DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REVIEW REPORT

FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of DAVICOM SEMICONDUCTOR, INC.

Introduction

We have reviewed the accompanying consolidated balance sheets of DAVICOM Semiconductor, Inc. and subsidiaries (the "Group") as at March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of material accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these 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 Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. 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 4(3), the financial statements of certain insignificant consolidated subsidiaries were not reviewed by independent auditors. Total assets of these subsidiaries amounted to NT$287,669 thousand and NT$326,862 thousand, constituting 24.94% and 27.12% of the consolidated total assets as at March 31, 2024 and 2023, respectively, total liabilities amounted to NT$4,422 thousand and NT$2,733 thousand, constituting 2.69% and 2.16% of the consolidated total liabilities as at March 31, 2024 and 2023, respectively, and the total comprehensive income(loss) amounted to NT$808 thousand and NT$(668) thousand, constituting 13.03% and (4.88)% of the consolidated total comprehensive income for the three months then ended, respectively.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent auditors as described in the *Basis for qualified conclusion* section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission.

Lin, Chia-Hung　　　　　Hsiao, Chun-Yuan

For and on behalf of PricewaterhouseCoopers, Taiwan

May 10, 2024

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	March 31, 2024 AMOUNT	%	December 31, 2023 AMOUNT	%	March 31, 2023 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 699,630	61	$ 695,332	61	$ 749,193	62
1150	Notes receivable, net	6(3)	-	-	-	-	-	-
1170	Accounts receivable, net	6(3)	21,422	2	20,988	2	23,699	2
1200	Other receivables		1,449	-	1,430	-	283	-
1220	Current tax assets		3,645	-	3,645	-	-	-
130X	Inventories, net	6(4)	31,853	3	31,438	3	36,841	3
1410	Prepayments		1,989	-	1,640	-	1,314	-
1470	Other current assets		4,007	-	4,029	-	22	-
11XX	**Total Current Assets**		763,995	66	758,502	66	811,352	67
	Non-current assets							
1510	Financial assets at fair value through profit or loss - non-current	6(2)	59,597	5	61,055	5	52,896	4
1600	Property, plant and equipment, net	6(5)	140,198	12	141,294	12	144,274	12
1755	Right-of-use assets	6(6)	85,462	7	86,081	8	87,939	7
1760	Investment property, net	6(8)	91,289	8	92,043	8	94,258	8
1780	Intangible assets		726	-	718	-	1,016	-
1840	Deferred income tax assets	6(23)	7,199	1	7,197	1	6,952	1
1900	Other non-current assets	6(9)	5,013	1	5,125	-	6,775	1
15XX	**Total Non-current Assets**		389,484	34	393,513	34	394,110	33
1XXX	**Total Assets**		$ 1,153,479	100	$ 1,152,015	100	$ 1,205,462	100

(Continued)

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	March 31, 2024 AMOUNT	%	December 31, 2023 AMOUNT	%	March 31, 2023 AMOUNT	%
	Current liabilities							
2130	Current contract liabilities		$ 97	-	$ 135	-	$ 135	-
2150	Notes payable		174	-	153	-	151	-
2170	Accounts payable		3,007	-	3,562	-	4,526	-
2200	Other payables	6(10)	73,888	7	28,883	3	30,155	3
2230	Current income tax liabilities		-	-	-	-	7,542	1
2280	Current lease liabilities	12(2)	1,550	-	1,546	-	1,538	-
2300	Other current liabilities		4,660	-	4,379	-	1,310	-
21XX	**Current Liabilities**		83,376	7	38,658	3	45,357	4
	Non-current liabilities							
2570	Deferred income tax liabilities	6(23)	3,222	-	1,915	-	1,901	-
2580	Non-current lease liabilities	12(2)	71,132	6	71,520	6	72,682	6
2600	Other non-current liabilities	6(11)	6,519	1	6,506	1	6,871	1
25XX	**Non-current liabilities**		80,873	7	79,941	7	81,454	7
2XXX	**Total Liabilities**		164,249	14	118,599	10	126,811	11
	Equity attributable to owners of parent							
	Share capital	6(13)						
3110	Common stock		831,171	72	831,171	72	831,171	69
	Capital surplus	6(14)						
3200	Capital surplus		58,641	6	63,597	6	84,000	7
	Retained earnings	6(15)						
3310	Legal reserve		95,866	8	95,866	8	88,782	7
3320	Special reserve		12,799	1	12,799	1	22,711	2
3350	Undistributed earnings		7,517	1	51,157	5	73,957	6
	Other equity interest							
3400	Other equity interest		(8,449)	(1)	(12,859)	(1)	(13,655)	(1)
	Treasury shares	6(13)						
3500	Treasury shares		(8,315)	(1)	(8,315)	(1)	(8,315)	(1)
31XX	**Equity attributable to owners of the parent**		989,230	86	1,033,416	90	1,078,651	89
3XXX	**Total Equity**		989,230	86	1,033,416	90	1,078,651	89
	Significant contingent liabilities and unrecognised contract commitments	9						
3X2X	**Total Liabilities and Equity**		$ 1,153,479	100	$ 1,152,015	100	$ 1,205,462	100

