

Silicon Optronics, Inc. and Subsidiaries

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Silicon Optronics, Inc.

Introduction

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

Scope of Review

Except as stated in the basic paragraph of the reserved conclusion, we conducted our reviews in accordance with Standards No. 2410 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 10, the financial statements of certain insignificant subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT\$ 42,848 thousand and NT\$ 49,592 thousand, all constituting 1% of the consolidated total assets, and total liabilities of NT\$ 3,875 thousand and NT\$ 12,825 thousand, all constituting 1% of the consolidated total liabilities as of September 30, 2023 and 2022, respectively; and total comprehensive income of NT\$ 1,322 thousand, NT\$ 1,237 thousand, NT\$ 2,407 thousand and NT\$ 3,534 thousand, constituting 12%、(37)%、(1)% and 2% of the consolidated total comprehensive income for the three months end and nine months then ended September 30, 2023 and 2022, respectively.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries, and the information disclosed in the footnotes been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Silicon Optronics, Inc. and its subsidiaries as of September 30, 2023 and 2022, their consolidated financial performance for the three months end and nine months then ended September 30, 2023 and 2022 and cash flows for the nine months then ended September 30, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

November 2, 2023

Notice to Readers

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

SILICON OPTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2023		December 31, 2022		September 30, 2022			September 30, 2023		December 31, 2022		September 30, 2022	
	(Reviewed)		(Audited)		(Reviewed)			(Reviewed)		(Audited)		(Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
ASSETS							LIABILITIES AND EQUITY						
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Note 6)	\$ 931,834	29	\$ 762,636	21	\$ 665,978	17	Short-term loan (Note 15)	\$ 200,000	6	\$ 150,000	4	\$ 100,000	3
Financial assets at amortized cost - current (Notes 7 and 25)	-	-	-	-	8,946	-	Contract liabilities - current (Note 19)	32,887	1	69,012	2	43,113	1
Accounts receivable - net (Note 8)	106,876	3	34,869	1	19,765	1	Accounts payable	75,787	3	269,262	7	462,422	12
Inventories (Note 9)	1,643,266	52	2,410,944	65	2,660,327	69	Other current liabilities (Note 16)	28,277	1	62,818	2	66,663	2
Prepayments and other current assets (Notes 14 and 25)	<u>170,302</u>	<u>5</u>	<u>188,820</u>	<u>5</u>	<u>107,324</u>	<u>3</u>	Current tax liabilities (Notes 4 and 21)	3,231	-	51,774	1	48,544	1
Total current assets	<u>2,852,278</u>	<u>89</u>	<u>3,397,269</u>	<u>92</u>	<u>3,462,340</u>	<u>90</u>	Lease liabilities - current (Note 12)	6,839	-	6,783	-	6,826	-
							Long-term loan-current portion (Note 15)	100,000	3	100,000	3	100,000	3
NON-CURRENT ASSETS							Refund liability (Note 16)	<u>68,966</u>	<u>2</u>	<u>53,941</u>	<u>2</u>	<u>49,949</u>	<u>1</u>
Financial assets at amortized cost - noncurrent(Notes 7, 25 and 27)	3,528	-	3,528	-	3,512	-	Total current liabilities	<u>515,987</u>	<u>16</u>	<u>763,590</u>	<u>21</u>	<u>877,517</u>	<u>23</u>
Property, plant and equipment (Note 11)	35,946	1	45,355	1	44,465	1	NON-CURRENT LIABILITIES						
Right-of-use assets (Note 12)	9,790	1	14,482	1	16,687	1	Long-term loan (Note 15)	200,000	7	300,000	8	300,000	8
Goodwill	199,228	6	199,228	5	199,228	5	Deferred income tax liabilities (Notes 4 and 21)	8,160	-	1,509	-	2,214	-
Intangible assets (Note 13)	4,937	-	3,287	-	4,567	-	Lease liabilities - non-current (Note 12)	<u>2,431</u>	<u>-</u>	<u>7,454</u>	<u>-</u>	<u>9,248</u>	<u>-</u>
Deferred tax assets (Notes 4 and 21)	80,225	3	31,490	1	16,671	-	Total non-current liabilities	<u>210,591</u>	<u>7</u>	<u>308,963</u>	<u>8</u>	<u>311,462</u>	<u>8</u>
Other non-current assets (Notes 14 and 17)	<u>8,756</u>	<u>-</u>	<u>5,254</u>	<u>-</u>	<u>96,534</u>	<u>3</u>	Total liabilities	<u>726,578</u>	<u>23</u>	<u>1,072,553</u>	<u>29</u>	<u>1,188,979</u>	<u>31</u>
Total non-current assets	<u>342,410</u>	<u>11</u>	<u>302,624</u>	<u>8</u>	<u>381,664</u>	<u>10</u>	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY(Notes 18 and 23)						
							Common stock	784,559	25	784,559	21	782,189	20
							Capital surplus	1,198,942	37	1,167,789	32	1,155,372	30
							Retained earnings						
							Legal reserve	180,425	6	168,164	5	168,164	4
							Special reserve	-	-	5,759	-	5,759	-
							Unappropriated earnings	398,112	12	598,041	16	638,189	17
							Other equity						
							Exchange differences on translating the financial statements of foreign operations	3,067	-	23	-	2,347	-
							Treasury shares	<u>(96,995)</u>	<u>(3)</u>	<u>(96,995)</u>	<u>(3)</u>	<u>(96,995)</u>	<u>(3)</u>
							Total equity	<u>2,468,110</u>	<u>77</u>	<u>2,627,340</u>	<u>71</u>	<u>2,655,025</u>	<u>69</u>
TOTAL	<u>\$ 3,194,688</u>	<u>100</u>	<u>\$ 3,699,893</u>	<u>100</u>	<u>\$ 3,844,004</u>	<u>100</u>	TOTAL	<u>\$ 3,194,688</u>	<u>100</u>	<u>\$ 3,699,893</u>	<u>100</u>	<u>\$ 3,844,004</u>	<u>100</u>

