepayment for equipment	3,677	1,612	6,834
	<u>\$ 49,577</u>	<u>\$ 51,613</u>	<u>\$ 65,013</u>
Current	\$ 38,605	\$ 43,971	\$ 51,809
Non-current	10,972	7,642	13,204
	<u>\$ 49,577</u>	<u>\$ 51,613</u>	<u>\$ 65,013</u>

15. BORROWINGS

(1) Short-term borrowings

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Unsecured loans</u>			
Line of credit	\$ 140,000	\$ 30,000	\$ 50,000
<u>Secured loans</u>			
Mortgage	-	50,000	25,000
	<u>\$ 140,000</u>	<u>\$ 80,000</u>	<u>\$ 75,000</u>

As of September 30, 2024, December 31, 2023 and September 30, 2023, the interest rates for short-term loans are 1.94%~2.00%, 1.85%, 1.74%~1.85%, respectively.

(2) Long-term borrowings	September 30, 2024	December 31, 2023	September 30, 2023
<u>Unsecured loans</u>			
Bank loan	\$ -	\$ 3,278	\$ 3,520
Less: current portion	-	(983)	(977)
Long-term borrowings	<u>\$ -</u>	<u>\$ 2,295</u>	<u>\$ 2,543</u>

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.

The consolidated company has repaid the borrowings in full in advance in September 2024.

16. ACCOUNTS PAYABLE

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Accounts payable</u>			
Arising from operations	<u>\$ 65,432</u>	<u>\$ 121,129</u>	<u>\$ 125,216</u>

17. OTHER LIABILITIES

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Current</u>			
Other payables			
Processing expense payable	\$ 32,101	\$ 26,260	\$ 38,510
Salaries and bonus payable	23,306	23,148	31,989
Payables on R&D projects	15,054	4,995	443
Payables on testing	2,034	9,729	7,805
Payables on equipment	1,920	4,404	4,796
Employees' and directors' remuneration payable	-	-	6,176
Others	<u>23,993</u>	<u>28,942</u>	<u>23,813</u>
	<u>\$ 98,408</u>	<u>\$ 97,478</u>	<u>\$ 113,532</u>

(Continue)

(Previous)

	September 30, 2024	December 31, 2023	September 30, 2023
Other liabilities			
Contractual liabilities (Note 20)	\$ 59,236	\$ 47,837	\$ 47,409
Others	<u>3,656</u>	<u>3,805</u>	<u>3,860</u>
	<u>\$ 62,892</u>	<u>\$ 51,642</u>	<u>\$ 51,269</u>
<u>Non-current</u>			
Other liabilities			
Contractual liabilities (Note 20)	\$ 44,584	\$ 45,467	\$ 47,434
Guarantee deposits received	<u>6,458</u>	<u>6,458</u>	<u>6,458</u>
	<u>\$ 51,042</u>	<u>\$ 51,925</u>	<u>\$ 53,892</u>

18. POST-EMPLOYMENT BENEFIT PLAN

The pension expenses related to the defined benefit plans recognized for the three months and nine months ended September 30, 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, NT\$142 thousand, NT\$415 thousand, and NT\$427 thousand, respectively.

19. EQUITY

(1) Ordinary share capital

	September 30, 2024	December 31, 2023	September 30, 2023
Authorized shares (in thousands of shares)	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>
Authorized capital	<u>\$ 900,000</u>	<u>\$ 900,000</u>	<u>\$ 900,000</u>
Number of shares issued and fully paid (in thousands of shares)	<u>68,489</u>	<u>68,489</u>	<u>68,489</u>
Capital issued	<u>\$ 684,891</u>	<u>\$ 684,891</u>	<u>\$ 684,891</u>

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

	September 30, 2024	December 31, 2023	September 30, 2023
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (A)</u>			
Additional paid-in capital	\$ 1,062	\$ 1,062	\$ 1,062
<u>May only be used to offset a deficit</u>			
Unclaimed dividends (B)	<u>89</u>	<u>89</u>	<u>89</u>
	<u>\$ 1,151</u>	<u>\$ 1,151</u>	<u>\$ 1,151</u>

- 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 21-7.

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 resolved by the regular shareholders meeting on June 26, 2024, to cover up the losses by legal reserve of NT\$4,129 thousand, and reversal of special reserve of NT\$217 thousand.