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

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	Three months ended March 31			
			2024		2023	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(16)	$ 36,924	100	$ 67,197	100
5000	Operating costs	6(4)(21)(22)	(10,908)	(30)	(20,275)	(30)
5900	Net operating margin		26,016	70	46,922	70
	Operating expenses	6(21)(22)				
6100	Selling expenses		(8,317)	(23)	(8,059)	(12)
6200	General and administrative expenses		(11,599)	(31)	(12,245)	(18)
6300	Research and development expenses		(15,262)	(41)	(17,636)	(26)
6450	Impairment on expected credit losses	6(3) and 12(2)	75	-	400	-
6000	Total operating expenses		(35,103)	(95)	(37,540)	(56)
6900	Operating (loss) income		(9,087)	(25)	9,382	14
	Non-operating income and expenses					
7100	Interest income	6(17)	1,925	5	752	1
7010	Other income	6(18)	6,664	18	6,591	10
7020	Other gains and losses	6(19)	3,761	10	45	-
7050	Finance costs	6(20)	(165)	-	(167)	(1)
7000	Total non-operating income and expenses		12,185	33	7,221	10
7900	**Income from continuing operations before income tax**		3,098	8	16,603	24
7950	Income tax expense	6(23)	(1,305)	(3)	(2,056)	(3)
8000	**Profit for the period from continuing operations**		1,793	5	14,547	21
8200	**Profit for the period**		$ 1,793	5	$ 14,547	21
	Other comprehensive income					
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		$ 4,410	12	($ 856)	(1)
8360	Components of other comprehensive income that will be reclassified to profit or loss		4,410	12	(856)	(1)
8300	**Total other comprehensive income (loss) for the period**		$ 4,410	12	($ 856)	(1)
8500	**Total comprehensive income for the period**		$ 6,203	17	$ 13,691	20
	Profit, attributable to:					
8610	Owners of parent		$ 1,793	5	$ 14,547	21
	Comprehensive income, attributable to:					
8710	Owners of parent		$ 6,203	17	$ 13,691	20
	Basic earnings per share	6(24)				
9750	Total basic earnings per share		$ 0.02		$ 0.18	
	Diluted earnings per share	6(24)				
9850	Total diluted earnings per share		$ 0.02		$ 0.18	

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

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
			Capital Surplus			Retained Earnings					
	Notes	Common stock	Additional paid-in capital	Treasury share transactions	Others	Legal reserve	Special reserve	Undistributed earnings	Exchange differences from translation of foreign operations	Treasury shares	Total equity
Three months ended March 31, 2023											
Balance at January 1, 2023		$ 831,171	$ 39,061	$ 6,225	$ 38,714	$ 88,782	$ 22,711	$ 59,410	($ 12,799)	($ 8,315)	$1,064,960
Profit for the period		-	-	-	-	-	-	14,547	-	-	14,547
Other comprehensive loss for the period		-	-	-	-	-	-	-	(856)	-	(856)
Total comprehensive income (loss)		-	-	-	-	-	-	14,547	(856)	-	13,691
Balance at March 31, 2023		$ 831,171	$ 39,061	$ 6,225	$ 38,714	$ 88,782	$ 22,711	$ 73,957	($ 13,655)	($ 8,315)	$1,078,651
Three months ended March 31, 2024											
Balance at January 1, 2024		$ 831,171	$ 18,658	$ 6,225	$ 38,714	$ 95,866	$ 12,799	$ 51,157	($ 12,859)	($ 8,315)	$1,033,416
Profit for the period		-	-	-	-	-	-	1,793	-	-	1,793
Other comprehensive income for the period		-	-	-	-	-	-	-	4,410	-	4,410
Total comprehensive income		-	-	-	-	-	-	1,793	4,410	-	6,203
Appropriation and distribution of earnings	6(15)										
Cash dividends		-	-	-	-	-	-	(45,433)	-	-	(45,433)
Cash dividends distributed from capital surplus	6(14)(15)	-	(4,956)	-	-	-	-	-	-	-	(4,956)
Balance at March 31, 2024		$ 831,171	$ 13,702	$ 6,225	$ 38,714	$ 95,866	$ 12,799	$ 7,517	($ 8,449)	($ 8,315)	$ 989,230