SILICON OPTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	Three Months Ended September 30				Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 19)	\$ 424,376	100	\$ 350,537	100	\$ 1,224,510	100	\$ 1,605,604	100
OPERATING COSTS (Notes 9, 20 and 26)	<u>362,134</u>	<u>85</u>	<u>278,618</u>	<u>79</u>	<u>1,268,754</u>	<u>104</u>	<u>1,142,015</u>	<u>71</u>
GROSS PROFIT(LOSS)	<u>62,242</u>	<u>15</u>	<u>71,919</u>	<u>21</u>	(<u>44,244</u>)	(<u>4</u>)	<u>463,589</u>	<u>29</u>
OPERATING EXPENSES (Notes 20 and 26)								
Selling and marketing expenses	4,412	1	5,268	2	13,759	1	14,762	1
General and administrative expenses	11,559	3	14,517	4	33,239	3	43,486	2
Research and development expenses	<u>67,922</u>	<u>16</u>	<u>64,181</u>	<u>18</u>	<u>196,082</u>	<u>16</u>	<u>221,689</u>	<u>14</u>
Total operating expenses	<u>83,893</u>	<u>20</u>	<u>83,966</u>	<u>24</u>	<u>243,080</u>	<u>20</u>	<u>279,937</u>	<u>17</u>
OPERATING INCOME(LOSS)	(<u>21,651</u>)	(<u>5</u>)	(<u>12,047</u>)	(<u>3</u>)	(<u>287,324</u>)	(<u>24</u>)	<u>183,652</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES (Note 20)								
Interest income	8,342	2	2,404	1	23,230	2	4,394	-
Other income	-	-	136	-	30	-	291	-
Other gains and losses	26,950	6	4,269	1	41,381	4	19,741	1
Financial costs	(<u>2,684</u>)	-	(<u>1,384</u>)	(<u>1</u>)	(<u>8,587</u>)	(<u>1</u>)	(<u>2,576</u>)	-
Total non-operating income and expenses	<u>32,608</u>	<u>8</u>	<u>5,425</u>	<u>1</u>	<u>56,054</u>	<u>5</u>	<u>21,850</u>	<u>1</u>
PROFIT(LOSS) BEFORE INCOME TAX	10,957	3	(6,622)	(2)	(231,270)	(19)	205,502	13
INCOME TAX (EXPENSE)/BENEFIT (Notes 4 and 21)	(<u>3,364</u>)	(<u>1</u>)	<u>3,272</u>	<u>1</u>	<u>37,843</u>	<u>3</u>	(<u>42,740</u>)	(<u>3</u>)
NET INCOME (LOSS)	7,593	2	(3,350)	(1)	(193,427)	(16)	162,762	10
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Note 18)	<u>3,301</u>	<u>1</u>	<u>3,874</u>	<u>1</u>	<u>3,044</u>	-	<u>8,106</u>	<u>1</u>
Total comprehensive income (loss) For The Period	<u>\$ 10,894</u>	<u>3</u>	<u>\$ 524</u>	<u>-</u>	(<u>\$ 190,383</u>)	(<u>16</u>)	<u>\$ 170,868</u>	<u>11</u>
EARNINGS (LOSS) PER SHARE (Note 22)								
Basic	<u>\$ 0.10</u>		(<u>\$ 0.04</u>)		(<u>\$ 2.50</u>)		<u>\$ 2.11</u>	
Diluted	<u>\$ 0.10</u>		(<u>\$ 0.04</u>)		(<u>\$ 2.50</u>)		<u>\$ 2.10</u>	

SILICON OPTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Ordinary Share Capital		Capital Surplus	Retained Earnings			Unappropriated Earnings	Other Equity Exchange Difference on Translating the Financial Statements of Foreign Operations	Treasury Shares	Total Equity
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve					
BALANCE, JANUARY 1, 2022	78,153	\$ 781,529	\$ 1,132,749	\$ 94,057	\$ 4,250	\$ 821,078	(\$ 5,759)	(\$ 96,995)	\$ 2,730,909	
Appropriation and distribution of 2021 retained earnings										
Legal reserve	-	-	-	74,107	-	(74,107)	-	-	-	
Special reserve	-	-	-	-	1,509	(1,509)	-	-	-	
Cash dividends	-	-	-	-	-	(270,035)	-	-	(270,035)	
Net income for the nine months ended September 30, 2022	-	-	-	-	-	162,762	-	-	162,762	
Other comprehensive income(loss)for the nine months ended September 30, 2022	-	-	-	-	-	-	8,106	-	8,106	
Total comprehensive income(loss)for the nine months ended September 30, 2022	-	-	-	-	-	162,762	8,106	-	170,868	
Share-based payment transaction	66	660	1,058	-	-	-	-	-	1,718	
Compensation cost of employee share options	-	-	21,565	-	-	-	-	-	21,565	
BALANCE, SEPTEMBER 30, 2022	78,219	\$ 782,189	\$ 1,155,372	\$ 168,164	\$ 5,759	\$ 638,189	\$ 2,347	(\$ 96,995)	\$ 2,655,025	
BALANCE, JANUARY 1, 2023	78,456	\$ 784,559	\$ 1,167,789	\$ 168,164	\$ 5,759	\$ 598,041	\$ 23	(\$ 96,995)	\$ 2,627,340	
Appropriation and distribution of 2022 retained earnings										
Legal reserve	-	-	-	12,261	-	(12,261)	-	-	-	
Reversal of special reserve	-	-	-	-	(5,759)	5,759	-	-	-	
Dividends not received by shareholders beyond the deadline	-	-	1	-	-	-	-	-	1	
Net income for the nine months ended September 30, 2023	-	-	-	-	-	(193,427)	-	-	(193,427)	
Other comprehensive income(loss)for the nine months ended September 30, 2023	-	-	-	-	-	-	3,044	-	3,044	
Total comprehensive income(loss)for the nine months ended September 30, 2023	-	-	-	-	-	(193,427)	3,044	-	(190,383)	
Compensation cost of employee share options	-	-	31,152	-	-	-	-	-	31,152	
BALANCE, SEPTEMBER 30, 2023	78,456	\$ 784,559	\$ 1,198,942	\$ 180,425	\$ -	\$ 398,112	\$ 3,067	(\$ 96,995)	\$ 2,468,110	

SILICON OPTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (Loss) before income tax	(\$ 231,270)	\$ 205,502
Adjustments for:		
Depreciation expense	40,847	56,190
Amortization expense	3,455	4,631
Finance costs	8,587	2,576
Interest income	(23,230)	(4,394)
Share based compensation	31,152	21,565
Gain on disposal of property, plant and equipment	-	(4,408)
Loss (gain) on foreign exchange, net	(27,308)	(2,872)
Loss from lease modification	-	341
Changes in operating assets and liabilities		
Accounts receivable	(70,654)	(4,081)
Inventories	767,678	(1,143,266)
Prepayments and other current assets	24,207	(20,473)
Contract liabilities	(36,591)	5,808
Accounts payable	(199,489)	92,076
Accrued expenses and other current liabilities	(29,658)	(158,589)
Refund liability	15,025	32,831
Cash generated from operations	272,751	(916,563)
Income tax paid	(52,784)	(144,122)
Net cash generated from (used in) operating activities	<u>219,967</u>	<u>(1,060,685)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from financial assets at amortized cost	-	530,414
Payments of property, plant and equipment	(29,799)	(24,546)
Proceeds from disposal of property, plant and equipment	-	417,891
Increase in refundable deposits	(3,467)	(136)
Payments for intangible assets	(5,082)	(3,373)
Payments for right-of-use assets	(2,012)	(1,875)
Interest received	21,975	4,023
Net cash generated from (used in) investing activities	<u>(18,385)</u>	<u>922,398</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of short-term borrowings	\$ 630,000	\$ 100,000
Repayment of short-term borrowings	(580,000)	-
Proceeds of long-term borrowings	-	400,000
Repayment of long-term borrowings	(100,000)	(350,000)
Repayments of guarantee deposits received	-	(6,977)
Repayment of the principal portion of lease liabilities	(5,083)	(5,037)
Cash dividend payment	-	(270,035)
Exercise of employee stock options	-	1,718
Interest paid	(8,615)	(2,576)
Overdue failure to receive dividends converted into capital reserves	1	-
Net cash generated from (used in) investing activities	<u>(63,697)</u>	<u>(132,907)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>31,313</u>	<u>17,538</u>
NET INCREASE IN CASH	169,198	(253,656)
CASH AT THE BEGINNING OF PERIOD		
	<u>762,636</u>	<u>919,634</u>
CASH AT THE END OF PERIOD	<u>\$ 931,834</u>	<u>\$ 665,978</u>