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

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

(4) Special reserve

	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Beginning balance	\$ 1,084	\$ 11,508
Reversal of special reserve		
Reversal of deductions to other equity	(217)	(10,424)
Ending balance	<u>\$ 867</u>	<u>\$ 1,084</u>

(5) Other equity

A. Exchange differences on translation of foreign financial statements

	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Beginning balance	\$ 1,313	\$ 1,096
Origination in the current period		
Exchange differences arising from translation of a foreign operation	3,963	5,566
Income tax related to exchange differences arising from translation of a foreign operation	(793)	(1,113)
Ending balance	<u>\$ 4,483</u>	<u>\$ 5,549</u>

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

	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Beginning balance and ending balance	(\$ 2,180)	(\$ 2,180)

20. REVENUE

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Revenue from contracts with customers				
Sales revenue	\$ 313,982	\$ 261,325	\$ 856,486	\$1,020,405
Service revenue	<u>16,577</u>	<u>12,577</u>	<u>45,493</u>	<u>34,611</u>
	<u>\$ 330,559</u>	<u>\$ 273,902</u>	<u>\$ 901,979</u>	<u>\$1,055,016</u>

(1) Contract balances

	September 30, 2024	December 31, 2023	September 30, 2023	January 1, 2023
Notes and accounts receivables (Note 8)	<u>\$ 171,312</u>	<u>\$ 178,583</u>	<u>\$ 194,838</u>	<u>\$ 233,925</u>
Contract liabilities – current (Note 17)				
Sale of goods	\$ 19,351	\$ 14,034	\$ 14,198	\$ 22,516
Warranty service	<u>39,885</u>	<u>33,803</u>	<u>33,211</u>	<u>21,059</u>
	59,236	47,837	47,409	43,575
Contract liabilities – non-current (Note 17)				
Warranty service	<u>44,584</u>	<u>45,467</u>	<u>47,434</u>	<u>42,698</u>
	<u>\$ 103,820</u>	<u>\$ 93,304</u>	<u>\$ 94,843</u>	<u>\$ 86,273</u>

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 32 for information regarding disaggregation of revenue.

21. NET PROFIT (LOSS)

(1) Interest income

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Bank deposits	\$ 71	\$ 754	\$ 593	\$ 2,168
Others	<u>12</u>	<u>20</u>	<u>60</u>	<u>68</u>
	<u>\$ 83</u>	<u>\$ 774</u>	<u>\$ 653</u>	<u>\$ 2,236</u>

(2) Other income

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Government Grants (Note 24)	\$ 160	\$ 89	\$ 484	\$ 998
Others	<u>165</u>	<u>107</u>	<u>472</u>	<u>433</u>
	<u>\$ 325</u>	<u>\$ 196</u>	<u>\$ 956</u>	<u>\$ 1,431</u>

(3) Other gains and losses

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Net foreign exchange gains (losses)	(\$ 1,444)	\$ 7,290	\$ 9,122	\$ 13,250
Gains (losses) on financial assets measured at fair value through profit or loss	(77)	-	(77)	4
Losses on disposals of property, plant and equipment	-	(299)	-	(299)
Others	-	-	(32)	-
	<u>(\$ 1,521)</u>	<u>\$ 6,991</u>	<u>\$ 9,013</u>	<u>\$ 12,955</u>

(4) Financial costs

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Interest on bank loans	\$ 738	\$ 365	\$ 1,928	\$ 1,774
Interest on lease liabilities	488	387	1,346	1,197
	<u>\$ 1,226</u>	<u>\$ 752</u>	<u>\$ 3,274</u>	<u>\$ 2,971</u>

(5) Depreciation and amortization

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Property, plant, and equipment	\$ 3,951	\$ 4,724	\$ 11,936	\$ 12,692
Right-of-use assets	6,784	6,650	19,936	19,931
Intangible assets	748	1,179	2,554	3,505
Total	<u>\$ 11,483</u>	<u>\$ 12,553</u>	<u>\$ 34,426</u>	<u>\$ 36,128</u>
Depreciation expenses by function				
Operating costs	\$ 3,391	\$ 4,206	\$ 9,993	\$ 11,361
Operating expenses	7,344	7,168	21,879	21,262
	<u>\$ 10,735</u>	<u>\$ 11,374</u>	<u>\$ 31,872</u>	<u>\$ 32,623</u>
Amortization expenses by function				
Operating costs	\$ 80	\$ 126	\$ 244	\$ 382
Selling expenses	59	120	280	356
Administrative expenses	85	43	208	116
Research and development expenses	524	890	1,822	2,651
	<u>\$ 748</u>	<u>\$ 1,179</u>	<u>\$ 2,554</u>	<u>\$ 3,505</u>

