

**Richwave Technology Corp. And
Subsidiaries**

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Richwave Technology Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of Richwave Technology Corp. and its subsidiaries (collectively, the "Group") as of September 30, 2024 and 2023, the related consolidated statements of comprehensive income for the three months ended September 30, 2024 and 2023 and for the nine months ended September 30, 2024 and 2023, the consolidated statements 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 (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 explained in the following paragraph, we conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 11 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2024 and 2023, combined total assets of these non-significant subsidiaries were NT\$89,897 thousand and NT\$80,789 thousand, respectively, representing 2.63% and 2.51%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$20,508 thousand and NT\$8,691 thousand, respectively, representing 1.86% and 0.88%, respectively, of the consolidated total liabilities; for the three months ended September 30, 2024 and 2023 and for the nine months ended September 30, 2024 and 2023, the amounts of combined comprehensive income of these subsidiaries were NT\$(1,608) thousand, NT\$426 thousand, NT\$(4,262) thousand and NT\$2,224 thousand respectively, representing 9.70%, (1.00)%, (4.77)% and (1.19)%, respectively, of the consolidated total comprehensive income.

Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2024 and 2023 and for the three months ended September 30, 2024 and 2023, and of its consolidated financial performance and its consolidated 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.

The engagement partners on the reviews resulting in this independent auditors’ review report are Su-Li Fang and Jian-Ming Zeng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

October 31, 2024

Notice to Readers

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

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

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2024 (Reviewed)		December 31, 2023 (Audited)		September 30, 2023 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 28)	\$ 891,520	26	\$ 918,082	29	\$ 901,569	28
Financial assets at fair value through profit or loss - current (Notes 7 and 28)	644	-	809	-	287	-
Financial assets at amortized cost - current (Notes 8 and 28)	64,883	2	-	-	-	-
Trade receivables, net (Notes 9, 21 and 28)	1,166,541	34	1,114,690	35	1,084,191	34
Other receivables (Notes 9 and 28)	61,049	2	38,787	1	46,188	1
Current tax assets	3,786	-	1,968	-	1,339	-
Inventories (Note 10)	666,877	19	519,061	17	570,173	18
Prepayments (Note 15)	85,644	3	100,319	3	96,987	3
Other current assets (Note 15)	<u>1,473</u>	<u>-</u>	<u>1,531</u>	<u>-</u>	<u>17,711</u>	<u>-</u>
Total current assets	<u>2,942,417</u>	<u>86</u>	<u>2,695,247</u>	<u>85</u>	<u>2,718,445</u>	<u>84</u>
NON-CURRENT ASSETS						
Financial assets at amortized cost - non-current (Notes 8, 28 and 30)	9,900	-	9,900	-	9,900	1
Property, plant and equipment (Note 12)	173,600	5	198,407	6	201,514	6
Right-of-use assets (Note 13)	113,686	4	61,830	2	69,136	2
Other intangible assets (Note 14)	41,005	1	49,047	2	55,623	2
Deferred tax assets (Notes 4 and 23)	127,842	4	146,311	5	147,281	5
Prepayments for equipment	5,766	-	6,097	-	9,300	-
Refundable deposits (Note 28)	7,001	-	7,383	-	7,275	-
Net defined benefit assets - non-current (Notes 4 and 19)	<u>2,582</u>	<u>-</u>	<u>2,112</u>	<u>-</u>	<u>2,034</u>	<u>-</u>
Total non-current assets	<u>481,382</u>	<u>14</u>	<u>481,087</u>	<u>15</u>	<u>502,063</u>	<u>16</u>
TOTAL	<u>\$ 3,423,799</u>	<u>100</u>	<u>\$ 3,176,334</u>	<u>100</u>	<u>\$ 3,220,508</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Trade payables (Notes 17 and 28)	\$ 477,198	14	\$ 356,681	11	\$ 335,810	11
Accrued profit sharing to employees and bonus to directors (Note 22)	11,379	-	-	-	8,082	-
Other payables (Notes 18 and 28)	123,169	4	135,655	4	121,623	4
Lease liabilities – current (Notes 13 and 28)	31,434	1	21,399	1	26,074	1
Current portion of bonds payable (Notes 16 and 28)	226,458	7	253,528	8	252,383	8
Refund liabilities – current (Note 18)	122,602	3	145,488	5	174,012	5
Other current liabilities (Notes 18 and 21)	<u>9,299</u>	<u>-</u>	<u>15,007</u>	<u>-</u>	<u>9,569</u>	<u>-</u>
Total current liabilities	<u>1,001,539</u>	<u>29</u>	<u>927,758</u>	<u>29</u>	<u>927,553</u>	<u>29</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Notes 4 and 23)	9,870	-	6,159	-	15,370	1
Lease liabilities - non-current (Notes 13 and 28)	82,629	3	40,615	2	43,280	1
Guarantee deposits (Note 28)	<u>6,400</u>	<u>-</u>	<u>1,603</u>	<u>-</u>	<u>1,685</u>	<u>-</u>
Total non-current liabilities	<u>98,899</u>	<u>3</u>	<u>48,377</u>	<u>2</u>	<u>60,335</u>	<u>2</u>
Total liabilities	<u>1,100,438</u>	<u>32</u>	<u>976,135</u>	<u>31</u>	<u>987,888</u>	<u>31</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Note 20)						
Share capital						
Ordinary shares	906,752	26	904,554	28	902,832	28
Advance receipts for share capital	<u>73</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,722</u>	<u>-</u>
Total share capital	<u>906,825</u>	<u>26</u>	<u>904,554</u>	<u>28</u>	<u>904,554</u>	<u>28</u>
Capital surplus	<u>705,909</u>	<u>21</u>	<u>674,357</u>	<u>21</u>	<u>671,019</u>	<u>21</u>
Retained earnings						
Legal reserve	212,694	6	212,694	7	212,694	6
Special reserve	710	-	-	-	-	-
Unappropriated earnings	<u>494,817</u>	<u>15</u>	<u>409,304</u>	<u>13</u>	<u>443,259</u>	<u>14</u>
Total retained earnings	<u>708,221</u>	<u>21</u>	<u>621,998</u>	<u>20</u>	<u>655,953</u>	<u>20</u>
Other equity	<u>2,406</u>	<u>-</u>	<u>(710)</u>	<u>-</u>	<u>1,094</u>	<u>-</u>
Total equity	<u>2,323,361</u>	<u>68</u>	<u>2,200,199</u>	<u>69</u>	<u>2,232,620</u>	<u>69</u>
TOTAL	<u>\$ 3,423,799</u>	<u>100</u>	<u>\$ 3,176,334</u>	<u>100</u>	<u>\$ 3,220,508</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche review report dated October 31, 2024)