SILICON OPTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Silicon Optronics, Inc. (the “Company”) was incorporated in the Republic of China (“ROC”) on May 24, 2004 and commenced business on May 27, 2004. The Company’s main business activities include the design, development and sales of complementary metal-oxide semiconductors.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since July 2018.

The consolidated financial statements of the Company and its subsidiary (collectively referred to as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 02, 2023.

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

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

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB(Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Undecided
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Refer to Notes 10 and 29 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

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

1) Retirement benefits

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

2) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following, refer to the statements of critical accounting judgments and key sources of estimation uncertainty to the consolidated financial statements for the year ended December 31, 2022.

6. CASH AND CASH EQUIVALENTS

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 160	\$ 85	\$ 86
Bank deposits	350,814	424,741	248,392
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits in banks	580,860	337,810	417,500
	<u>\$ 931,834</u>	<u>\$ 762,636</u>	<u>\$ 665,978</u>

The market interest rate intervals of the time deposits held in banks at the end of the reporting period were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Time deposits	5.10%~5.65%	4.72%~5.20%	0.80%~4.05%

7. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Time deposit with original maturities of more than 3 months (a)	\$ -	\$ -	\$ 8,946
<u>Non-current</u>			
Pledged time deposits (a and c)	\$ 3,528	\$ 3,528	\$ 3,512

- a. The interest rates rangess of time deposits with original maturities of more than 3 months were 2.45% per annum as of September 30, 2022, respectively.
- b. Refer to Note 25 for information relating to their credit risk management and impairment of financial assets at amortized cost.
- c. Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as security.

8. ACCOUNTS RECEIVABLE

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Accounts receivable - unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 106,876	\$ 34,869	\$ 19,765
Less: Allowance for impairment loss	-	-	-
	\$ 106,876	\$ 34,869	\$ 19,765

The average credit period of sales of goods was 30 days. No interest was charged on trade receivables.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

September 30, 2023

	<u>Not Past Due</u>	<u>Past Due Up to 60 Days</u>	<u>Past Due 61 ~90 Days</u>	<u>Past Due 91 ~120 Days</u>	<u>Past Due 121~150 Days</u>	<u>Past Due 151~180 Days</u>	<u>Past Due Over 181 Days</u>	<u>Total</u>
Gross carrying amount	\$ 97,092	\$ 9,784	\$ -	\$ -	\$ -	\$ -	\$ -	\$106,876
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	\$ 97,092	\$ 9,784	\$ -	\$ -	\$ -	\$ -	\$ -	\$106,876

December 31, 2022

	<u>Not Past Due</u>	<u>Past Due Up to 60 Days</u>	<u>Past Due 61 ~90 Days</u>	<u>Past Due 91 ~120 Days</u>	<u>Past Due 121~150 Days</u>	<u>Past Due 151~180 Days</u>	<u>Past Due Over 181 Days</u>	<u>Total</u>
Gross carrying amount	\$ 31,519	\$ 3,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,869
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$ 31,519</u>	<u>\$ 3,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,869</u>

September 30, 2022

	<u>Not Past Due</u>	<u>Past Due Up to 60 Days</u>	<u>Past Due 61 ~90 Days</u>	<u>Past Due 91 ~120 Days</u>	<u>Past Due 121~150 Days</u>	<u>Past Due 151~180 Days</u>	<u>Past Due Over 181 Days</u>	<u>Total</u>
Gross carrying amount	\$ 4,670	\$ 15,095	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,765
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$ 4,670</u>	<u>\$ 15,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,765</u>

9. INVENTORIES

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Finished goods	\$ 1,128,502	\$ 1,660,740	\$ 1,831,604
Work in progress	508,933	746,774	826,742
Raw materials	<u>5,831</u>	<u>3,430</u>	<u>1,981</u>
Total	<u>\$ 1,643,266</u>	<u>\$ 2,410,944</u>	<u>\$ 2,660,327</u>

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Cost of inventories sold	\$ 353,107	\$ 268,344	\$ 1,025,078	\$ 1,126,842
Inventory write-downs (reversed)	<u>9,027</u>	<u>10,274</u>	<u>243,676</u>	<u>15,173</u>
	<u>\$ 362,134</u>	<u>\$ 278,618</u>	<u>\$ 1,268,754</u>	<u>\$ 1,142,015</u>

10. SUBSIDIARIES

<u>Investor</u>	<u>Investee</u>	<u>Main Business</u>	<u>Percentage% of Ownership</u>		
			<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Silicon Optronics, Inc.	NUEVA IMAGING, INC. ("NUEVA")	Research and development and design of high order CMOS Image Sensor products	100%	100%	100%
	Silicon Optronics (Cayman) Co., Ltd. ("Silicon Cayman")	Investment business	100%	100%	100%
Silicon Optronics (Cayman) Co., Ltd.	Silicon Optronics (Shanghai) Co., Ltd.	Design, development and testing of integrated circuits and related electronic products, technical service consultation and transfer of R&D results	100%	100%	100%

Except for US NUEVA which fulfills the definition of a major subsidiary per Article 2 of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the remaining entities are non-major subsidiaries Silicon Optronics (Shanghai) Co., Ltd. is an immaterial subsidiary; its financial statements have not been reviewed.

11. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Photomasks	Total
Cost							
Balance at January 1, 2023	\$ 1,071	\$ -	\$ 12,404	\$ 1,561	\$ 1,791	\$ 92,221	\$ 109,048
Additions	-	-	-	181	-	24,539	24,720
Disposal	-	-	(3,644)	-	-	(44,612)	(48,256)
Effect of exchange rate changes	1	-	-	3	86	-	90
Balance at September 30, 2023	<u>\$ 1,072</u>	<u>\$ -</u>	<u>\$ 8,760</u>	<u>\$ 1,745</u>	<u>\$ 1,877</u>	<u>\$ 72,148</u>	<u>\$ 85,602</u>
Accumulated depreciation							
Balance at January 1, 2023	\$ 561	\$ -	\$ 7,020	\$ 1,064	\$ 1,710	\$ 52,155	\$ 62,510
Depreciation expense	136	-	2,050	178	21	31,648	34,033
Disposal	-	-	(3,545)	-	-	(44,612)	(48,157)
Effect of exchange rate changes	1	-	-	2	84	-	87
Balance at September 30, 2023	<u>\$ 698</u>	<u>\$ -</u>	<u>\$ 5,525</u>	<u>\$ 1,244</u>	<u>\$ 1,815</u>	<u>\$ 39,191</u>	<u>\$ 48,473</u>
Accumulated impairment							
Balance at January 1, 2023 and September 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Balance at January 1, 2023	<u>\$ 374</u>	<u>\$ -</u>	<u>\$ 2,052</u>	<u>\$ 501</u>	<u>\$ 62</u>	<u>\$ 32,957</u>	<u>\$ 35,946</u>
Balance at September 30, 2023	<u>\$ 510</u>	<u>\$ -</u>	<u>\$ 4,201</u>	<u>\$ 497</u>	<u>\$ 81</u>	<u>\$ 40,066</u>	<u>\$ 45,355</u>
Cost							
Balance at January 1, 2022	\$ 1,246	\$ 473,084	\$ 13,659	\$ 1,109	\$ 1,623	\$ 124,048	\$ 614,769
Additions	-	-	-	391	-	20,478	20,869
Disposal	(180)	(473,084)	(2,008)	-	-	(54,719)	(529,991)
Reclassified	-	-	(467)	-	-	-	(467)
Effect of exchange rate changes	10	-	-	30	231	-	271
Balance at September 30, 2022	<u>\$ 1,076</u>	<u>\$ -</u>	<u>\$ 11,184</u>	<u>\$ 1,530</u>	<u>\$ 1,854</u>	<u>\$ 89,807</u>	<u>\$ 105,451</u>
Accumulated depreciation							
Balance at January 1, 2022	\$ 535	\$ 52,564	\$ 5,867	\$ 856	\$ 1,519	\$ 64,946	\$ 126,287
Depreciation expense	157	7,037	2,694	135	24	39,724	49,771
Disposal	(180)	(59,601)	(2,008)	-	-	(54,719)	(116,508)
Effect of exchange rate changes	8	-	-	25	220	-	253
Balance at September 30, 2022	<u>\$ 520</u>	<u>\$ -</u>	<u>\$ 6,553</u>	<u>\$ 1,016</u>	<u>\$ 1,763</u>	<u>\$ 49,951</u>	<u>\$ 59,803</u>
Accumulated impairment							
Balance at January 1, 2022 and September 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Balance at September 30, 2022	<u>\$ 556</u>	<u>\$ -</u>	<u>\$ 3,448</u>	<u>\$ 514</u>	<u>\$ 91</u>	<u>\$ 39,856</u>	<u>\$ 44,465</u>
Balance at January 1, 2022	<u>\$ 711</u>	<u>\$ 450,520</u>	<u>\$ 6,609</u>	<u>\$ 253</u>	<u>\$ 104</u>	<u>\$ 59,102</u>	<u>\$ 487,299</u>

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

Testing equipment	2-5 years
R&D equipment	15 years
Molding equipment	3 years
Computers	3 years
Office equipment	5 years
Photomasks	2 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amount			
Buildings	<u>\$ 9,790</u>	<u>\$ 14,482</u>	<u>\$ 16,687</u>
	Three Months Ended September 30	Nine Months Ended September 30	
	2023	2022	2023
Additions to right-of-use assets			<u>\$ 2,012</u>
Depreciation charge for right-of-use assets			<u>\$ 1,875</u>
Buildings	<u>\$ 2,268</u>	<u>\$ 2,069</u>	<u>\$ 6,814</u>
			<u>\$ 6,419</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended September 30, 2023 and 2022.

b. Lease liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Carrying amount</u>			
Current	\$ 6,839	\$ 6,873	\$ 6,826
Non-current	\$ 2,431	\$ 7,454	\$ 9,248

The discount rate for lease liabilities was as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Buildings	1.46%	1.46%	1.46%

c. Material lease activities and terms (the Group is lessee)

The Group did not have significant new lease contracts in September 30, 2023 and 2022. The Group leases buildings for the use of offices with lease terms of 2-3 years. The Group does not have bargain purchase options to acquire the buildings at the expiry of the lease periods. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Expenses relating to short-term leases	\$ 116	\$ 116	\$ 349	\$ 333
Expenses relating to low-value asset leases	\$ 8	\$ 8	\$ 25	\$ 30
Total cash outflow for leases			(\$ 5,550)	(\$ 5,494)

13. INTANGIBLE ASSETS

	Patents	Software	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 15,278	\$ 27,572	\$ 42,850
Additions	-	5,082	5,082
Effect of exchange rate changes	776	1,222	1,998
Balance at September 30, 2023	\$ 16,054	\$ 33,876	\$ 49,930
<u>Accumulated amortization</u>			
Balance at January 1, 2023	\$ 15,278	\$ 24,285	\$ 39,563
Amortization expense	-	3,455	3,455
Effect of exchange rate changes	776	1,199	1,975
Balance at September 30, 2023	\$ 16,054	\$ 28,939	\$ 44,993
Balance at January 1, 2023	\$ -	\$ 3,287	\$ 3,287
Balance at September 30, 2023	\$ -	\$ 4,937	\$ 4,937
<u>Cost</u>			
Balance at January 1, 2022	\$ 13,771	\$ 21,936	\$ 35,707
Additions	-	3,373	3,373
Effect of exchange rate changes	2,025	3,040	5,065
Balance at September 30, 2022	\$ 15,796	\$ 28,349	\$ 44,145
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ 11,246	\$ 19,003	\$ 30,249
Amortization expense	2,186	2,445	4,631
Effect of exchange rate changes	1,838	2,860	4,698
Balance at September 30, 2022	\$ 15,270	\$ 24,308	\$ 39,578
Balance at January 1, 2022	\$ 2,525	\$ 2,933	\$ 5,458
Balance at September 30, 2022	\$ 526	\$ 4,041	\$ 4,567

Except for the recognition of amortization expense, there were no significant additions, disposals and impairment of the Group's other intangible assets for the years ended September 30, 2023 and 2022.