(6) Employee benefit expenses

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Post-employment benefits				
Defined contribution plan	\$ 2,978	\$ 3,004	\$ 8,975	\$ 8,792
Defined benefit plan (Note 18)	<u>140</u>	<u>142</u>	<u>415</u>	<u>427</u>
	3,118	3,146	9,390	9,219
Other employee benefit	<u>69,784</u>	<u>67,831</u>	<u>208,319</u>	<u>217,704</u>
Total employee benefit	<u>\$ 72,902</u>	<u>\$ 70,977</u>	<u>\$ 217,709</u>	<u>\$ 226,923</u>
Summarized by function				
Operating costs	\$ 12,035	\$ 11,383	\$ 37,234	\$ 38,804
Operating expenses	<u>60,867</u>	<u>59,594</u>	<u>180,475</u>	<u>188,119</u>
	<u>\$ 72,902</u>	<u>\$ 70,977</u>	<u>\$ 217,709</u>	<u>\$ 226,923</u>

(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.

As the Company incurred loss for the nine months ended September 30, 2024, employees' compensation and directors' remuneration were not accrued. The employees' compensation and directors' remuneration for the nine months ended September 30, 2023 are as follows:

Accrual rate

	For the nine months ended September 30, 2023
Compensation of employees	10%
Remuneration of directors	3%

Amount

	For the three months ended September 30, 2023	For the nine months ended September 30, 2023
Compensation of employees	<u>(\$ 1,519)</u>	<u>\$ 1,513</u>
Remuneration of directors	<u>(\$ 456)</u>	<u>\$ 454</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 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:

<u>Amount</u>	2022	
	<u>Cash</u>	<u>Stock</u>
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 September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Total gains on foreign currency exchange	\$ 1,822	\$ 10,868	\$ 17,701	\$ 27,055
Total losses on foreign currency exchange	(<u>3,266</u>)	(<u>3,578</u>)	(<u>8,579</u>)	(<u>13,805</u>)
Net Gains (losses)	(<u>\$ 1,444</u>)	(<u>\$ 7,290</u>)	(<u>\$ 9,122</u>)	(<u>\$ 13,250</u>)

22. INCOME TAX

(1) Income tax expense recognized in profit or loss

Income tax expense (benefit) consisted of the following:

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Current income tax expense				
Adjustment for previous years	\$ -	\$ -	\$ -	(\$ 206)
Deferred income tax In respect of current year	(<u>3,722</u>)	(<u>2,660</u>)	(<u>10,765</u>)	<u>2,433</u>
Income tax expense (benefit) recognized in profit or loss	(<u>\$ 3,722</u>)	(<u>\$ 2,660</u>)	(<u>\$ 10,765</u>)	<u>\$ 2,227</u>

(2) Income tax recognized in other comprehensive income

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
<u>Deferred tax</u> In respect of the current year				
— Translation of foreign financial statements	(<u>\$ 375</u>)	<u>\$ 940</u>	<u>\$ 793</u>	<u>\$ 1,113</u>

(3) Income tax assessments

The tax authorities have assessed the income tax returns of the Company and its subsidiary, MPLUS TECHNOLOGY, through 2022.

23. EARNINGS (LOSSES) PER SHARE

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

	<u>Net profit (loss) for the year</u>			
	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Earnings (losses) used in the computation of basic and diluted earnings (losses) per share	(\$ 14,806)	(\$ 10,550)	(\$ 42,941)	\$ 10,939

Number of shares

	Units: Thousands of Shares			
	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Weighted average number of ordinary shares used in the computation of basic earnings (losses) per share	68,489	68,489	68,489	68,489
Compensation of employees	-	-	-	110
Weighted average number of ordinary shares used in the computation of diluted earnings (losses) per share	<u>68,489</u>	<u>68,489</u>	<u>68,489</u>	<u>68,599</u>

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.

24. GOVERNMENT GRANTS

The consolidated company was eligible to apply for government grants for various expenses. The subsidies received were NT\$484 thousand and NT\$998 thousand for the nine months ended September 30, 2024 and 2023, respectively, which were recognized under other income.