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share, in New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
NET OPERATING REVENUE (Note 21)	\$ 908,772	100	\$ 738,381	100	\$ 2,781,537	100	\$ 2,113,309	100
OPERATING COSTS (Notes 10 and 22)	<u>622,696</u>	<u>68</u>	<u>547,267</u>	<u>74</u>	<u>1,854,085</u>	<u>66</u>	<u>1,587,306</u>	<u>75</u>
GROSS PROFIT	<u>286,076</u>	<u>32</u>	<u>191,114</u>	<u>26</u>	<u>927,452</u>	<u>34</u>	<u>526,003</u>	<u>25</u>
OPERATING EXPENSES (Notes 19 and 22)								
Selling and marketing expenses	60,530	7	61,990	8	158,211	6	164,228	8
General and administrative expenses	57,867	6	54,632	7	184,005	7	173,646	8
Research and development expenses	167,936	19	161,516	22	514,239	18	481,524	23
Expected credit loss (gain) (Note 9)	<u>1,169</u>	<u>-</u>	<u>(1,742)</u>	<u>-</u>	<u>(3,212)</u>	<u>-</u>	<u>(2,631)</u>	<u>-</u>
Total operating expenses	<u>287,502</u>	<u>32</u>	<u>276,396</u>	<u>37</u>	<u>853,243</u>	<u>31</u>	<u>816,767</u>	<u>39</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(1,426)</u>	<u>-</u>	<u>(85,282)</u>	<u>(11)</u>	<u>74,209</u>	<u>3</u>	<u>(290,764)</u>	<u>(14)</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)								
Interest income	7,829	1	5,263	1	20,454	1	14,802	1
Other income	179	-	748	-	686	-	1,234	-
Other gains and losses	(26,676)	(3)	26,131	3	17,376	-	43,341	2
Finance costs	<u>(1,505)</u>	<u>-</u>	<u>(1,867)</u>	<u>-</u>	<u>(4,206)</u>	<u>-</u>	<u>(4,637)</u>	<u>-</u>
Total non-operating income and expenses	<u>(20,173)</u>	<u>(2)</u>	<u>30,275</u>	<u>4</u>	<u>34,310</u>	<u>1</u>	<u>54,740</u>	<u>3</u>
PROFIT (LOSS) BEFORE INCOME TAX	(21,599)	(2)	(55,007)	(7)	108,519	4	(236,024)	(11)
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 23)	<u>4,132</u>	<u>-</u>	<u>10,001</u>	<u>1</u>	<u>(22,296)</u>	<u>(1)</u>	<u>47,627</u>	<u>2</u>
NET PROFIT (LOSS) FOR THE PERIOD	<u>(17,467)</u>	<u>(2)</u>	<u>(45,006)</u>	<u>(6)</u>	<u>86,223</u>	<u>3</u>	<u>(188,397)</u>	<u>(9)</u>
OTHER COMPREHENSIVE INCOME								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	<u>894</u>	<u>-</u>	<u>2,112</u>	<u>-</u>	<u>3,116</u>	<u>-</u>	<u>781</u>	<u>-</u>
Other comprehensive income for the period, net of income tax	<u>894</u>	<u>-</u>	<u>2,112</u>	<u>-</u>	<u>3,116</u>	<u>-</u>	<u>781</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ (16,573)</u>	<u>(2)</u>	<u>\$ (42,894)</u>	<u>(6)</u>	<u>\$ 89,339</u>	<u>3</u>	<u>\$ (187,616)</u>	<u>(9)</u>
EARNINGS (LOSS) PER SHARE (Note 24)								
From continuing and discontinued operations								
Basic	<u>\$ (0.19)</u>		<u>\$ (0.50)</u>		<u>\$ 0.95</u>		<u>\$ (2.09)</u>	
Diluted	<u>\$ (0.19)</u>		<u>\$ (0.50)</u>		<u>\$ 0.95</u>		<u>\$ (2.09)</u>	

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche review report dated October 31, 2024)

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

	Share Capital				Retained Earnings			Other Equity			
	Share (Thousands)	Share Capital	Advance receipts for share capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated earnings	Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Total	Total Equity
BALANCE AT JANUARY 1, 2023	90,169	\$ 901,689	\$ -	\$ 626,298	\$ 207,114	\$ 1,373	\$ 635,863	\$ (14)	\$ 327	\$ 313	\$2,372,650
Appropriation of 2022 earnings											
Legal reserve	-	-	-	-	5,580	-	(5,580)	-	-	-	-
Special reserve	-	-	-	-	-	(1,373)	1,373	-	-	-	-
Net loss for the nine months ended September 30, 2023	-	-	-	-	-	-	(188,397)	-	-	-	(188,397)
Other comprehensive loss for the nine months ended September, 2023, net of income tax	-	-	-	-	-	-	-	-	781	781	781
Compensation cost of employee share options	-	-	-	10,014	-	-	-	-	-	-	10,014
Convertible bonds converted to ordinary shares	<u>114</u>	<u>1,143</u>	<u>1,722</u>	<u>34,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,572</u>
BALANCE AT SEPTEMBER 30, 2023	<u>90,283</u>	<u>\$ 902,832</u>	<u>\$ 1,722</u>	<u>\$ 671,019</u>	<u>\$ 212,694</u>	<u>\$ -</u>	<u>\$ 443,259</u>	<u>\$ (14)</u>	<u>\$ 1,108</u>	<u>\$ 1,094</u>	<u>\$2,232,620</u>
BALANCE AT JANUARY 1, 2024	90,455	\$ 904,554	\$ -	\$ 674,357	\$ 212,694	\$ -	\$ 409,304	\$ (14)	\$ (696)	\$ (710)	\$2,200,199
Appropriation of 2023 earnings											
Special reserve	-	-	-	-	-	710	(710)	-	-	-	-
Net profit for the nine months ended September, 2024	-	-	-	-	-	-	86,223	-	-	-	86,223
Other comprehensive income for the nine months ended September, 2024, net of income tax	-	-	-	-	-	-	-	-	3,116	3,116	3,116
Compensation cost of employee share options	-	-	-	3,685	-	-	-	-	-	-	3,685
Convertible bonds converted to ordinary shares	<u>220</u>	<u>2,198</u>	<u>73</u>	<u>27,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,138</u>
BALANCE AT SEPTEMBER 30, 2024	<u>90,675</u>	<u>\$ 906,752</u>	<u>\$ 73</u>	<u>\$ 705,909</u>	<u>\$ 212,694</u>	<u>\$ 710</u>	<u>\$ 494,817</u>	<u>\$ (14)</u>	<u>\$ 2,420</u>	<u>\$ 2,406</u>	<u>\$2,323,361</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche review report dated October 31, 2024)

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (Loss) before income tax for the period	\$ 108,519	\$ (236,024)
Adjustments for:		
Depreciation expense	89,417	83,643
Amortization expense	33,662	21,797
Expected credit loss reversed on trade receivables	(3,212)	(2,631)
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	51	(882)
Finance costs	4,206	4,637
Interest income	(20,454)	(14,802)
Compensation cost of employee share options	3,685	10,014
Loss on disposal of property, plant and equipment	2	10
Gain on disposal of subsidiary	-	(466)
(Reversal of) write-down of inventories	(8,076)	8,807
Net gain on foreign currency exchange	(16,190)	(28,740)
Changes in operating assets and liabilities		
Trade receivables	(39,452)	(13,319)
Other receivables	(20,315)	(8,701)
Inventories	(139,740)	348,513
Net defined benefit assets	(470)	(469)
Prepayments	14,675	(40,269)
Other current assets	58	(7,397)
Contract liabilities	(5,815)	1,613
Trade payables	120,258	(59,074)
Other payables	(14,550)	(31,734)
Accrued profit sharing to employees and bonus to directors	11,379	2,021
Refund liabilities	(22,886)	(11,453)
Other current liabilities	<u>107</u>	<u>488</u>
Cash generated from operations	94,859	25,582
Interest received	18,507	13,652
Interest paid	(1,024)	(860)
Income tax paid	<u>(1,934)</u>	<u>(11,746)</u>
Net cash generated from operating activities	<u>110,408</u>	<u>26,628</u>

(Continued)

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	\$ (257,795)	\$ -
Proceeds from sale of financial assets at amortized cost	191,132	3,000
Payments for property, plant and equipment	(30,443)	(80,385)
Proceeds from disposal of property, plant and equipment	-	254
Increase in refundable deposits	(166)	(2,240)
Decrease in refundable deposits	548	2,213
Payments for intangible assets	<u>(33,100)</u>	<u>(55,683)</u>
Net cash used in investing activities	<u>(129,824)</u>	<u>(132,841)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	4,864	-
Repayments of Lease principal	<u>(23,755)</u>	<u>(22,494)</u>
Net cash used in financing activities	<u>(18,891)</u>	<u>(22,494)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>11,745</u>	<u>14,973</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(26,562)	(113,734)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>918,082</u>	<u>1,015,303</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 891,520</u>	<u>\$ 901,569</u>

(Concluded)

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

(With Deloitte & Touche review report dated October 31, 2024)

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Richwave Technology Corp. (the “Company”) was incorporated in the Republic of China (ROC) in January 2004. The Company is mainly engaged in the design and sale of integrated circuits (ICs) for wireless communication products. The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since November 2015.