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

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	Three months ended March 31 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 3,098	$ 16,603
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including investment property and right-of-use assets)	6(5)(6)(8)	2,469	2,465
Amortisation	6(21)	224	900
Impairment on expected credit gain	12(2)	(75)	(400)
Net loss on financial assets at fair value through profit or loss	6(2)(19)	1,458	(2,331)
Interest expense	6(20)	165	167
Interest income	6(17)	(1,925)	(752)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		-	499
Accounts receivable		(359)	863
Other receivables		35	122
Inventories		(415)	7,831
Prepayments		(349)	(87)
Other current assets		22	-
Changes in operating liabilities			
Current contract liabilities		(38)	(9)
Notes payable		21	13
Accounts payable		(555)	(986)
Other payables		(5,384)	(2,813)
Other current liabilities		281	(14)
Net defined benefit liabilities		13	28
Cash (outflow) inflow generated from operations		(1,314)	22,099
Interest received		1,913	720
Interest paid		(165)	(167)
Net cash flows from operating activities		434	22,652
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in intangible assets		(120)	(120)
Net cash flows used in investing activities		(120)	(120)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of principal portion of lease liabilities	6(6)(25)	(384)	(383)
Net cash flows used in financing activities		(384)	(383)
Effect of foreign exchange rate changes on cash and cash equivalents		4,368	(856)
Net increase in cash and cash equivalents		4,298	21,293
Cash and cash equivalents at beginning of period		695,332	727,900
Cash and cash equivalents at end of period		$ 699,630	$ 749,193

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

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

(1) Davicom Semiconductor, Inc. (the "Company") was incorporated as a corporation under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the research, development, production, manufacturing, and sales of communications network ICs.

(2) On August 6, 2007, the Company was authorized to trade its common stocks on the Taiwan Stock Exchange.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were reported to the Board of Directors on May 10, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS®") Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC and became effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
IFRS 18, 'Presentation and disclosure in financial statements'	January 1, 2027
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

Expect for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 18, ' Presentation and disclosure in financial statements'

IFRS 18, ' Presentation and disclosure in financial statements' replace IAS 1. The standard introduces a defined structure of the statement of profit or loss, disclosure requirements related to management-defined performance measures, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2023, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' that came into effect as endorsed by the FSC.

B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2023.

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through profit or loss.

(b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs"), requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) March 31, 2024	Ownership (%) December 31, 2023	Ownership (%) March 31, 2023	Description
Davicom Semiconductor, Inc.	Medicom Corp.	Manufacturing and designing of IC	100.00	100.00	100.00	(a)
Davicom Semiconductor, Inc.	Davicom Investment Inc.	Investment company	100.00	100.00	100.00	(a)
Davicom Semiconductor, Inc.	TSCC Inc.	Reinvestment business	100.00	100.00	100.00	-
Davicom Semiconductor, Inc.	Aidialink Corp.	Wireless communication machinery and equipment manufacturing industry	100.00	100.00	100.00	(a)
TSCC Inc.	JUBILINK LIMITED	Reinvestment business	100.00	100.00	100.00	-

(a) The financial statements of the entity as of and for the three months ended March 31, 2024 and 2023 were not reviewed by the independent auditors as the entity did not meet the definition of a significant subsidiary.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Employee benefit

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(5) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

G. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

There have been no significant changes as of March 31, 2024. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2023.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand	$ 115	$ 114	$ 126
Checking accounts and demand deposits	370,742	357,060	370,980
Time deposits	328,773	338,158	378,087
	$ 699,630	$ 695,332	$ 749,193

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

Items	March 31, 2024	December 31, 2023	March 31, 2023
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Unlisted stocks	$ 39,761	$ 39,761	$ 39,761
Beneficiary certificates	29,000	29,000	29,000
Limited partnership	8,000	8,000	6,000
Subtotal	76,761	76,761	74,761
Valuation adjustment	(17,164)	(15,706)	(21,865)
	$ 59,597	$ 61,055	$ 52,896

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Three months ended March 31,	
	2024	2023
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	($ 1,458)	$ 2,331

B. As of March 31, 2024, the Group has no financial assets at amortised cost pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Notes and accounts receivable

	March 31, 2024	December 31, 2023	March 31, 2023
Accounts receivable	$ 22,098	$ 21,739	$ 24,600
Less: Allowance for uncollectible accounts	(676)	(751)	(901)
	$ 21,422	$ 20,988	$ 23,699

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	March 31, 2024		December 31, 2023		March 31, 2023	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 21,112	$ -	$ 21,593	$ -	$ 23,336	$ -
Up to 30 days	984	-	146	-	922	-
31 to 90 days	-	-	-	-	342	-
91 to 180 days	2	-	-	-	-	-
	$ 22,098	$ -	$ 21,739	$ -	$ 24,600	$ -

The above ageing analysis was based on past due date.

B. As of March 31, 2024, December 31, 2023 and March 31, 2023, accounts receivable were all from contracts with customers. And as of January 1, 2023, the balance of receivables from contracts with customers amounted to $24,661.

C. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(4) Inventories

	March 31, 2024		
	Cost	Allowance for valuation loss	Book value
Work in progress	$ 19,666	($ 11,065)	$ 8,601
Finished goods	31,298	(8,046)	23,252
	$ 50,964	($ 19,111)	$ 31,853

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Work in progress	$ 19,120	($ 11,069)	$ 8,051
Finished goods	31,429	(8,042)	23,387
	$ 50,549	($ 19,111)	$ 31,438

	March 31, 2023		
	Cost	Allowance for valuation loss	Book value
Work in progress	$ 22,132	($ 9,750)	$ 12,382
Finished goods	31,820	(7,361)	24,459
	$ 53,952	($ 17,111)	$ 36,841

The cost of inventories recognised as expenses for the period:

	Three months ended March 31,	
	2024	2023
Cost of goods sold	$ 10,908	$ 19,745
Loss on decline in market value	-	530
	$ 10,908	$ 20,275

(5) Property, plant and equipment

	2024			
	Buildings and structures	Computer communications equipment	Others	Total
At January 1				
Cost	$ 207,965	$ 735	$ 401	$ 209,101
Accumulated depreciation	(67,087)	(473)	(247)	(67,807)
	$ 140,878	$ 262	$ 154	$ 141,294
Opening net book amount as at January 1	$ 140,878	$ 262	$ 154	$ 141,294
Disposals (Cost)	-	(239)	(24)	(263)
Disposals (Accumulated depreciation)	-	239	24	263
Depreciation charge	(1,041)	(31)	(24)	(1,096)
Closing net book amount as at March 31	$ 139,837	$ 231	$ 130	$ 140,198
At March 31				
Cost	$ 207,965	$ 496	$ 377	$ 208,838
Accumulated depreciation	(68,128)	(265)	(247)	(68,640)
	$ 139,837	$ 231	$ 130	$ 140,198

	2023			
	Buildings and structures	Computer communications equipment	Others	Total
At January 1				
Cost	$ 207,908	$ 496	$ 381	$ 208,785
Accumulated depreciation	(62,929)	(336)	(154)	(63,419)
	$ 144,979	$ 160	$ 227	$ 145,366
Opening net book amount as at January 1	$ 144,979	$ 160	$ 227	$ 145,366
Depreciation charge	(1,039)	(31)	(22)	(1,092)
Closing net book amount as at March 31	$ 143,940	$ 129	$ 205	$ 144,274
At March 31				
Cost	$ 207,908	$ 496	$ 381	$ 208,785
Accumulated depreciation	(63,968)	(367)	(176)	(64,511)
	$ 143,940	$ 129	$ 205	$ 144,274

The Group has no financial assets at fair value through profit or loss pledged to others.

(6) Leasing arrangements－lessee

A. The Group leases assets including land. Rental contracts are made for periods of 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
	Carrying amount	Carrying amount	Carrying amount
Land	$ 57,411	$ 57,873	$ 59,262
Buildings	28,051	28,208	28,677
	$ 85,462	$ 86,081	$ 87,939

	Three months ended March 31,	
	2024	2023
	Depreciation charge	Depreciation charge
Land	$ 463	$ 463
Buildings	156	157
	$ 619	$ 620

C. The information on profit and loss accounts relating to lease contracts is as follows:

	Three months ended March 31,	
	2024	2023
Items affecting profit or loss		
Interest expense on lease liabilities	$ 151	$ 155
Expense on short-term lease contracts	$ 2	$ 60
Expense on leases of low-value assets	$ 47	$ 45

D. For the three months ended March 31, 2024 and 2023, the Group’s total cash outflow for leases were $584 and $643, respectively.

(7) Leasing arrangements – lessor

A. The Group leases assets including buildings. Rental contracts are typically made for periods of 1 and 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the three months ended March 31, 2024 and 2023, the Group recognised rent income in the amounts of $6,525 and $6,479, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
2023	$ -	$ -	$ 17,715
2024	21,199	23,452	3,229
2025	23,783	17,319	408
2026	6,689	-	-
	$ 51,671	$ 40,771	$ 21,352

(8) Investment property

	Three months ended March 31, 2024	Three months ended March 31, 2023
At January 1		
Cost	$ 150,193	$ 150,145
Accumulated depreciation	(58,150)	(55,134)
	$ 92,043	$ 95,011
Opening net book amount as at January 1	$ 92,043	$ 95,011
Depreciation charge	(754)	(753)
Closing net book amount as at March 31	$ 91,289	$ 94,258
At March 31		
Cost	$ 150,193	$ 150,145
Accumulated depreciation	(58,904)	(55,887)
	$ 91,289	$ 94,258

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Three months ended March 31, 2024	Three months ended March 31, 2023
Rental income from investment property	$ 6,525	$ 6,479
Direct operating expenses arising from the investment property that generated rental income during the period	($ 1,521)	($ 1,507)