25. CASH FLOW INFORMATION

(1) Non-cash transaction

The consolidated company entered the following non-cash transaction investing activities for the nine months ended September 30, 2024 and 2023 as follows:

	<u>For the nine months ended September 30, 2024</u>	<u>For the nine months ended September 30, 2023</u>
Partial cash payment for real property, plant and equipment		
Purchase of property, and molding equipment, etc.	\$ 4,755	\$ 11,432
Changes in payables on purchases of equipment (Net)	<u>2,484</u>	<u>314</u>
Cash paid	<u>\$ 7,239</u>	<u>\$ 11,746</u>

(2) Changes in liabilities arising from financing activities

For the nine months ended September 30, 2024

	<u>January 1, 2024</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>September 30, 2024</u>
			<u>Additions</u>	<u>Reductions</u>	<u>Exchange effect</u>	
Short-term loans	\$ 80,000	\$ 60,000	\$ -	\$ -	\$ -	\$ 140,000
Long-term loans	3,278	(3,278)	-	-	-	-
Lease liabilities	<u>30,441</u>	<u>(19,530)</u>	<u>44,311</u>	<u>-</u>	<u>743</u>	<u>55,965</u>
	<u>\$ 113,719</u>	<u>\$ 37,192</u>	<u>\$ 44,311</u>	<u>\$ -</u>	<u>\$ 743</u>	<u>\$ 195,965</u>

For the nine months ended September 30, 2023

	<u>January 1, 2023</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>September 30, 2023</u>
			<u>Additions</u>	<u>Reductions</u>	<u>Exchange effect</u>	
Short-term loans	\$ 160,000	(\$ 85,000)	\$ -	\$ -	\$ -	\$ 75,000
Long-term loans	4,000	(480)	-	-	-	3,520
Lease liabilities	<u>54,086</u>	<u>(19,602)</u>	<u>2,770</u>	<u>-</u>	<u>1,334</u>	<u>38,588</u>
	<u>\$ 218,086</u>	<u>(\$ 105,082)</u>	<u>\$ 2,770</u>	<u>\$ -</u>	<u>\$ 1,334</u>	<u>\$ 117,108</u>

26. 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) Fair value information – financial instruments at fair value on a recurring basis

Fair value hierarchy

September 30, 2024

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Beneficiary certificates of funds	<u>\$ 9,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,923</u>

(3) Categories of financial instruments

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 9,923	\$ -	\$ -
Financial assets at amortized cost (Note 1)	280,596	389,939	456,211
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	283,140	281,302	281,542

Note 1: Including financial assets measure at amortized cost such as cash, 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' compensation and directors' remuneration, employees' welfare funds, operating tax, and insurance expenses), long-term loans with maturity within 1 year, long-term loans and guaranteed deposits received.

(4) 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, interest risk, and other price 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 30.

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 nine months ended September 30, 2024	For the nine months ended September 30, 2023
Profit or loss	\$ 930	\$ 1,849

The effects mentioned are primarily caused by the consolidated company's foreign currency 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 current period primarily because of the decrease in assets denominated in foreign currencies in the current period.

(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:

	September 30, 2024	December 31, 2023	September 30, 2023
Fair value interest rate risk			
– Financial assets	\$ -	\$ -	\$ 32,270
– Financial liabilities	85,965	80,441	38,588
Cash flow interest rate risk			
– Financial assets	66,559	159,885	146,988
– Financial liabilities	110,000	33,278	78,520

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 consolidated 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 nine months ended September 30, 2024 and 2023 would increase/decrease by NT\$81 thousand, and increase/decrease by NT\$128 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 nine months ended September 30, 2024, mainly due to the decrease in financial assets at floating interest rates.

(III) Other price risk

The consolidated company is exposed to price risk for investments in beneficiary certificates of funds.

Sensitivity analysis

The sensitivity analysis below was determined based on the consolidated company's exposure to price risk for beneficiary certificates of funds at the end of the reporting period.

If prices of funds have increased/decreased by 1%, the consolidated company's pre-tax loss for the nine months ended September 30, 2024 and 2023 would decrease/increase by NT\$99 thousand for the increase/decrease in fair value of financial assets at fair value through profit or loss.

The consolidated company's sensitivity to price risk for the nine months ended September 30, 2024, mainly due to the increase in beneficiary certificates of funds held.