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Patents	3-7 years
Software	1-6 years

14. OTHER ASSETS

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Prepayments for purchases	\$ 92,228	\$ 88,397	\$ 1,083
Prepaid income tax	43,667	54,571	65,164
Tax receivables of business tax	29,741	16,565	10,813
Overpaid sales tax	-	26,280	28,881
Others	<u>4,666</u>	<u>3,007</u>	<u>1,383</u>
	<u>\$ 170,302</u>	<u>\$ 188,820</u>	<u>\$ 107,324</u>
<u>Non-current</u>			
Refundable deposits	\$ 7,240	\$ 3,738	\$ 95,107
Net defined benefit assets	<u>1,516</u>	<u>1,516</u>	<u>1,427</u>
	<u>\$ 8,756</u>	<u>\$ 5,254</u>	<u>\$ 96,534</u>

15. LONG-TERM LOAN

a. Short-term loan

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Unsecured loan</u>			
Bank loan	<u>\$ 200,000</u>	<u>\$ 150,000</u>	<u>\$ 100,000</u>

The range of weighted average effective interest rates on bank loans were 1.80%-2.20%、1.80%-2.20% and 1.85% per annum as of September 30, 2023、December 31, 2022 and September 30, 2022.

b. Long-term loan

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Unsecured loan (Note 27)</u>			
Bank loan (1)	\$ 300,000	\$ 400,000	\$ 400,000
Less: Current portion	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Long-term loan	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>

1) The Group acquired new bank loan with a floating interest rate of 2.08% per annum. Interest is paid monthly, and the principal is to be repaid in three annual installments starting from July 2023. The loan is to be repaid before July 5, 2025.

16. OTHER LIABILITIES

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Other payables			
Payables for bonuses	\$ 15,037	\$ 29,166	\$ 27,105
Payables for purchases of equipment	3,516	8,371	6,353
Payables for employees' compensation	-	13,440	17,960
Payables for remuneration of directors	-	2,500	2,440
Others	<u>9,546</u>	<u>9,142</u>	<u>12,510</u>
	28,099	62,619	66,368
Other liabilities			
Receipts under custody	<u>178</u>	<u>199</u>	<u>295</u>
	<u>\$ 28,277</u>	<u>\$ 62,818</u>	<u>\$ 66,663</u>
Refund liabilities (a)	<u>\$ 68,966</u>	<u>\$ 53,941</u>	<u>\$ 49,949</u>

a. Sales revenue is measured at the fair value of the consideration received or receivable, and deducted from estimated customer returns, discounts and other similar discounts. Based on historical experience and considering different contract conditions, the combined company estimates the

possible sales discounts and recognizes the refund liabilities accordingly.

17. RETIREMENT BENEFIT PLANS

For the three months ended September 30, 2023 and 2022, the pension expenses of defined benefit plans were \$ 5 thousand and \$ 5 thousand, respectively, for the nine months ended September 30, 2023 and 2022 are NT\$ 16 thousand and NT\$ 16 thousand, respectively and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2022 and 2021, respectively.

18. EQUITY

a. Common stock

	September 30, 2023	December 31, 2022	September 30, 2022
Numbers of shares authorized (in thousands)	100,000	100,000	100,000
Shares authorized	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Number of shares issued and fully paid (in thousands)	78,456	78,456	78,219
Shares issued	\$ 784,559	\$ 784,559	\$ 782,189

A total of 15,000 thousand shares from the authorized share capital was reserved for the issuance of employee share options. The increase in the Company's share capital is mainly due to the employees' exercise of their employee share options.

b. Capital surplus

	September 30, 2023	December 31, 2022	September 30, 2022
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Arising from issuance of ordinary shares	\$ 1,118,553	\$ 1,118,553	\$ 1,116,520
Arising from employee share options exercised price	12,754	12,754	12,366
<u>May be used to offset a deficit only</u>			
Shareholders' overdue dividends not received	1	-	-
<u>May not be used for any purpose</u>			
Arising from employee share options	67,634	36,482	26,486
	<u>\$ 1,198,942</u>	<u>\$ 1,167,789</u>	<u>\$ 1,155,372</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

Reconciliations of the balance for each class of capital surplus were as follows:

	Premium on Issue of Shares	Arising from Employee Share Options	Others	Total
Balance at January 1, 2022	\$ 1,115,462	\$ 17,287	\$ -	\$ 1,132,749
Share-based payment transaction	-	21,565	-	21,565
Compensation cost of employee share options	1,058	-	-	1,058
Balance at September 30, 2022	<u>\$ 1,116,520</u>	<u>\$ 38,852</u>	<u>\$ -</u>	<u>\$ 1,155,372</u>
Balance at January 1, 2023	\$ 1,118,553	\$ 49,236	\$ -	\$ 1,167,789
Shareholders' overdue dividends not received	-	-	1	1

Share-based payment transaction	-	31,152	-	31,152
Balance at September 30, 2023	<u>\$ 1,118,553</u>	<u>\$ 80,388</u>	<u>\$ 1</u>	<u>\$ 1,198,942</u>

c. Retained earnings and dividend policy

Under the Company's articles of incorporation (the "Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 20 (g).

Considering that the Company is in a period of operational growth, taking into account the interests of the company's shareholders and long-term capital and business planning, no more than 90% of the accumulated distributable earnings should be distributed as dividends, out of which no less than 10% of the total dividends distributed should be in the form of cash dividends. If the Company has no distributable earnings for the year, or if there are earnings but the amount of earnings is much lower than that distributed in the previous year, or considering the Company's financial, business and operational factors, the Company may distribute all or part of the earnings in accordance with the law or regulations of the competent authorities.

The appropriations of earnings for 2022 and 2021, which had been approved in the shareholders' meetings on June 16, 2023 and June 23, 2022, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2022	2021
Legal reserve	\$ 12,261	\$ 74,107
Special reserve	(\$ 5,759)	\$ 1,509
Cash dividends	\$ -	\$ 270,035
Dividends per share (NT\$)	\$ -	\$ 3.5

d. Other equity items

	Nine Months Ended September 30	
	2023	2022
	Balance, beginning of year	\$ 23
Exchange differences on translation of the financial statements of foreign operations	<u>3,044</u>	<u>8,106</u>
Balance, end of year	<u>\$ 3,067</u>	<u>\$ 2,347</u>

e. Treasury shares

	September 30, 2023	December 31, 2022	September 30, 2022
Treasury shares (In thousand of shares)	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

The Company resolved in its board of directors' meeting held on August 12, 2019 to buy back 1,000 thousand of its ordinary shares listed on the Taiwan Stock Exchange within the period starting August 13, 2019 to October 12, 2019 for transfer to its employees, at a purchase price ranging from NT\$ 53 to NT\$ 115 per share.