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

Richwave Technology Corp. and its subsidiaries are collectively referred to as the “Group” hereinafter.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on October 31, 2024.

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

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

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

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

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 1)

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

- 1) Amendments to IAS 21 “Lack of Exchangeability”

The amendments stipulate that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create

enforceable rights and obligations. An entity shall estimate the spot exchange rate at a measurement date when a currency is not exchangeable into another currency to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. In this situation, the Group shall disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, its financial performance, financial position and cash flows.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets 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: Disclosures”	January 1, 2027

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 that are measured at fair value and net defined benefit assets 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 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 the asset or liability.

c. Basis of consolidation

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

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

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

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

See Note 11, Table 2 and Table 3 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other material accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2023.

1) Retirement benefits

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

2) Income tax expense

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

For the critical accounting judgments and key sources of estimation, uncertainty and assumption applied in these consolidated financial statements, please refer to the consolidated financial statements for the year ended December 31, 2023.

6. CASH AND CASH EQUIVALENTS

	September 30, 2024	December 31, 2023	September 30, 2023
Cash on hand	\$ 1,135	\$ 846	\$ 1,285
Demand deposits	219,948	292,923	150,829
Cash equivalents			
Time deposits with original maturities of 3 months or less	<u>670,437</u>	<u>624,313</u>	<u>749,455</u>
	<u>\$ 891,520</u>	<u>\$ 918,082</u>	<u>\$ 901,569</u>

The market rate intervals of cash and time deposits with original maturities of 3 months or less at the end of the reporting period were as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Bank balance	0.01%-1.15%	0.01%-1.45%	0.01%-1.45%
Time deposits with original maturities of 3 months or less	1.33%-5.50%	1.25%-5.75%	1.18%-5.60%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Financial assets at FVTPL - current</u>			
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Convertible options (Note 16)	<u>\$ 644</u>	<u>\$ 809</u>	<u>\$ 287</u>

8. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Current</u>			
Time deposits with original maturities of more than 3 months (a)	\$ 64,883	\$ -	\$ -
<u>Non-current</u>			
Pledged Certificate of deposit (b)	\$ 9,900	\$ 9,900	\$ 9,900

- a. The range of interest rates for time deposits with original maturities of more than 3 months was approximately 5.50% per annum as of September 30, 2024.
- b. The ranges of interest rates for time deposits with original maturities of more than 1 year were approximately 1.53%, 1.40% and 1.40% per annum as of September 30, 2024, December 31, 2023 and September 30, 2023, respectively. Refer to Note 30 for information relating to investments in financial assets at amortized cost pledged as security.

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Accounts receivable (Note 21)</u>			
At amortized cost			
Gross carrying amount	\$ 1,170,853	\$ 1,122,214	\$ 1,093,760
Less: Allowance for impairment loss	(4,312)	(7,524)	(9,569)
	<u>\$ 1,166,541</u>	<u>\$ 1,114,690</u>	<u>\$ 1,084,191</u>
<u>Other receivables</u>			
Tax refund receivable	\$ 37,814	\$ 12,094	\$ 7,497
Others	<u>23,235</u>	<u>26,693</u>	<u>38,691</u>
	<u>\$ 61,049</u>	<u>\$ 38,787</u>	<u>\$ 46,188</u>

The average credit period on sales of goods was 30 to 90 days. 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 balance sheet dates 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 accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates and industry outlook. As the Group's historical credit loss

experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

September 30, 2024

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 180 Days Past Due	Over 180 Days Past Due	Individual Identification	Total
Expected credit loss rate	0.02%	0.36%	5.15%	8.18%	-	-	100%	
Gross carrying amount	\$1,097,574	\$ 41,425	\$ 27,880	\$ 1,565	\$ -	\$ -	\$ 2,409	\$1,170,853
Loss allowance (Lifetime ECLs)	(190)	(149)	(1,436)	(128)	-	-	(2,409)	(4,312)
Amortized cost	<u>\$1,097,384</u>	<u>\$ 41,276</u>	<u>\$ 26,444</u>	<u>\$ 1,437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,166,541</u>

December 31, 2023

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 180 Days Past Due	Over 180 Days Past Due	Individual Identification	Total
Expected credit loss rate	0.01%	1.20%	6.96%	8.49%	11.16%	-	100%	
Gross carrying amount	\$ 1,068,112	\$ 17,992	\$ 13,968	\$ 13,533	\$ 3,944	\$ -	\$ 4,665	\$ 1,122,214
Loss allowance (Lifetime ECLs)	(83)	(216)	(972)	(1,148)	(440)	-	(4,665)	(7,524)
Amortized cost	<u>\$1,068,029</u>	<u>\$ 17,776</u>	<u>\$ 12,996</u>	<u>\$ 12,385</u>	<u>\$ 3,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,114,690</u>

September 30, 2023

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 180 Days Past Due	Over 180 Days Past Due	Individual Identification	Total
Expected credit loss rate	0.05%	2.57%	8.24%	8.27%	10.75%~14.81%	-	100%	
Gross carrying amount	\$ 973,082	\$ 84,839	\$ 27,272	\$ 204	\$ 4,363	\$ -	\$ 4,000	\$ 1,093,760
Loss allowance (Lifetime ECLs)	(489)	(2,178)	(2,248)	(17)	(637)	-	(4,000)	(9,569)
Amortized cost	<u>\$ 972,593</u>	<u>\$ 82,661</u>	<u>\$ 25,024</u>	<u>\$ 187</u>	<u>\$ 3,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,084,191</u>

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

	For the Nine Months Ended September 30	
	2024	2023
Balance at January 1	\$ 7,524	\$ 12,200
Less: Net remeasurement of loss allowance	<u>(3,212)</u>	<u>(2,631)</u>
Balance at September 30	<u>\$ 4,312</u>	<u>\$ 9,569</u>

10. INVENTORIES

	September 30, 2024	December 31, 2023	September 30, 2023
Finished goods	\$ 232,539	\$ 180,894	\$ 151,760
Work in progress	210,980	209,725	253,313
Raw materials	<u>223,358</u>	<u>128,442</u>	<u>165,100</u>
	<u>\$ 666,877</u>	<u>\$ 519,061</u>	<u>\$ 570,173</u>

The nature of the cost of goods sold is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Cost of inventories sold	\$ 622,288	\$ 534,483	\$ 1,863,140	\$ 1,579,777
Inventory write-downs (reversed)	1,387	14,062	(8,076)	8,807
Revenue from sale of scraps	<u>(979)</u>	<u>(1,278)</u>	<u>(979)</u>	<u>(1,278)</u>
	<u>\$ 622,696</u>	<u>\$ 547,267</u>	<u>\$ 1,854,085</u>	<u>\$ 1,587,306</u>