B. The fair value of the investment property held by the Group as at March 31, 2024, December 31, 2023, and March 31, 2023 was $166,474, $166,474 and $183,694, respectively which was valued by independent valuers. Valuations were made using the cost approach and income approach for each approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	Overall capital interest rate	Ratio of salvage value
Cost approach	2.145%	5.00%
		Capitalisation rate
Income approach		8.20%

(9) Other non-current assets

	March 31, 2024	December 31, 2023	March 31, 2023
Deferred charges	$ 2,771	$ 2,883	$ 4,533
Guarantee deposits paid	102	102	102
Restricted assets	2,140	2,140	2,140
	$ 5,013	$ 5,125	$ 6,775

Details of the Group's financial assets pledged to others as collateral are provided in Note 8.

(10) Other payables

	March 31, 2024	December 31, 2023	March 31, 2023
Dividends payable	$ 50,389	$ -	$ -
Wages and bonus payable	17,344	21,640	22,991
Processing fees payable	1,557	2,518	2,840
Others	4,598	4,725	4,324
	$ 73,888	$ 28,883	$ 30,155

(11) Other non-current liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
Net defined benefit liability	$ 3,028	$ 3,015	$ 3,400
Guarantee deposits received	3,491	3,491	3,471
	$ 6,519	$ 6,506	$ 6,871

(12) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) For the aforementioned pension plan, the Group recognised pension costs of $34 and $35 for the three months ended March 31, 2024 and 2023, respectively.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Group for the three months ended March 31, 2024 and 2023, were $1,122 and $1,136, respectively.

(13) Share capital

A. As of March 31, 2024, the Company's authorized capital was $1,200,000, consisting of 120,000 thousand shares of ordinary stock (including 18,000 thousand shares reserved for employee stock options and 400 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was $831,171 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		March 31, 2024	
Name of company holding the shares	Reason for reacquisition	Number of shares (share in thousands)	Carrying amount
The Company	To be reissued to employees	512	$ 8,315

		December 31, 2023	
Name of company holding the shares	Reason for reacquisition	Number of shares (share in thousands)	Carrying amount
The Company	To be reissued to employees	512	$ 8,315

		March 31, 2023	
Name of company holding the shares	Reason for reacquisition	Number of shares (share in thousands)	Carrying amount
The Company	To be reissued to employees	512	$ 8,315

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(14) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

On May 31, 2023, the distribution of cash dividends from capital surplus was approved by the shareholders and amounted to $20,403. In addition, on February 29, 2024, the Board of Directors proposed to distribute cash of $4,956 from capital surplus.

(15) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings shall first be used to pay all taxes and offset prior years' operating losses and 10% of the remaining amount shall be set aside as legal reserve, then set aside or reverse special reserve in accordance with related regulations. The appropriation of the remainder along with the earnings in prior years shall be proposed by the Board of Directors and resolved at the stockholders' meeting. The Company shall appropriate all the current distributable earnings, taking into consideration the Company's financials, business and operations. Dividends to shareholders can be distributed in the form of cash or shares and cash dividends to shareholders shall account for at least 80% of the total dividends to shareholders.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriation of 2022 earnings was resolved by the shareholders on May 31, 2023. Details are as follows:

	Year ended December 31, 2022	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 7,084	
Reversal of special reserve	(9,912)	
Cash dividends	62,202	$ 0.753

On May 31, 2023, the distribution of cash dividends from capital surplus was approved by the shareholders and amounted to $20,403. The abovementioned appropriation of earnings of 2022 was in agreement with those amounts proposed by the Board of Directors on March 7, 2023.

E. The details of the appropriation of 2023 earnings was proposed by the Board of Directors on February 29, 2024. Details are follows:

	Year ended December 31, 2023	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 5,112	
Special reserve	60	
Cash dividends	45,433	$ 0.55

For the appropriation of 2023 earnings proposed by the Company's Board of Directors, aside from the cash dividends which had been resolved by the Board of Directors on February 29, 2024 and shown as ' other payables', the remainder has not yet been resolved by the shareholders.

(16) Operating revenue

	Three months ended March 31, 2024	Three months ended March 31, 2023
Revenue from contracts with customers	$ 36,924	$ 67,197

Disaggregation of revenue from contracts with customers.