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

19. REVENUE

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Revenue from contracts with customers				
Revenue from the sale of goods	\$ 424,376	\$ 350,537	\$ 1,224,510	\$ 1,604,315
Others	-	-	-	1,289
	<u>\$ 424,376</u>	<u>\$ 350,537</u>	<u>\$ 1,224,510</u>	<u>\$ 1,605,604</u>

a. Contract balances

	September 30, 2023	December 31, 2022	September 30, 2022	January 1, 2022
Accounts receivable (Note 8)	<u>\$ 106,876</u>	<u>\$ 34,869</u>	<u>\$ 19,765</u>	<u>\$ 14,680</u>
Contract liabilities - current				
Sale of goods	<u>\$ 32,887</u>	<u>\$ 69,012</u>	<u>\$ 43,113</u>	<u>\$ 35,139</u>

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year is as follows:

	Nine Months Ended September 30	
	2023	2022
From the contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 64,836</u>	<u>\$ 27,301</u>

b. Disaggregation of revenue

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
<u>Primary geographical markets</u>				
Hong Kong	\$ 301,386	\$ 253,915	\$ 867,026	\$ 1,312,675
Taiwan (the Group's operating location)	51,521	42,130	173,170	131,512
Others	<u>71,469</u>	<u>54,492</u>	<u>184,314</u>	<u>161,417</u>
	<u>\$ 424,376</u>	<u>\$ 350,537</u>	<u>\$ 1,224,510</u>	<u>\$ 1,605,604</u>
<u>Major goods</u>				
CMOS	\$ 418,250	\$ 345,281	\$ 1,206,469	\$ 1,586,913
Others	<u>6,126</u>	<u>5,256</u>	<u>18,041</u>	<u>18,691</u>
	<u>\$ 424,376</u>	<u>\$ 350,537</u>	<u>\$ 1,224,510</u>	<u>\$ 1,605,604</u>

20. NET PROFIT FROM CONTINUING OPERATIONS**a. Interest income**

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Bank deposit	\$ 8,340	\$ 1,958	\$ 23,195	\$ 3,065
Financial assets at amortized cost	-	444	26	1,324
Others	<u>2</u>	<u>2</u>	<u>9</u>	<u>5</u>
	<u>\$ 8,342</u>	<u>\$ 2,404</u>	<u>\$ 23,230</u>	<u>\$ 4,394</u>

b. Other income

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Others	<u>\$ -</u>	<u>\$ 136</u>	<u>\$ 30</u>	<u>\$ 291</u>

c. Other gains and losses

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Net foreign exchange gain	\$ 26,960	\$ 4,277	\$ 41,201	\$ 15,674
Gain on disposal of property, plant and equipment	-	-	-	4,408

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Other gains	-	-	190	61
Other losses	(10)	(8)	(10)	(402)
	<u>\$ 26,950</u>	<u>\$ 4,269</u>	<u>\$ 41,381</u>	<u>\$ 19,741</u>

d. Finance costs

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Interest on bank loans	\$ 2,646	\$ 1,322	\$ 8,456	\$ 2,482
Interest on lease liabilities	38	62	131	94
	<u>\$ 2,684</u>	<u>\$ 1,384</u>	<u>\$ 8,587</u>	<u>\$ 2,576</u>

e. Depreciation and amortization

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Property, plant and equipment	\$ 9,850	\$ 12,509	\$ 34,033	\$ 49,771
Right-of-use assets	2,268	2,069	6,814	6,419
Intangible assets	1,163	1,587	3,455	4,631
Total	<u>\$ 13,281</u>	<u>\$ 16,165</u>	<u>\$ 44,302</u>	<u>\$ 60,821</u>
An analysis of depreciation by function				
Operating costs	\$ 2,292	\$ 3,468	\$ 7,655	\$ 11,685
Operating expenses	9,826	11,110	33,192	44,505
	<u>\$ 12,118</u>	<u>\$ 14,578</u>	<u>\$ 40,847</u>	<u>\$ 56,190</u>
An analysis of amortization by function				
Research and development expenses	<u>\$ 1,163</u>	<u>\$ 1,587</u>	<u>\$ 3,455</u>	<u>\$ 4,631</u>

Please refer to Note 13 for the information of amortization expenses of intangible assets allocated to each line.

f. Employee benefits expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Post-employment benefits				
Defined contribution plans	\$ 963	\$ 925	\$ 2,821	\$ 2,605
Defined benefit plans	5	5	16	16
	968	930	2,837	2,621
Other employee benefits	58,927	58,541	168,990	195,416
Total employee benefits expense	<u>\$ 59,895</u>	<u>\$ 59,471</u>	<u>\$ 171,827</u>	<u>\$ 198,037</u>
An analysis of employee benefits expense by function				
Operating expenses	<u>\$ 59,895</u>	<u>\$ 59,471</u>	<u>\$ 171,827</u>	<u>\$ 198,037</u>

g. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation at a rate of no less than 0.005% and no higher than 25%, and remuneration of directors and supervisors at rate of no higher than 3%. The employees' compensation and remuneration of directors for the three months and nine months ended September 30, 2023 and 2022, were as follows:

Accrual rate

	<u>Nine Months Ended September 30</u>	
	<u>2023</u>	<u>2022</u>
Employees' compensation	-	8.00%
Remuneration of directors and supervisors	-	1.09%

Amount

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Employees' compensation	\$ -	(\$ 590)	\$ -	\$ 17,960
Remuneration of directors and supervisors	\$ -	(\$ 50)	\$ -	\$ 2,440

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate. The appropriations of employees' compensation and remuneration of directors and supervisors for 2022 and 2021 that were resolved by the board of directors on March 15, 2023 and March 16, 2022, respectively, are as shown below:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Employees' compensation	\$ 13,440	\$ 78,500
Remuneration of directors and supervisors	2,500	10,000

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

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current tax				
In respect of the current year	\$ 127	(\$ 2,079)	(\$ 1,565)	\$ 22,523
Income tax on unappropriated earnings	-	-	5,806	19,771
Adjustments for prior years	-	-	-	983
Deferred tax				
In respect of the current year	<u>3,237</u>	<u>(1,193)</u>	<u>(42,084)</u>	<u>(537)</u>
Income tax expense recognized in profit or loss	<u>\$ 3,364</u>	<u>\$ 3,272</u>	<u>(\$ 37,843)</u>	<u>\$ 42,740</u>

b. Income tax assessments

The Company's tax returns through 2019 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Unit: NT\$ Per Share			
	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Basic earnings(loss) per share	<u>\$ 0.10</u>	<u>(\$ 0.04)</u>	<u>(\$ 2.50)</u>	<u>\$ 2.11</u>
Diluted earnings(loss) per share	<u>\$ 0.10</u>	<u>(\$ 0.04)</u>	<u>(\$ 2.50)</u>	<u>\$ 2.10</u>

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

Net Profit(Loss) for the Year

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Earnings(Loss) used in the computation of basic earnings per share	\$ 7,593	(\$ 3,350)	(\$ 193,427)	\$ 162,762
Effect of potentially dilutive ordinary shares:				
Employee share options	-	-	-	-
Bonuses issued to employees	-	-	-	-
Earnings(Loss) used in the computation of diluted earnings per share	<u>\$ 7,593</u>	<u>(\$ 3,350)</u>	<u>(\$ 193,427)</u>	<u>\$ 162,762</u>

Number of shares

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	77,456	77,200	77,456	77,159
Effect of potentially dilutive ordinary shares:				
Employee share options	-	12	-	33
Bonuses issued to employees	-	<u>252</u>	-	<u>476</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>77,456</u>	<u>77,464</u>	<u>77,456</u>	<u>77,682</u>

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

23. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

Qualified employees of the Company were granted 2,000 options on July 29, 2013 and 3,200 options on May 16, 2012, each option entitles the holder to subscribe for one thousand ordinary shares of the Company, and the total number of new ordinary shares required to be issued for the exercise of the employee share option is 2,000 shares and 3,200 shares, respectively. The options granted are valid for 10 years and exercisable at certain percentages after the second year from the grant date.