Inventory write-downs were reversed as a result of the selling of inventories that had been written down.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2024	December 31, 2023	September 30, 2023	
Richwave Technology Corp.	Minerva Technology Co.	Investment	-	-	100	1, 3, 4
Richwave Technology Corp.	Yinghon Technology Co.	Development, manufacturing and sales of ICs	100	100	100	2, 4
Richwave Technology Corp.	AEGIS LINK CORP.	Selling and marketing	100	100	100	1, 4

Remark:

- 1) In December 2018, the Company established Minerva Technology Co. in Belize with an investment of USD550 thousand. Minerva Technology Co. reinvested in and established AEGIS LINK CORP. in USA with USD500 thousand in January 2019. In May 2023, the Company acquired 100% of the shares of AEGIS LINK CORP. at USD 395 thousand from Minerva Technology Co. For details of the investment refer to Table 2.
- 2) In May 2021, the Company established Shenzhen Richwave Technology Co. Ltd. in Shen Zhen with an investment of USD 1,000 thousand. Shenzhen Richwave Technology Co. Ltd. was renamed to Yinghon Technology Co. in September 2021. On February 24, 2022, the board of directors approved a capital increase of USD 1,000 thousand to Yinghon Technology Co. Investment Commission, MOEA approved the capital increase on April 14, 2022, and the Company completed the capital increase in June 2022. Information on investments in mainland China please refer to Table 3.
- 3) Minerva Technology Co. completed its liquidation process in August 15, 2023.

- 4) Minerva Technology Co., Yinghon Technology Co. and AEGIS LINK CORP. are immaterial subsidiaries; their financial statements have not been reviewed.

12. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	Computer Equipment	Other Equipment	Total
<u>Cost</u>				
Balance at January 1, 2024	\$ 216,468	\$ 33,613	\$ 207,955	\$ 458,036
Additions	10,273	7,220	22,438	39,931
Disposals	-	(133)	(6,457)	(6,590)
Transfers from prepayments	-	-	331	331
Effects of foreign currency exchange differences	-	113	434	547
Balance at September 30, 2024	<u>\$ 226,741</u>	<u>\$ 40,813</u>	<u>\$ 224,701</u>	<u>\$ 492,255</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2024	\$ 112,563	\$ 19,301	\$ 127,765	\$ 259,629
Depreciation expense	24,887	5,856	34,734	65,477
Disposals	-	(131)	(6,457)	(6,588)
Effects of foreign currency exchange differences	-	28	109	137
Balance at September 30, 2024	<u>\$ 137,450</u>	<u>\$ 25,054</u>	<u>\$ 156,151</u>	<u>\$ 318,655</u>
Carrying amount at September 30, 2024	<u>\$ 89,291</u>	<u>\$ 15,759</u>	<u>\$ 68,550</u>	<u>\$ 173,600</u>
Carrying amount at December 31, 2023	<u>\$ 103,905</u>	<u>\$ 14,312</u>	<u>\$ 80,190</u>	<u>\$ 198,407</u>
<u>Cost</u>				
Balance at January 1, 2023	\$ 183,240	\$ 25,940	\$ 157,494	\$ 366,674
Additions	32,377	5,966	35,453	73,796
Disposals	(412)	-	(464)	(876)
Effects of foreign currency exchange differences	-	2	34	36
Balance at September 30, 2023	<u>\$ 215,205</u>	<u>\$ 31,908</u>	<u>\$ 192,517</u>	<u>\$ 439,630</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2023	\$ 80,281	\$ 12,754	\$ 84,457	\$ 177,492
Depreciation expense	23,858	4,760	32,610	61,228
Disposals	(148)	-	(464)	(612)
Effects of foreign currency exchange differences	-	1	7	8
Balance at September 30, 2023	<u>\$ 103,991</u>	<u>\$ 17,515</u>	<u>\$ 116,610</u>	<u>\$ 238,116</u>
Carrying amount at September 30, 2023	<u>\$ 111,214</u>	<u>\$ 14,393</u>	<u>\$ 75,907</u>	<u>\$ 201,514</u>

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Testing equipment	1-6 years
Computer equipment	3-4 years
Other equipment	3 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Carrying amount</u>			
Buildings	\$ 113,686	\$ 61,830	\$ 69,136
	For the Three Months Ended September 30	For the Nine Months Ended September 30	
	2024	2023	2024
			2023
Additions to right-of-use assets		\$ 75,691	\$ 63,317
Depreciation charge for right-of-use assets			
Buildings	\$ 7,979	\$ 7,396	\$ 23,940
Income from the subleasing of right-of-use assets (presented in other income)	\$ (179)	\$ (234)	\$ (600)
			\$ (702)

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

b. Lease liabilities

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Carrying amount</u>			
Current	\$ 31,434	\$ 21,399	\$ 26,074
Non-current	\$ 82,629	\$ 40,615	\$ 43,280

Range of discount rate for lease liabilities was as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Buildings	1.50%~3.50%	1.50%	1.50%

c. Material leasing activities and terms

The Group leases buildings for the use of plants, offices and parking spaces with lease terms of 1 to 5 years. The Group does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Expenses relating to short-term leases	<u>\$ 1,356</u>	<u>\$ 1,506</u>	<u>\$ 4,009</u>	<u>\$ 4,967</u>
Total cash outflow for leases			<u>\$ (28,459)</u>	<u>\$ (27,797)</u>

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

14. OTHER INTANGIBLE ASSETS

	Computer Software	Specialized Techniques	Trademarks	Total
<u>Cost</u>				
Balance at January 1, 2024	\$ 53,564	\$ 3,500	\$ 56	\$ 57,120
Additions	25,593	-	24	25,617
Disposals	(3,760)	-	-	(3,760)
Effects of foreign currency exchange differences	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
Balance at September 30, 2024	<u>\$ 75,397</u>	<u>\$ 3,500</u>	<u>\$ 83</u>	<u>\$ 78,980</u>

(Continued)

	Computer Software	Specialized Techniques	Trademarks	Total
<u>Accumulated amortization</u>				
Balance at January 1, 2024	\$ 6,519	\$ 1,549	\$ 5	\$ 8,073
Additions	33,393	263	6	33,662
Disposals	<u>(3,760)</u>	<u>-</u>	<u>-</u>	<u>(3,760)</u>
Balance at September 30, 2024	<u>\$ 36,152</u>	<u>\$ 1,812</u>	<u>\$ 11</u>	<u>\$ 37,975</u>
Carrying amount at September 30, 2024	<u>\$ 39,245</u>	<u>\$ 1,688</u>	<u>\$ 72</u>	<u>\$ 41,005</u>
Carrying amount at December 31, 2023	<u>\$ 47,045</u>	<u>\$ 1,951</u>	<u>\$ 51</u>	<u>\$ 49,047</u>
<u>Cost</u>				
Balance at January 1, 2023	\$ 42,838	\$ 3,500	\$ -	\$ 46,338
Additions	62,487	-	57	62,544
Disposals	<u>(16,322)</u>	<u>-</u>	<u>-</u>	<u>(16,322)</u>
Balance at September 30, 2023	<u>\$ 89,003</u>	<u>\$ 3,500</u>	<u>\$ 57</u>	<u>\$ 92,560</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2023	\$ 30,264	\$ 1,198	\$ -	\$ 31,462
Additions	21,530	263	4	21,797
Disposals	<u>(16,322)</u>	<u>-</u>	<u>-</u>	<u>(16,322)</u>
Balance at September 30, 2023	<u>\$ 35,472</u>	<u>\$ 1,461</u>	<u>\$ 4</u>	<u>\$ 36,937</u>
Carrying amount at September 30, 2023	<u>\$ 53,531</u>	<u>\$ 2,039</u>	<u>\$ 53</u>	<u>\$ 55,623</u>