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

September 30, 2024

<u>Non-derivative financial liabilities</u>	<u>On demand or less than 1 month</u>	<u>1~3 months</u>	<u>3~12 months</u>	<u>1~5 years</u>	<u>5+ years</u>
Non-interest-bearing liabilities	\$ 92,508	\$ 42,544	\$ 1,630	\$ 6,458	\$ -
Floating rate instrument	\$ 30,040	\$ 80,324	\$ -	\$ -	\$ -
Fixed rate instrument	\$ 30,003	\$ -	\$ -	\$ -	\$ -
Lease liabilities	\$ 2,082	\$ 4,658	\$ 20,409	\$ 26,140	\$ 7,767

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

September 30, 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	\$ 141,718	\$ 52,844	\$ 2,002	\$ 6,458	\$ -
Floating rate instrument	\$ 87	\$ 25,248	\$ 51,037	\$ 2,619	\$ -
Lease liabilities	\$ 2,077	\$ 4,648	\$ 9,955	\$ 16,051	\$ 11,906

(II) Financing facilities

	September 30, 2024	December 31, 2023	September 30, 2023
Amount of short-term bank loans			
– Amount used	\$ 140,000	\$ 80,000	\$ 75,000
– Amount unused	431,651	540,705	392,270
	<u>\$ 571,651</u>	<u>\$ 620,705</u>	<u>\$ 467,270</u>
Amount of long-term bank loans			
– Amount used	\$ -	\$ 3,278	\$ 3,520
– Amount unused	-	-	-
	<u>\$ -</u>	<u>\$ 3,278</u>	<u>\$ 3,520</u>

27. 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 Party
Weikeng Industrial Co., Ltd.	Substantive Related Party; not substantive related party since June 20, 2024

(2) Purchases

Related party category	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Substantive related parties	\$ -	\$ 865	\$ 1,933	\$ 3,509

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	September 30, 2024	December 31, 2023	September 30, 2023
Accounts payable	Substantive related parties	\$ -	\$ 1,129	\$ 1,539

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

(4) Compensation of key management personnel

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Short-term employee benefits	\$ 3,149	\$ 3,715	\$ 11,681	\$ 12,626
Post-employment benefits	36	35	106	89
	<u>\$ 3,185</u>	<u>\$ 3,750</u>	<u>\$ 11,787</u>	<u>\$ 12,715</u>

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

28. 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:

	September 30, 2024	December 31, 2023	September 30, 2023
Property, plant and equipment			
Land	\$ 57,996	\$ 57,996	\$ 57,996
Buildings	29,306	30,049	30,297
Financial assets at amortized cost			
Pledged time deposits	<u>1,500</u>	<u>1,500</u>	<u>33,770</u>
	<u>\$ 88,802</u>	<u>\$ 89,545</u>	<u>\$ 122,063</u>

29. 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:

	September 30, 2024	December 31, 2023	September 30, 2023
Acquisition of property, plant and equipment	<u>\$ 4,836</u>	<u>\$ 1,640</u>	<u>\$ 5,134</u>

30. 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:

September 30, 2024

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 5,434	31.65 (USD : NTD)	\$ 171,996
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	2,497	31.65 (USD : NTD)	79,016

December 31, 2023

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

September 30, 2023

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 8,739	32.27 (USD : NTD)	\$ 281,989
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	3,007	32.27 (USD : NTD)	97,047

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

Foreign currency	For the three months ended September 30, 2024		For the three months ended September 30, 2023	
	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	32.301 (USD : NTD)	(\$ 1,444)	31.68 (USD : NTD)	\$ 7,290
USD	7.1150 (USD : CNY)	-	7.17 (USD : CNY)	-
		<u>(\$ 1,444)</u>		<u>\$ 7,290</u>

Foreign currency	For the nine months ended September 30, 2024		For the nine months ended September 30, 2023	
	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	32.034 (USD : NTD)	\$ 9,122	30.93 (USD : NTD)	\$ 13,242
USD	7.1085 (USD : CNY)	-	7.01 (USD : CNY)	8
		<u>\$ 9,122</u>		<u>\$ 13,250</u>

31. 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: Table 2;
- 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 3.

(2) Information on investment: Table 4.

(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 5;

- 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 6.