The Group derives revenue at a point in time in the following geographical regions:

	Three months ended March 31, 2024	Three months ended March 31, 2023
China	$ 22,958	$ 35,741
Taiwan	4,498	7,302
USA	950	8,427
Other	8,518	15,727
	$ 36,924	$ 67,197

(17) Interest income

	Three months ended March 31, 2024	Three months ended March 31, 2023
Interest income from bank deposits	$ 1,651	$ 479
Other interest income	274	273
	$ 1,925	$ 752

(18) Other income

	Three months ended March 31, 2024	Three months ended March 31, 2023
Rent income	$ 6,525	$ 6,479
Other income, others	139	112
	$ 6,664	$ 6,591

(19) Other gains and losses

	Three months ended March 31, 2024	Three months ended March 31, 2023
Net (losses) gains on financial assets at fair value through (loss) profit	($ 1,458)	$ 2,331
Net currency exchange gains (losses)	6,740	(779)
Other losses	(1,521)	(1,507)
	$ 3,761	$ 45

(20) Finance costs

	Three months ended March 31, 2024	Three months ended March 31, 2023
Interest expense	$ 165	$ 167

(21) Expenses by nature

	Three months ended March 31, 2024	Three months ended March 31, 2023
Changes in finished goods, work-in-process and raw materials inventory	$ 6,344	$ 13,542
Employee benefit expense	28,445	31,013
Product testing fees	2,430	2,858
Depreciation charges on property, plant and equipment (including right-of-use assets)	1,715	1,712
Amortisation charges	224	900
Other costs and expenses	6,853	7,790
Operating costs and expenses	$ 46,011	$ 57,815

(22) Employee benefit expense

	Three months ended March 31, 2024	Three months ended March 31, 2023
Wages and salaries	$ 23,923	$ 26,246
Labour and health insurance fees	2,167	2,216
Pension costs	1,156	1,171
Directors' remuneration	319	592
Other personnel expenses	880	788
	$ 28,445	$ 31,013

A. According to the Articles of Incorporation of the Company, a ratio of gain on current pre-tax profit before deduction of employees’ compensation and directors’ remuneration, after covering accumulated losses, shall be distributed as employees’ compensation and directors’ remuneration. The ratio shall not be lower than 8.5% for employees’ compensation and shall not be higher than 2% for directors’ remuneration. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees’ compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders’ meeting. Directors’ remuneration shall be distributed in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive employees’ compensation in the form of stock or cash are set by the Board of Directors.

B. For the three months ended March 31, 2024 and 2023, employees’ compensation was accrued at $294 and $1,577, respectively; directors’ and supervisors’ remuneration was accrued at $69 and $371, respectively. The aforementioned amounts were recognised in salary expenses.

The employees’ compensation and directors’ and supervisors’ remuneration were estimated and accrued based on 8.5% and 2% of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' and supervisors' remuneration of 2023 as resolved by the meeting of the Board of Directors were in agreement with those amounts recognised in the 2023 financial statements.

Information about employees' bonus and directors' and supervisors' remuneration of the Company as approved by the meeting of Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended March 31, 2024	Three months ended March 31, 2023
Current tax:		
Current tax on profits for the period	$ -	$ 2,093
Deferred tax:		
Origination and reversal of temporary differences	1,305	(37)
Income tax expense	$ 1,305	$ 2,056

B. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(Following blank)

(24) Earnings per share

	Three months ended March 31, 2024		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,793	82,605	$ 0.02
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,793	82,605	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	109	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,793	82,714	$ 0.02

	Three months ended March 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 14,547	82,605	$ 0.18
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 14,547	82,605	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	324	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 14,547	82,929	$ 0.18

(25) Changes in liabilities from financing activities

	Three months ended March 31, 2024		
	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 73,066	$ 3,491	$ 76,557
Changes in cash flow from financing activities	(384)	-	(384)
At March 31	$ 72,682	$ 3,491	$ 76,173

	Three months ended March 31, 2023		
	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 74,603	$ 3,471	$ 78,074
Changes in cash flow from financing activities	(383)	-	(383)
At March 31	$ 74,220	$ 3,471	$ 77,691

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Three month ended March 31,	
	2024	2023
Salaries and other short-term employee benefits	$ 3,754	$ 4,801

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value			
Pledged asset	March 31, 2024	December 31, 2023	March 31, 2023	Purpose
Time deposits (shown as other non-current assets)	$ 2,140	$ 2,140	$ 2,140	Performance guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

The Group leases out properties under operating leases. Please refer to Note 6(7) for details.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	March 31, 2024		December 31, 2023		March 31, 2023	
Financial assets						
Financial assets at fair value through profit or loss						
Financial assets mandatorily measured at fair value through profit or loss	$	59,597	$	61,055	$	52,896
Financial assets at amortised cost						
Cash and cash equivalents	$	699,630	$	695,332	$	749,193
Accounts receivable		21,422		20,988		23,699
Other receivables		1,449		1,430		283
Guarantee deposits paid		102		102		124
Other financial assets		2,140		2,140		2,140
	$	724,743	$	719,992	$	775,439
Financial liabilities						
Financial liabilities at amortised cost						
Notes payable	$	174	$	153	$	151
Accounts payable		3,007		3,562		4,526
Other accounts payable		73,888		28,883		30,155
Guarantee deposits received		3,491		3,491		3,471
	$	80,560	$	36,089	$	38,303
Lease liability	$	72,682	$	73,066	$	74,220