(Concluded)

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-6 years
Specialized techniques	10 years
Trademarks	10 years

15. OTHER ASSETS

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Current</u>			
Prepayments			
Prepayment for purchases	\$ 78,050	\$ 88,986	\$ 90,043
Prepaid expenses	<u>7,594</u>	<u>11,333</u>	<u>6,944</u>
	<u>\$ 85,644</u>	<u>\$ 100,319</u>	<u>\$ 96,987</u>
Other current assets			
Temporary payments	<u>\$ 1,473</u>	<u>\$ 1,531</u>	<u>\$ 17,711</u>

16. BONDS PAYABLE

	September 30, 2024	December 31, 2023	September 30, 2023
Unsecured domestic convertible bonds	\$ 229,900	\$ 260,900	\$ 260,900
Less: Discount on bonds payable	<u>(3,442)</u>	<u>(7,372)</u>	<u>(8,517)</u>
	226,458	253,528	252,383
Less: Current portion	<u>(226,458)</u>	<u>(253,528)</u>	<u>(252,383)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At July 29, 2022, the Company issued 3 thousand, 0% NTD-denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of \$300,000 thousand. The issue price was based on 104.98% of the face value.

Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of \$136.5. Conversion may occur at any time between October 30, 2022 and July 29, 2025.

If the closing price of shares for each of 30 consecutive trading days is at least 130% of the conversion price between the 3 months after the share issuance date and the 40th day before the maturity date, the Company may redeem all the outstanding bonds at their principal amount. If the amount outstanding of bonds is less than 10% of the principal amount, the Company may also redeem the outstanding bonds at their principal amount.

Bondholders have the option to notify the Company of their request for bond redemption within 30 days prior to the second anniversary of the issuance date, and the Company should redeem the bonds at face value.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 1.81% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$2,610 thousand)	\$ 312,341
Redeemable and puttable option component	300
Equity component (less transaction costs allocated to the equity component of \$221 thousand)	<u>(28,500)</u>
Liability component at the date of issue (less transaction costs allocated to the liability component of \$2,389 thousand)	284,141
Interest charged at an effective interest rate of 1.81%	10,256
Convertible bonds converted into ordinary shares	<u>(67,939)</u>
Liability component at September 30, 2024	<u>\$ 226,458</u>

As of September 30, 2024, the convertible bonds with a face value of \$70,100 thousand were converted into \$5,136 thousand of ordinary shares. In addition, due to the exercise of the bond conversion right, the capital surplus - share option decreased by \$6,660 thousand, and the discount of bonds payable decreased by \$2,161 thousand, and financial assets at fair value through profit or loss - current decreased by \$229 thousand, and the net conversion amount exceeded the par value of the ordinary shares was transferred to capital surplus - conversion of bonds amounted to \$69,234 thousand.

17. ACCOUNTS PAYABLE

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Accounts payable</u>			
Generated from operating activities	<u>\$ 477,198</u>	<u>\$ 356,681</u>	<u>\$ 335,810</u>

The average credit period was 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

18. OTHER LIABILITIES

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Current</u>			
Other payables			
Payables for salaries and bonuses	\$ 57,434	\$ 70,072	\$ 67,599
Payables for insurance premium	12,223	12,067	12,235
Payables for annual leave	11,159	9,380	9,284
Payables for purchases of equipment	11,067	1,749	3,544
Payables for research and design fee	10,470	14,572	6,312
Payables for freight cost	5,262	4,507	3,933
Payables for software usage fee	1,148	8,631	6,896
Payables for testing fee	743	673	515
Others	<u>13,663</u>	<u>14,004</u>	<u>11,305</u>
	<u>\$ 123,169</u>	<u>\$ 135,655</u>	<u>\$ 121,623</u>
Refund liabilities (Note 21)	<u>\$ 122,602</u>	<u>\$ 145,488</u>	<u>\$ 174,012</u>
Other liabilities			
Receipts under custody	\$ 7,297	\$ 7,197	\$ 6,917
Contract liabilities (Note 21)	1,995	7,810	2,652
Temporary receipts	<u>7</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,299</u>	<u>\$ 15,007</u>	<u>\$ 9,569</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

Apart from Yinghon Technology Co., the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

For the three months ended and nine month ended September 30, 2024 and 2023, the pension expenses of defined benefit plans were \$(6) thousand, \$(6) thousand, \$(20) thousand and \$(19) thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2023 and 2022, respectively.

20. EQUITY

a. Ordinary shares

	September 30, 2024	December 31, 2023	September 30, 2023
Number of shares authorized (in thousands of shares)	200,000	200,000	200,000
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands of shares)	90,675	90,455	90,283
Shares issued and fully paid	<u>\$ 906,752</u>	<u>\$ 904,554</u>	<u>\$ 902,832</u>
Advance receipts for share capital	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ 1,722</u>

A holder of ordinary shares issued with par value of \$10 is entitled to vote and to receive dividends.

The authorized shares include 10,000 thousand shares reserved for the exercise of employee share options.

The change in the Company's share capital for the year ended December 31, 2023 was mainly due to the conversion of unsecured domestic convertible bonds into ordinary shares. Bondholders converted the Company's ordinary shares of \$2,865 thousand (286 thousand shares). On July 27 and October 26, 2023, the Company's board of directors resolved to set July 28 and October 31, 2023 as the subscription base date, and registered on August 15 and November 27, 2023, respectively.

The change in the Company's advance receipts for share capital for the nine months ended September 30, 2024 was mainly due to the conversion of unsecured domestic convertible bonds into ordinary shares. Bondholders converted the Company's ordinary shares of \$2,198 thousand (220 thousand shares). On April 25, 2024, the Company's board of directors resolved to set April 30, 2024 as the subscription base date, and registered on May 16, 2024.

b. Capital surplus

	September 30, 2024	December 31, 2023	September 30, 2023
Maybe used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 497,045	\$ 497,045	\$ 497,045
Issuance of ordinary shares (exercised or expired employee share options)	85,484	85,484	85,484
Conversion of bonds	69,234	38,422	38,422
<u>May not be used for any purpose</u>			
Employee share options	32,306	28,621	25,283
Share options	<u>21,840</u>	<u>24,785</u>	<u>24,785</u>
	<u>\$ 705,909</u>	<u>\$ 674,357</u>	<u>\$ 671,019</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).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation ("Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. Refer to Note 22(g) for the policies on the distribution of compensation of employees and remuneration of directors.

The Company's Articles also stipulate a balanced and stable dividends policy whereby share and cash dividends are distributed based on the Company's profitability, financial structure and future development plans. Dividends may be distributed in form of cash or shares taking into consideration future profitability and funding needs, out of which the total cash dividends paid in any given year shall be at least 10% of the total dividends distributed.