32. 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 delivered or services 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 nine months ended September 30, 2024	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Direct customer segment	\$ 38,425	\$ 8,059	\$ 6,933	\$ 4,119
Agency segment	650,179	797,113	(25,968)	27,042
US sales segment	177,957	193,953	(20,880)	(6,695)
China sales segment	26,210	40,025	(12,189)	(11,798)
Other segments	<u>9,208</u>	<u>15,866</u>	<u>(1,535)</u>	<u>(4,649)</u>
Total for operation units	<u>\$ 901,979</u>	<u>\$1,055,016</u>	(53,639)	8,019
Interest income			653	2,236
Other incomes			956	1,431
Other gains and losses			9,013	12,955
Headquarters' management costs and directors' remuneration			(7,533)	(8,769)
Financial costs			<u>(3,274)</u>	<u>(2,971)</u>
Net profit (loss) before tax			<u>\$ 53,824</u>	<u>\$ 12,901</u>

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

September 30, 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.	<u>Fund</u> Cathay US Premium Bond Fund	None	Financial assets measured at fair value through profit or loss	904,822	\$ 9,923	-	\$ 9,923	Note 1
	<u>Shares</u> JRC INTERNATIONAL PTY LIMITED	None	Financial assets measured at fair value through other comprehensive income	760	-	19	-	Note 2
	WELCOM DESIGN K.K.	"	"	40	-	4	-	"

Note 1: Net asset value of the beneficiary certificates of the funds held by the consolidated company at the balance sheet date is the fair value.

Note 2: 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

Total purchases from or sales to related parties of at least to NT\$100 million or 20% of the paid-in capital

For the nine months ended September 30, 2024

Table 2

Unit: in thousands of NTD

Purchase or sale company	Name of the counterparty	Relationship	Transaction details				Details and reasons for abnormal transactions		Notes/Accounts receivable (payable)		Note
			Purchase (sales)	Amount	Ratio of total purchase (sales)%	Credit line period	Unit price	Credit line period	Balance	Ratio of total notes/accounts receivable (payable)%	
CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	Subsidiary	(Sales)	(\$ 139,263)	(17)	210 days after monthly closing	\$ -	15~120 days after monthly closing	\$ 27,924	17	Note
CIPHERLAB USA, INC.	CIPHERLAB CO., LTD.	Parent	Purchase	139,263	100	210 days after monthly closing	-	15~120 days after monthly closing	(27,924)	(100)	"

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

CIPHERLAB CO., LTD. AND SUBSIDIARIES
Intercompany relationships and significant intercompany transactions
For the nine months ended September 30, 2024

Table 3

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	\$ 139,263	The payment period is 210 days after monthly closing, and the price is not significantly different from that of general sales	15
				Accounts receivable – related parties	27,924		2
				Other receivables – related parties	20		-
				Unrealized profit of associated companies	36,075		4
				Other payables – related parties	895		-
				Service costs	355		-
				Selling expense	18	Freight	-
0	CIPHERLAB CO., LTD.	CipherLab Electron Trade (Shanghai) Limited Company	Parent company to subsidiary	Unrealized profit of associated companies	417		-
0	CIPHERLAB CO., LTD.	MPLUS TECHNOLOGY CO., LTD.	Parent company to subsidiary	Sales revenue	4,184	The payment period is 210 days after monthly closing, and the price is not significantly different from that of general sales	-
				Service revenue	560	Maintenance service	-
				Other incomes	3,733	Consulting service	-
				Administrative expenses	13		-
				Accounts receivable – related parties	3,546		-
				Other receivables – related parties	2,216		-

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 nine months ended September 30, 2024

Table 4

Unit: in thousands of NTD, unless specified otherwise

Investor Company	Investee Company	Location	Main Business and Products	Original Investment Amount		Balance as of September 30, 2024			Net Income/Losses of the Investee	Recognized Investment Income/Losses	Note
				September 30, 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 30,472 (Note 2)	(NTD 21,157)	(NTD 21,157)	Note 1 and 3
	CIPHERLAB LIMITED (SAMOA)	Samoa	Investment holding	USD 4,150	USD 4,150	4,150,000	100	NTD 15,745 (Note 2)	(NTD 6,539)	(NTD 6,539)	"
	MPLUS TECHNOLOGY CO., LTD.	Taiwan	Electronic product development and design	NTD 37,000	NTD 37,000	3,700,000	95	(NTD 8,099)	(NTD 2,308)	(NTD 2,189)	"

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 nine months ended September 30, 2024

Table 5

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)	(\$ 6,504)	100	(\$ 6,504)	\$ 14,902	\$ -	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 September 30, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 130,384 (USD 4,150)	\$ 130,384 (USD 4,150)	\$ 431,821

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.
Information on major shareholders
September 30, 2024

Table 6

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Cipher Management Inc.	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.