Qualified employees of the Company were granted 5,000 options on July 22, 2021, each option entitles the holder to subscribe for one thousand ordinary shares of the Company, and the total number of new ordinary shares required to be issued for the exercise of the employee share option is 5,000 shares, respectively. The options granted are valid for 10 years and exercisable at certain percentages after the second year from the grant date.

Information on employee share options is as follows:

	2021 Employee Share Option Plan		2013 Employee Share Option Plan		2012 Employee Share Option Plan	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
For the Nine Months Ended September 30, 2023						
Balance at January 1	3,500	99.60				
Options granted	-	-				
Option exercised	-	-				
Option forfeited	-	-				
Option expired	3,500	99.60				
Balance at September 30	-	-				
For the Nine Months Ended September 30, 2022						
Balance at January 1	-	-	55	\$ 32.21	603	\$ 17.20
Options granted	3,500	99.60	-	-	-	-
Option exercised	-	-	(50)	31.00	(16)	10.25
Option forfeited	-	-	-	-	(110)	10.25
Option expired	3,500	99.60	5	31.00	477	18.31
Balance at September 30	-	-	5	-	477	-

Information on outstanding options as follows:

Share Option Plan	September 30, 2023			December 31, 2022			September 30, 2022		
	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)		Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)		Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)	
2021 Employee share option plan	\$ 99.60	10.48		\$ 99.60	11.23		\$ 103.50	9.46	
2013 Employee share option plan	-	-		-	-		32.21	0.87	
2012 Employee share option plan	-	-		-	-		19.03	0.16	

The resolution for the granting of the 2022 employee share options was passed in the board of directors' meeting on July 1, 2021, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT\$)	\$103.5
Exercise price (NT\$)	\$103.5
Expected volatility	43.11%-39.21%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.79%-0.92%
Fair value of stock options	30.73

Share-based compensation were \$31,152 thousand and \$21,565 thousand for the nine months ended September 30, 2023 and 2022, respectively.

24. CAPITAL MANAGEMENT

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

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

The Group is not subject to any externally imposed capital requirements.

25. FINANCIAL INSTRUMENTS

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

The management believes the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair values.

b. Categories of financial instruments

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial assets</u>			
Financial assets at amortized cost (Note 1)	\$ 1,049,478	\$ 804,771	\$ 793,308
<u>Financial liabilities</u>			
Amortized cost (Note 2)	579,303	827,633	970,521

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable, refundable deposits and pledged time deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise accounts payable (including related parties), Dividends payable, Salary and bonus payable, other payables (including related parties), Long-term loan-current portion, long-term debt and refund liability.

c. Financial risk management objectives and policies

The Group's major financial instruments included accounts receivable, accounts payable and long-term borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

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

a) Foreign currency risk

The Group has foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 86% of the Group's sales is denominated in currencies other than the functional currency of the entity making the sale, whilst almost 96% of costs is denominated in the entity's functional currency. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 28.

Sensitivity analysis

The Group is mainly exposed to the exchange rate fluctuations in the USD.

The sensitivity analysis regarding foreign currency risk is mainly calculated for USD denominated monetary items on the balance sheet date.

When the NTD appreciates/depreciates by 1% against the USD, the Group's net profit before tax for the nine months ended September 30, 2023 and 2022 would decrease/increase by \$ 8,940 thousand and \$ 936 thousand, respectively.

b) Interest rate risk

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

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

	September 30, 2023	December 31, 2022	September 30, 2022
Fair value interest rate risk			
Financial assets	\$ 584,388	\$ 341,338	\$ 429,958
Cash flow interest rate risk			
Financial assets	350,804	424,731	248,382
Financial liabilities	500,000	550,000	500,000

Sensitivity analysis

The sensitivity analysis regarding interest rate risk is calculated based on the changes in the cash flow of floating-rate liabilities on the balance sheet date. If interest rates had been 0.5% higher/lower, pre-tax profit for the nine months ended September 30, 2023 and 2022 would have increased/decreased by \$ (559) thousand and \$ (944) thousand, respectively.

2) Credit risk management

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

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

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank facilities and ensures compliance with loan covenants.

Bank borrowings are significant sources of liquidity for the Group. For the Group's unutilized financing facilities, please refer to (2) Financing facilities below.

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

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

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

September 30, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
<u>Non-derivative financial liabilities</u>				
Lease liabilities	\$ 585	\$ 1,171	\$ 5,172	\$ 2,440
Accounts payable	56,226	19,561	-	-
Payables for purchases of equipment	-	3,516	-	-
Interest rate liabilities	<u>200,520</u>	<u>1,040</u>	<u>104,507</u>	<u>203,813</u>
	<u>\$ 257,331</u>	<u>\$ 25,288</u>	<u>\$ 109,679</u>	<u>\$ 206,253</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>20+ Years</u>
Lease liabilities	\$ 6,928	\$ 2,440	\$ -	\$ -	\$ -	\$ -
interest rate liabilities	<u>306,067</u>	<u>203,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 312,995</u>	<u>\$ 206,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
<u>Non-derivative financial liabilities</u>				
Lease liabilities	\$ 579	\$ 1,158	\$ 5,209	\$ 7,519
Accounts payable	177,839	90,700	723	-
Payables for purchases of equipment	5,975	2,396	-	-
Interest rate liabilities	<u>150,650</u>	<u>1,301</u>	<u>105,041</u>	<u>307,318</u>
	<u>\$ 335,043</u>	<u>\$ 95,555</u>	<u>\$ 110,973</u>	<u>\$ 314,837</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>20+ Years</u>
Lease liabilities	\$ 6,946	\$ 7,519	\$ -	\$ -	\$ -	\$ -
interest rate liabilities	<u>256,992</u>	<u>307,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 253,938</u>	<u>\$ 314,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

September 30, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
<u>Non-derivative financial liabilities</u>				
Lease liabilities	\$ 585	\$ 1,169	\$ 5,261	\$ 9,364
Accounts payable	31,237	379,970	51,215	-
Payables for purchases of equipment	3,933	2,420	-	-
Payables for processing	-	1,746	-	-
Interest rate liabilities	<u>100,486</u>	<u>971</u>	<u>104,128</u>	<u>306,557</u>
	<u>\$ 136,241</u>	<u>\$ 386,276</u>	<u>\$ 160,604</u>	<u>\$ 315,903</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>20+ Years</u>
Lease liabilities	\$ 7,015	\$ 9,346	\$ -	\$ -	\$ -	\$ -
interest rate liabilities	<u>205,585</u>	<u>306,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 212,600</u>	<u>\$ 315,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

b) Financing facilities

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2023</u>
Unsecured bank overdraft facilities, reviewed annually and payable on demand:			
Amount used	\$ 600,000	\$ 550,000	\$ 500,000
Amount unused	<u>150,000</u>	<u>200,000</u>	<u>200,000</u>
	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ 700,000</u>
Secured bank overdraft facilities:			
Amount used	\$ -	\$ -	\$ -
Amount unused	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>