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

The appropriations of earnings for 2023 and 2022 that had been resolved by the shareholders in their meetings on May 29, 2024 and May 25, 2023, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2023	2022
Legal reserve	\$ -	\$ 5,580
Special reserve (Reversal of special reserve)	\$ 710	\$ (1,373)
Cash dividends	\$ -	\$ -
Cash dividends per share (NT\$)	\$ -	\$ -

d. Special reserve

	For the Nine Months Ended	
	September 30	
	2024	2023
Balance at January 1	\$ -	\$ 1,373
Appropriations in respect of		
Debits to other equity items	710	-
Reversals:		
Reversal of the debits to other equity items	-	(1,373)
Balance at September 30	\$ 710	\$ -

e. Other equity items

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

	For the Nine Months Ended September 30	
	2024	2023
Balance at January 1	\$ (696)	\$ 327
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	3,116	1,247
Reclassification adjustments		
Disposal of foreign operations	<u>-</u>	<u>(466)</u>
Balance at September 30	<u>\$ 2,420</u>	<u>\$ 1,108</u>

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

	For the Nine Months Ended September 30	
	2024	2023
Balance at January 1 and September 30	<u>\$ (14)</u>	<u>\$ (14)</u>

21. REVENUE

a. Contract revenue from customers

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Revenue from the sale of goods	<u>\$ 908,772</u>	<u>\$ 738,381</u>	<u>\$ 2,781,537</u>	<u>\$ 2,113,309</u>

b. Contract information

As wireless communication products are innovative and the prices are highly volatile, the discount is estimated at the most likely amount based on the range of discounts given in the past. The Group estimates the allowances rate based on most likely amount from past experience, and recognizes the refund liabilities accordingly.

c. Contract balances

	September 30, 2024	December 31, 2023	September 30, 2023	January 1, 2023
Accounts receivable (Note 9)	<u>\$ 1,166,541</u>	<u>\$ 1,114,690</u>	<u>\$ 1,184,191</u>	<u>\$ 1,046,374</u>
Contract liabilities (Note 18)				
Sale of goods	<u>\$ 1,995</u>	<u>\$ 7,810</u>	<u>\$ 2,652</u>	<u>\$ 1,039</u>

d. Disaggregation of revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
<u>Type of goods or services</u>				
WIFI products	\$ 687,109	\$ 689,849	\$ 2,126,297	\$ 2,012,773
Wireless audio and video products	131,276	16,191	407,660	32,710
Others	<u>90,387</u>	<u>32,341</u>	<u>247,580</u>	<u>67,826</u>
	<u>\$ 908,772</u>	<u>\$ 738,381</u>	<u>\$ 2,781,537</u>	<u>\$ 2,113,309</u>

22. NET PROFIT (LOSS)

a. Interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Bank deposits	\$ 7,811	\$ 5,233	\$ 20,394	\$ 14,750
Deposit interest	<u>18</u>	<u>30</u>	<u>60</u>	<u>52</u>
	<u>\$ 7,829</u>	<u>\$ 5,263</u>	<u>\$ 20,454</u>	<u>\$ 14,802</u>

b. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Rental income	\$ 179	\$ 234	\$ 600	\$ 702
Others	<u>-</u>	<u>514</u>	<u>86</u>	<u>532</u>
	<u>\$ 179</u>	<u>\$ 748</u>	<u>\$ 686</u>	<u>\$ 1,234</u>

c. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Net foreign exchange (loss) gains	\$ (26,765)	\$ 26,347	\$ 17,492	\$ 42,018
Fair value changes of financial assets designated as at FVTPL	93	(678)	(51)	882
Loss on disposal of property, plant and equipment	-	-	(2)	(10)
Gain on disposal of subsidiaries	-	466	-	466
Others	<u>(4)</u>	<u>(4)</u>	<u>(63)</u>	<u>(15)</u>
	<u>\$ (26,676)</u>	<u>\$ 26,131</u>	<u>\$ 17,376</u>	<u>\$ 43,341</u>

d. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Interest on convertible bonds	\$ 1,024	\$ 1,174	\$ 3,182	\$ 3,777
Interest on lease liabilities	320	169	695	336
Interest on bank loans	<u>161</u>	<u>524</u>	<u>329</u>	<u>524</u>
	<u>\$ 1,505</u>	<u>\$ 1,867</u>	<u>\$ 4,206</u>	<u>\$ 4,637</u>

e. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
An analysis of depreciation by function				
Operating costs	\$ -	\$ -	\$ -	\$ -
Selling and marketing expenses	2,717	2,632	7,277	7,243
General and administrative expenses	6,395	5,291	18,689	15,814
Research and development expenses	<u>20,479</u>	<u>20,971</u>	<u>63,451</u>	<u>60,586</u>
	<u>\$ 29,591</u>	<u>\$ 28,894</u>	<u>\$ 89,417</u>	<u>\$ 83,643</u>
An analysis of amortization by function				
Selling and marketing expenses	\$ 116	\$ 55	\$ 354	\$ 71
General and administrative expenses	907	1,707	4,021	3,711
Research and development expenses	<u>9,353</u>	<u>5,867</u>	<u>29,287</u>	<u>18,015</u>
	<u>\$ 10,376</u>	<u>\$ 7,629</u>	<u>\$ 33,662</u>	<u>\$ 21,797</u>

f. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Post-employment benefits (Note 19)				
Defined contribution plans	\$ 4,981	\$ 5,014	\$ 14,986	\$ 14,883
Defined benefit plans	<u>(6)</u>	<u>(6)</u>	<u>(20)</u>	<u>(19)</u>
	4,975	5,008	14,966	14,864
Share-based payments				
Equity-settled	1,229	3,338	3,685	10,014
Other employee benefits	<u>140,929</u>	<u>140,995</u>	<u>444,058</u>	<u>420,291</u>
Total employee benefits expense	<u>\$ 147,133</u>	<u>\$ 149,341</u>	<u>\$ 462,709</u>	<u>\$ 445,169</u>
An analysis of employee benefits expense by function				
Selling and marketing expenses	\$ 29,148	\$ 28,421	\$ 85,459	\$ 84,229
General and administrative expenses	27,005	30,140	100,359	99,587
Research and development expenses	<u>90,980</u>	<u>90,780</u>	<u>276,891</u>	<u>261,353</u>
	<u>\$ 147,133</u>	<u>\$ 149,341</u>	<u>\$ 462,709</u>	<u>\$ 445,169</u>

g. Compensation of employees and remuneration of directors

According to the Company's Articles before the amendments on May 29, 2024, the Company accrues compensation of employees and remuneration of directors at rates no less than 8% and no higher than 1%, respectively, of net profit before income tax, compensation of employees and remuneration of directors.

The shareholders of the Company held their regular meeting on May 29, 2024 and in that meeting, resolved the amendments to the Company's Articles. According to the Company's Articles after the amendments, the Company accrues compensation of employees and remuneration of directors at rates no less than 8% and no higher than 1.5%, respectively, of net profit before income tax, compensation of employees and remuneration of directors.

The Company did not estimate compensation of employees and remuneration of directors for the three months and nine months ended September 30, 2023, because the Company suffered a net loss before income tax for the period. The compensation of employees and remuneration of directors for the three months and nine months ended September 30, 2024 are as follows:

Accrual rate

	For the Nine Months Ended September 30 2024
Compensation of employees	8%
Remuneration of directors	1.5%

Amount

	For the Three Months Ended September 30 2024	For the Nine Months Ended September 30 2024
Compensation of employees	\$ (1,911)	\$ 9,583
Remuneration of directors	\$ (359)	\$ 1,796

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 Company did not estimate compensation of employees and remuneration of directors for the year ended December 31, 2023, because the Company suffered a net loss before income tax for the period. The appropriations of employees' compensation for 2022 that were resolved by the board of directors on February 23, 2023, respectively, are as shown below.

	For the Year Ended December 31 2022	
	Cash	Shares
Compensation of employees	\$ 8,082	\$ -
Remuneration of directors	673	-

The Company held board of directors' meetings on February 23, 2023, and the amount of the compensation of employees approved in the board of directors' meeting was differ from the amounts recognized in the consolidated financial statements for the year ended December 31, 2022. The differences were adjusted to profit and loss for the year ended December 31, 2023.