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	March 31, 2024					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 8,769	32.00	$ 280,608	1%	$ 2,806	$ -
CNY:NTD	14	4.41	62	1%	1	-
HKD:NTD	499	4.09	2,041	1%	20	-
Financial liabilities						
Monetary items						
USD:NTD	$ 71	32.00	$ 2,272	1%	$ 23	$ -

	December 31, 2023					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 8,408	30.71	$ 258,210	1%	$ 2,582	$ -
CNY:NTD	14	4.33	61	1%	1	-
HKD:NTD	499	3.93	1,961	1%	20	-
Financial liabilities						
Monetary items						
USD:NTD	$ 76	30.71	$ 2,334	1%	$ 23	$ -

	March 31, 2023					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 8,846	30.45	$ 269,361	1%	$ 2,694	$ -
CNY:NTD	14	4.43	62	1%	1	-
HKD:NTD	499	3.88	1,936	1%	19	-
Financial liabilities						
Monetary items						
USD:NTD	$ 77	30.45	$ 2,345	1%	$ 23	$ -

ii. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2024 and 2023, amounted to $6,740 and ($779), respectively.

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the three months ended March 31, 2024 and 2023, other components of equity would have increased/decreased by $596 and $529, respectively.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

iv. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach to estimate expected credit loss under the provision matrix basis.

v. The Group used the forecast ability of Taiwan Institute of Economic Research report to adjust historical and timely information to assess the default possibility of accounts receivable. On March 31, 2024, December 31, 2023 and March 31, 2023, the provision matrix, loss rate methodology is as follows:

	Group A	Group B	Total
At March 31, 2024			
Expected loss rate	0.03%	4.14%~100.00%	
Total book value	$ 17,880	$ 4,218	$ 22,098
Loss allowance	$ 5	$ 671	$ 676

	Group A	Group B	Total
At December 31, 2023			
Expected loss rate	0.03%	3.96%~3.98%	
Total book value	$ 15,010	$ 6,729	$ 21,739
Loss allowance	$ 4	$ 747	$ 751

	Group A	Group B	Total
At March 31, 2023			
Expected loss rate	0.03%	4.20%~5.74%	
Total book value	$ 20,403	$ 4,197	$ 24,600
Loss allowance	$ 6	$ 895	$ 901

vi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable is as follows:

	Three months ended March 31,	
	2024	2023
	Accounts receivable	Accounts receivable
At January 1	$ 751	$ 1,301
Reversal of impairment loss	(75)	(400)
At March 31	$ 676	$ 901

According to the above method, the allowance loss on the accounts receivable as of March 31, 2024, December 31, 2023 and March 31, 2023, should be $179, $278 and $713, respectively, which is not significantly different from the amount of allowance loss on the current account. For the three months ended March 31, 2024 and 2023, there was no impairment loss arising from customers' contracts.

(c) Liquidity risk

i. Cash flow forecasting is performed by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

ii. Surplus cash held by the operating entities over and above balance required for working capital management will be invested in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Except for notes payable, accounts payable and other payables, the amount of undiscounted contractual cash flows is approximately at its carrying amount and is due within one year. The amount of undiscounted contractual cash flows of the remaining financial liabilities is as follows:

March 31, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Lease liability	$ 2,148	$ 2,148	$ 6,444	$ 73,726
Other financial liabilities (shown as other non-current liabilities)	20	2,495	976	-

December 31, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Lease liability	$ 2,148	$ 2,148	$ 6,444	$ 74,263
Other financial liabilities (shown as other non-current liabilities)	996	2,495	-	-

March 31, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Lease liability	$ 2,148	$ 2,148	$ 6,444	$ 75,874
Other financial liabilities (shown as other non-current liabilities)	3,471	-	-	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(8).

C. Financial instruments not measured at fair value

The Group's financial instruments not measured at fair value including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposits paid, notes and accounts payables, other payables and lease liability (includes current and non-current) approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

March 31, 2024	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 23,564	$ -	$ 28,401	$ 51,965
Limited partnership	-	-	7,632	7,632
Total	$ 23,564	$ -	$ 36,033	$ 59,597

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 22,528	$ -	$ 30,995	$ 53,523
Limited partnership	-	-	7,532	7,532
Total	$ 22,528	$ -	$ 38,527	$ 61,055

March 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 21,924	$ -	$ 24,754	$ 46,678
Limited partnership	-	-	6,218	6,218
Total	$ 21,924	$ -	$ 30,972	$ 52,896

(b)The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Closed-end fund
Market quoted price	Closing price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the three months ended March 31, 2024 and 2023, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the three months ended March 31, 2024 and 2023:

	Three months ended March 31,	
	2024	2023
	Non-derivative equity instruments	Non-derivative equity instruments
At January 1	$ 38,527	$ 28,244
(Losses) gains recognised in profit or loss	(2,494)	2,728
At March 31	$ 36,033	$ 30,972

G. For the three months ended March 31, 2024 and 2023, there was no transfer into or out from Level 3.

H. Finance department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at March 31, 2024	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 28,401	Market comparable companies	Discount for lack of marketability	1.47	The higher the discount for lack of marketability, the lower the fair value
		Net asset value	Control premium	0.65	The higher the multiple and control premium, the higher the fair value
			Discount for lack of marketability	0.66	The higher the discount for lack of marketability, the lower thefair value
Limited partnership	7,632	Net asset value	Not applicable	-	Not applicable

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 30,995	Market comparable companies	Discount for lack of marketability	1.47	The higher the discount for lack of marketability, the lower the fair value
		Net asset value	Control premium	0.65	The higher the multiple and control premium, the higher the fair value
			Discount for lack of marketability	0.66	The higher the discount for lack of marketability, the lower thefair value
Limited partnership	7,532	Net asset value	Not applicable	-	Not applicable

	Fair value at March 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 24,754	Market comparable companies	Discount for lack of marketability	1.47	The higher the discount for lack of marketability, the lower the fair value
		Net asset value	Control premium	0.65	The higher the multiple and control premium, the higher the fair value
			Discount for lack of marketability	0.66	The higher the discount for lack of marketability, the lower the fair value
Limited partnership	6,218	Net asset value	Not applicable	-	Not applicable

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 2.

(3) Major shareholders information

Major shareholders information: Please refer to table 3.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry and is mainly engaged in distribution of communications Network ICs or related services. The Chief Operating Decision-Maker who allocates resources and assesses performance of the Group as a whole has identified that the Group has only one reportable operating segment.

(2) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Three months ended March 31,	
	2024	2023
Revenue from external customers	$ 36,924	$ 67,197
Depreciation and amortisation (including investment property, right-of-use assets)	2,693	3,365
Income tax expense	1,305	2,056
Reportable segments income	1,793	14,547
Assets of reportable segments	1,153,479	1,205,462
Capital expenditure in non-current assets of reportable segments	120	120
Liabilities of reportable segments	164,249	126,811

(Following blank)

DAVICOM Semiconductor, Inc. and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

March 31, 2024

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of March 31, 2024 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
The Company	Unitech Capital Inc.	—	Financial assets at fair value through profit or loss - non-current	1,000,000	$ 27,421	2.00%	$ 27,421	
The Company	Mesh Cooperative Ventures, Inc.	—	Financial assets at fair value through profit or loss - non-current	800,000	7,632	0.82%	7,632	
The Company	M2 COMMUNICATION INC.	—	Financial assets at fair value through profit or loss - non-current	250,000	980	2.47%	980	
Davicom Investment Inc.	Global Mobile Corp.	—	Financial assets at fair value through profit or loss - non-current	892,458	-	0.32%	-	
Davicom Investment Inc.	Schroder fund	—	Financial assets at fair value through profit or loss - non-current	2,900,000	23,564	-	23,564	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

DAVICOM Semiconductor, Inc. and subsidiaries

Information on investees (not including investees in Mainland China)

March 31, 2024

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at March 31,2024	Initial investment amount: Balance as at December 31, 2023	Shares held as at March 31,2024: Number of shares	Shares held as at March 31,2024: Ownership (%)	Shares held as at March 31,2024: Book value	Net profit (loss) of the investee for the three months ended March 31,2024	Investment income(loss) Company for the three months ended March 31,2024	Footnote
The Company	TSCC Inc.	Samoa	General investment	$ 143,224	$ 143,224	4,400,000	100.00%	$ 109,583	$ 1,050	$ 1,050	-
The Company	Davicom Investment Inc.	Taiwan	General investment	222,000	222,000	21,200,000	100.00%	211,897	1,324	1,324	-
The Company	Medicom Corp.	Taiwan	Designing and manufacturing of IC	20,036	20,036	100,000	100.00%	617	9	9	-
The Company	Aidialink Corp.	Taiwan	Wireless communication machinery and equipment manufacturing industry	81,070	81,070	8,000,000	100.00%	70,733	(525)	(525)	-
TSCC Inc.	Jubilink Ltd.	British Virgin Islands	General investment	-	-	22,775,207	100.00%	-	-	-	-

DAVICOM Semiconductor, Inc. and subsidiaries

Major shareholders information

March 31, 2024

Table 3

Name of major shareholders	Shares	
	Number of shares	Shareholding Percentage (%)

As of March 31, 2024, the Company had no shareholders holding more than 5% of the shares.