26. TRANSACTIONS WITH RELATED PARTIES

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

a. Remuneration of key management personnel

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$ 13,116</u>	<u>\$ 62,025</u>	<u>\$ 31,875</u>	<u>\$ 87,230</u>

The remuneration of directors and other key management personnel is determined by the remuneration committee based on with individual performance and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Company were provided as collateral for long-term bank borrowings and as guarantee for the tariff on imported raw materials:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Pledged time deposits (classified as financial assets a amortized cost-noncurrent)	<u>\$ 3,528</u>	<u>\$ 3,528</u>	<u>\$ 3,512</u>

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

September 30, 2023

<u>Financial assets</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
Monetary items			
USD	\$ 30,852	32.27(USD:NTD)	\$ 995,601
CNY	301	4.415(RMB:NTD)	<u>1,329</u>

\$ 996,930

Financial liabilities

Monetary items

USD 3,149 32.27(USD:NTD) \$ 101,629

December 31, 2022

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 22,119	30.71(USD:NTD)	\$ 679,287
CNY	2,309	4.408(RMB:NTD)	10,178
			<u>\$ 689,465</u>

Financial liabilities

Monetary items

USD 13,833 30.71(USD:NTD) \$ 424,820

September 30, 2022

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 18,712	31.75(USD:NTD)	\$ 594,111
CNY	2,300	4.473(RMB:NTD)	10,289
			<u>\$ 604,400</u>

Financial liabilities

Monetary items

USD 15,764 31.75(USD:NTD) \$ 500,505

The Group is mainly exposed to the USD and CNY. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the presentation currency and the respective functional currencies were disclosed. The significant unrealized foreign exchange gains (losses) were as follows:

	Three Months Ended September 30			
	2023		2022	
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Exchange Rate</u>	<u>Exchange Rate</u>
		<u>Net Foreign Exchange Gains (Losses)</u>		<u>Net Foreign Exchange Gains (Losses)</u>
NTD	1 (NTD:NTD)	\$ 26,914	1 (NTD:NTD)	\$ 4,224
CNY	4.367 (CNY:NTD)	46	4.431 (CNY:NTD)	45
USD	31.684 (USD:NTD)	-	30.404 (USD:NTD)	8
		<u>\$ 26,960</u>		<u>\$ 4,277</u>

	Nine Months Ended September 30			
	2023		2022	
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Exchange Rate</u>	<u>Exchange Rate</u>
		<u>Net Foreign Exchange Gains (Losses)</u>		<u>Net Foreign Exchange Gains (Losses)</u>
NTD	1 (NTD:NTD)	\$ 41,727	1 (NTD:NTD)	\$ 15,180
CNY	4.394 (CNY:NTD)	(526)	4.428 (CNY:NTD)	260
USD	30.928 (USD:NTD)	-	29.285 (USD:NTD)	234
		<u>\$ 41,201</u>		<u>\$ 15,674</u>

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

- 3) Marketable securities held (excluding investments in subsidiaries): None;
 - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: See None;
 - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: See None;
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
 - 9) Information about the derivative instruments transaction: None;
 - 10) Intercompany relationships and significant intercompany transactions: See Table 1;
- b. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 2;
 - c. Information on investments in mainland China: See Table 3.
 - d. Information on major shareholders: the name, amount and proportion of shareholders with a shareholding ratio of 5% or more: See Table 4

30. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The segment revenues and operating results for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022 are shown in the consolidated income statements for the three months ended September 30, 2023 and 2022 and nine months ended September 30, 2023 and 2022. The segment assets as of September 30, 2023, December 31, 2022 and September 30, 2022 are shown in the consolidated balance sheets as of September 30, 2023, December 31, 2022 and September 30, 2022.

SILICON OPTRONICS, INC. AND SUBSIDIARIES

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

Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
			Financial Statement Item	2023		Terms
				Amount	Percentage of Consolidated Total Gross Sales or Total Assets	
Silicon Optronics, Inc.	NUEVA IMAGING INC.	1	Technical service expense	\$ 42,168	3%	-
	NUEVA IMAGING INC.	1	Other payable from related parties	11,174	-	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Technical service expense	49,524	4%	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Other payable from related parties	5,099	-	-

Note 1: Represents the transactions from parent company to subsidiary.

Note 2: The intercompany transactions, prices and terms are determined in accordance with mutual agreements.

SILICON OPTRONICS, INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
September 30, 2023
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Accounted for using the Equity Method	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2023			Net Income of Investee Accounted for using the Equity Method	Investment Income	Note
				September 30, 2023	December 31, 2021	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Silicon Optronics, Inc.	NUEVA IMAGING INC.	USA	Product development & design of high-end CMOS Image Sensor	\$ 358,500	\$ 358,500	6,000	100	\$ 260,595	\$ 3,205	\$ 3,205	Subsidiary
	Silicon Optronics (Cayman) Co., Ltd.	Cayman Islands	Investment holding company	5,237	5,237	170	100	38,973	2,407	2,407	Subsidiary

SILICON OPTRONICS, INC. AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital (US\$ in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 (US\$ in Thousands)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2023 (US\$ in Thousands)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2023	Accumulated Repatriation of Investment Income as of September 30, 2023	Note
					Outward	Inward							
Silicon Optronics (Shanghai) Co., Ltd.	Design, test and research and development of IC and related electronic products with consultation on technology services and technology transfer	US\$ 175 thousand	Note 1	\$ 5,647 (US\$ 175 thousand)	\$ -	\$ -	\$ 5,647 (US\$ 175 thousand)	\$ 2,407	100	\$ 2,407	\$ 38,973	\$ -	

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2023 (US\$ in Thousands)	Investment Amount Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (US\$ in Thousands)
\$ 5,647 (US\$ 175 thousand)	Note 1	\$ 1,480,866

Note 1: Through Silicon Optronics (Cayman) Co., Ltd.'s investment in Silicon Optronics (Shanghai) Co., Ltd., the investment was approved by the Investment Commission, MOEA with the approved amount of US\$ 175 thousand.

Note 2: Amount was recognized on the basis of the audited financial statements.

Note 3: Based on the exchange rate as of September 30, 2023.

TABLE 4**SILICON OPTRONICS, INC. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Samoa Shangzhao Lake Co., Ltd.	17,691,413	22.54
Egis Technology Inc.	12,640,756	16.11
Samoa Full Guest Investment Limited	4,875,458	6.21
Xiao Dong Luo	4,583,587	5.84

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

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