	For the Year Ended December 31, 2022
Amounts approved in the board of directors' meeting	\$ 8,082
Amounts recognized in the annual consolidated financial statements	\$ 5,388

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2024 and 2023 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Foreign exchange gains	\$ 10,679	\$ 35,455	\$ 58,334	\$ 55,622
Foreign exchange losses	(37,444)	(9,108)	(40,842)	(13,604)
Net gain on foreign currency exchange	\$ (26,765)	\$ 26,347	\$ 17,492	\$ 42,018

23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Current tax				
In respect of the current period	\$ 18	\$ 67	\$ 37	\$ 71
Adjustments for prior year	-	744	79	(1,140)
Deferred tax				
In respect of the current period	(4,150)	(10,812)	22,180	(46,558)
Income tax expense (benefit) recognized in profit or loss	<u>\$ (4,132)</u>	<u>\$ (10,001)</u>	<u>\$ 22,296</u>	<u>\$ (47,627)</u>

b. Income tax assessments

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

24. EARNINGS (LOSS) PER SHARE

Unit : NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Basic earnings per share	<u>\$ (0.19)</u>	<u>\$ (0.50)</u>	<u>\$ 0.95</u>	<u>\$ (2.09)</u>
Diluted earnings per share	<u>\$ (0.19)</u>	<u>\$ (0.50)</u>	<u>\$ 0.95</u>	<u>\$ (2.09)</u>

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

Net Profit (Loss)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Earnings (loss) used in the computation of basic and diluted earnings (loss) per share	<u>\$ (17,467)</u>	<u>\$ (45,006)</u>	<u>\$ 86,223</u>	<u>\$ (188,397)</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	90,680	90,250	90,613	90,196
Effect of potentially dilutive ordinary shares				
Compensation of employees	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	<u>90,680</u>	<u>90,250</u>	<u>90,663</u>	<u>90,196</u>

Since the Group may settle compensation of employees in cash or shares, the Group assumes that the entire amount of the compensation will 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, 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.

Since the exercise price of the options issued by the Company exceeded the average market price of the shares during the nine months ended September 30, 2024 and 2023, they are anti-dilutive and excluded from the computation of diluted earnings per share.

If the outstanding convertible bonds issued by the Company are converted to ordinary shares during the nine months ended September 30, 2024, they are anti-dilutive and excluded from the computation of diluted earnings per share.

25. SHARE-BASED PAYMENT ARRANGEMENTS

The Company issued 300 units of employee share options on November 29, 2021. On the grant date, each option entitles the holder with the right to subscribe for one thousand ordinary share of the Company at the exercise price of NT\$279 per share. The options are granted to the employees of the Company and its subsidiaries that meet certain criteria. The expected lifetime of the options is 5 years. The options are exercisable by the qualified employees at 50% after the second year from the grant date, and another two tranches of 25% exercisable after third and fourth years from the grant date. The vesting period will end on November 29, 2026.

Information on outstanding employee share options is as follows:

	For the Nine Months Ended September 30			
	2024		2023	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (NT\$)
Balance at January 1 and September 30	<u>300</u>	\$ 272.9	<u>300</u>	\$ 272.9
Options exercisable, end of the period	<u>150</u>	\$ 272.9	<u>-</u>	
Weighted - average fair value of options granted (NT\$)	<u>\$ 122.02</u>		<u>\$ 122.02</u>	

As of the balance sheet date, information about employee share options outstanding was as follows:

	September 30, 2024	September 30, 2023
Range of exercise price (NT\$)	\$ 272.9	\$ 272.9
Weighted average remaining contractual life (in years)	1.50	2.50

The options granted by the Company are priced using the Black-Scholes pricing model and the related inputs to the model are as follows:

November 29, 2021

Grant-date share price	NT\$279
Expected volatility	59.55% 、57.55% and 56.53%
Risk-free interest rate	0.40% 、0.41% and 0.42%
Expected dividend yield rate	-
Expected life	3.5 years 、4 years and 4.5 years

Compensation costs recognized were \$1,229 thousand and \$3,338 thousand for the three months ended September 30, 2024 and 2023, respectively; and \$3,685 thousand and \$10,014 thousand for the nine months ended September 30, 2024 and 2023, respectively.

26. DISPOSAL OF SUBSIDIARIES

The Company completed the liquidation of Minerva Technology Co. on August 15, 2023.

a. Gain on liquidation of subsidiaries

	Minerva Technology Co.
Consideration received	\$ -
Reclassification of other comprehensive income in respect of subsidiaries	
Exchange differences on translation of the financial statements of foreign operations	<u>466</u>
Gain on disposals	<u>\$ 466</u>

27. CAPITAL MANAGEMENT

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

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

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

The key management personnel of the Group review the capital structure on regular 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 amount of dividends paid to shareholders and the number of new shares issued.

28. FINANCIAL INSTRUMENTS

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

September 30, 2024

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 226,458	\$ -	\$ 226,589	\$ -	\$ 226,589

December 31, 2023

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 253,528	\$ -	\$ 254,117	\$ -	\$ 254,117

September 30, 2023

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 252,383	\$ -	\$ 253,386	\$ -	\$ 253,386

The fair values of the financial assets and financial liabilities included in the Level 2 category above have been determined in accordance with the binary tree pricing model for convertible bonds.

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

1) Fair value hierarchy

September 30, 2024

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative	\$ -	\$ 644	\$ -	\$ 644

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative	\$ -	\$ 809	\$ -	\$ 809

September 30, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative	\$ -	\$ 287	\$ -	\$ 287

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

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

Financial Instrument	Valuation Technique and Inputs
Derivatives - redeemable and puttable option of convertible bonds	Binary tree pricing model for convertible bonds. Track the evolution of key underlying variables of options in discrete time through a binary tree over multiple time steps between evaluation date and maturity date. Each node of the tree represents a possible price at a particular point in time.

c. Categories of financial instruments

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Financial assets</u>			
FVTPL			
Held for trading	\$ 644	\$ 809	\$ 287
Financial assets at amortized cost (1)	2,200,894	2,088,842	2,049,123
<u>Financial liabilities</u>			
Amortized cost (2)	764,632	668,015	634,618

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, accounts receivable, other receivables, financial assets at amortized cost and refundable deposits.

- 2) The balances include financial liabilities measured at amortized cost, which comprise accounts payable, other payables, bonds payable and guarantee deposits.

d. Financial risk management objectives and policies

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

The Group did not use derivative financial instruments to minimize the effect of these risks, but it uses natural hedging from operations and borrowings denominated in foreign currencies to mitigate the impact of foreign currency risk.

The corporate treasury function reports monthly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

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

a) Foreign currency risk

The Group has foreign currency denominated sales and purchases, which expose the Group to foreign currency risk. Approximately 81% of the Group's sales is denominated in currencies other than the functional currency of the entity in the Group making the sale, whilst almost 84% of costs is denominated in currencies other than the functional currency of the entity in the Group.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the period are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to a 2% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 2%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 2% change in foreign currency rates. A positive (negative) number below indicates an increase in pre-tax profit associated with New Taiwan dollar strengthening (weakening) 2% against the relevant currency.

	USD Impact	
	For the Nine Months Ended	
	September 30	
	2024	2023
Profit or (loss)	\$ <u>22,643</u>	\$ <u>25,289</u>

This was mainly attributable to the exposure on outstanding accounts receivable, cash and cash equivalents and accounts payable denominated in USD that were not hedged at the balance sheet dates.

The Group's sensitivity to foreign currency decreased during the current period mainly due to increase in the accounts payable denominated in USD.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetites ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the balance sheet dates were as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Fair value interest rate risk			
Financial assets	\$ 745,220	\$ 634,213	\$ 759,355
Financial liabilities	340,521	315,542	321,737
Cash flow interest rate risk			
Financial assets	219,948	292,923	150,829

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and 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. A 0.25 basis point increase or decrease is used when reporting interest rate risk internally to key management

personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25 basis point higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2024 and 2023 would have increased/decreased by \$412 thousand and \$283 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the balance sheet date, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of dealing only with reputable parties and, where necessary, obtains appropriate guarantees to mitigate the risk of financial losses resulting from the default of payment. The Group assesses the creditability of the key customers based on financial information available and mutual transaction records. The Group continuously monitors the credit risk and credit rating of the counterparties, distributes the total transaction amount to customers with sound credit ratings, and controls the credit risk by ensuring that each counterparty's credit limit is reviewed and approved by the risk management committee.

The Group assesses the financial position of customers with outstanding accounts receivable balances regularly and requests for collateral if necessary.

The Group's concentration of credit risk is mainly related to the top five largest customers, which represents 83%, 75% and 80% of total accounts receivable as of September 30, 2024, December 31, 2023 and September 30, 2023, respectively.

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 borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. Refer to (b) below for the amount of unsecured short-term bank loan facilities of the Group as of September 30, 2024, December 31, 2023 and September 30, 2023:

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

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has 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 table includes both interest and principal cash flows. Specifically, financial liabilities with a repayment on demand clause are included in the earliest time band regardless of the probability of the creditors choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

September 30, 2024

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	\$ 309,151	\$ 205,255	\$ 247,268	\$ 6,400
Lease liabilities	-	8,243	24,115	85,127
	<u>\$ 309,151</u>	<u>\$ 213,498</u>	<u>\$ 271,383</u>	<u>\$ 91,527</u>

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

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 32,358</u>	<u>\$ 85,127</u>

December 31, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	\$ 220,812	\$ 175,918	\$ 277,054	\$ 1,603
Lease liabilities	-	8,111	13,777	41,312
	<u>\$ 220,812</u>	<u>\$ 184,029</u>	<u>\$ 290,831</u>	<u>\$ 42,915</u>

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

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 21,888</u>	<u>\$ 41,312</u>

September 30, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	\$ 188,796	\$ 175,107	\$ 277,547	\$ 1,685
Lease liabilities	-	8,155	18,426	44,057
	<u>\$ 188,796</u>	<u>\$ 183,262</u>	<u>\$ 295,973</u>	<u>\$ 45,742</u>

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

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 26,581</u>	<u>\$ 44,057</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the period.

b) Financing facilities

	September 30, 2024	December 31, 2023	September 30, 2023
Unsecured bank loan facilities			
Amount used	\$ -	\$ -	\$ -
Amount unused	<u>660,000</u>	<u>680,000</u>	<u>680,000</u>
Financial assets	<u>\$ 660,000</u>	<u>\$ 680,000</u>	<u>\$ 680,000</u>

29. 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 as follows.

a. Remuneration of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ 15,850	\$ 9,845	\$ 40,010	\$ 31,033
Post-employment benefits	<u>297</u>	<u>297</u>	<u>918</u>	<u>891</u>
	<u>\$ 16,147</u>	<u>\$ 10,142</u>	<u>\$ 40,928</u>	<u>\$ 31,924</u>

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for customs import goods tax and performance guarantee:

	September 30, 2024	December 31, 2023	September 30, 2023
Pledged deposits (classified as financial assets at amortized cost)	<u>\$ 9,900</u>	<u>\$ 9,900</u>	<u>\$ 9,900</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at the balance sheet dates were as follows:

a. Significant commitments

Under a sales agreement, the Group shall pay royalties at a certain percentage of net sales of certain products. Royalty expenses amounted to \$163 thousand and \$469 thousand for the three months ended September 30, 2024 and 2023, respectively; and \$1622 thousand and \$2,045 thousand for the nine months ended September 30, 2024 and 2023, respectively.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

September 30, 2024

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 47,653	31.65	\$ 1,508,217
<u>Financial liabilities</u>			
Monetary items			
USD	11,882	31.65	376,065

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 33,770	30.705	\$ 1,036,896
<u>Financial liabilities</u>			
Monetary items			
USD	7,816	30.705	239,990

September 30, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 45,997	32.27	\$ 1,484,323
<u>Financial liabilities</u>			
Monetary items			
USD	6,813	32.27	219,856

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

	<u>For the Three Months Ended September 30, 2024</u>		<u>For the Three Months Ended September 30, 2023</u>	
	Exchange Rate	Net Foreign Exchange Losses	Exchange Rate	Net Foreign Exchange Gains
Foreign Currency				
USD	32.301	\$ 28,237	31.68	\$ 12,864
	<u>For the Nine Months Ended September 30, 2024</u>		<u>For the Nine Months Ended September 30, 2023</u>	
	Exchange Rate	Net Foreign Exchange Gains	Exchange Rate	Net Foreign Exchange Gains
Foreign Currency				
USD	32.034	\$ 49,318	30.93	\$ 76,807

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates, and joint ventures): 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) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
 - 9) Trading in derivative instruments: Note 7
 - 10) Intercompany relationships and significant intercompany transactions: Table 1
- b. Information on investees: Table 2
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 3
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 1
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) 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 receipt of services
- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None

34. SEGMENT INFORMATION

The Group is considered a single operating segment. Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group is currently engaged in the design and sale of the wireless communication products, and its operating segment's profit or loss, assets and liabilities were measured on the same basis as the consolidated financial statements, please refer to accompanying consolidated financial statements.

TABLE 1

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

**Intercompany relationships and significant intercompany transactions
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Richwave Technology Corp.	Yinghon Technology Co.	1	Other accounts payable	\$ 15,856	Based on regular terms	-
				Operating expenses	63,119	Based on regular terms	2%

Note 1: Companies are numbers as follows:

- 1. “0” for the Company.
- 2. Subsidiaries are numbered from Arabic”1” onward.

Note 2 : Related party transactions are divided into three categories as below:

- 1. The Company to the subsidiary.
- 2. The subsidiary to the Company.
- 3. Between subsidiaries.

Note 3 : The amount was eliminated upon the consolidation.

TABLE 2

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2024			Net Loss of the Investee	Share of Loss	Note
				September 30, 2024	December 31, 2023	Number of Shares	%	Carrying Amount			
Richwave Technology Corp.	AEGIS LINK CORP.	USA	Selling and marketing	\$ 12,161 (USD 395 thousand)	\$ 12,161 (USD 395 thousand)	-	100	\$ 6,732	\$ (5,773)	\$ (5,773)	The Group’s subsidiary (Note)

Note : The amounts were based on the financial statements which were not reviewed by independent auditors.

TABLE 3

RICHWAVE TECHNOLOGY CORP. AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2024	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2024	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2024	Accumulated Repatriation of Investment Income as of September 30, 2024	Note
					Outflow	Inflow							
Yinghon Technology Co. (Note 2)	Development, manufacturing and sales of ICs	\$ 57,410 (US\$ 2,000 thousand)	Direct Investment	\$ 57,410 (US\$ 2,000 thousand)	\$ -	\$ -	\$ 57,410 (US\$ 2,000 thousand)	\$ 1,511	100%	\$ 1,511	\$ 62,657	\$ -	The Group's subsidiary (Note 1)

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2024	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 57,410 (US\$ 2,000 thousand)	\$ 57,410 (US\$ 2,000 thousand)	\$1,394,017

Note 1: The amounts were based on the financial statements which were not reviewed by independent auditors.

Note 2: Shenzhen Richwave Technology Co. Ltd. was renamed to Yinghon Technology Co. in September 2021.