

Eris Technology Corporation and Subsidiaries

Consolidated Financial Statements

With Independent Auditors' Review Report

For the Nine Months Ended

September 30, 2023 and 2022

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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, the Chinese version shall prevail.

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Independent Auditors' Review Report

To The Board of Directors and Shareholders of Eris Technology Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Eris Technology Corp. and its subsidiaries (the "Group") as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the nine months the ended, and the related notes to the consolidated financial statements (including a summary of significant accounting policies), which have been reviewed by our accountants. It is the management's responsibility to prepare consolidated financial statements that adequately express themselves in accordance with the financial reporting standards for securities issuers and International Accounting Standard No. 34 "Interim Financial Reporting" approved and issued by the Financial Supervisory Commission. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We have performed the review work in accordance with Review Standard No. 2410 "Review of Financial Statements". The procedures performed when reviewing the consolidated financial statements include inquiries (primarily to those responsible for financial and accounting matters), analytical procedures and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on the results of the accountant's review, it was not found that the consolidated financial statements of the above failed in all material aspects to comply with the preparation standards for financial reporting of securities issuers and the International Accounting Standard No. 34 "Interim Financial Reporting" approved and issued by the Financial Supervisory Commission. "preparation, resulting in the inability to adequately express the consolidated financial position of Eris Technology Corporation and its subsidiaries as of 2023 and September 30, 2022, as well as the consolidated financial performance from July 1 to September 30 2023 and 2022. , as well as the consolidated financial performance and consolidated cash flow from January 1 to September 30 2023 and 2022.

Deloitte & Touche

Certified Public Accountant

Jimmy Wu

Approval number of
the Financial Supervisory Commission
the Jin Guan Zheng Shen Zi No.1010028123

Certified Public Accountant

Sabrina Liu

Approval number
of the Financial Supervisory Commission
the Jin Guan Zheng Shen Zi No. 1100356048

October 27, 2023

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 audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.

Eris Technology Corporation and Subsidiaries

Consolidated Balance Sheets

As of September 30, 2023, and December 31 and September 30, 2022

(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)

(Expressed in Thousands of New Taiwan Dollars)

| Code | Assets | September 30, 2023 (Reviewed) | | December 31, 2022 (Audited) | | September 30, 2022 (Reviewed) | |
|------|--|----------------------------------|------------|--------------------------------|------------|----------------------------------|------------|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| | Current assets | | | | | | |
| 1100 | Cash (Note 6) | \$ 341,628 | 12 | \$ 493,065 | 15 | \$ 309,722 | 10 |
| 1110 | Financial assets at fair value through profit or loss - current (Note 7) | 5,016 | - | - | - | - | - |
| 1136 | Financial assets at amortized cost - current (Note 8 and 26) | 56,794 | 2 | 55,794 | 2 | 66,455 | 2 |
| 1150 | Notes receivable (Note 9 and 19) | 987 | - | 1,494 | - | 1,320 | - |
| 1170 | Trade receivables, net (Note 9 and 19) | 78,136 | 3 | 91,272 | 3 | 132,339 | 4 |
| 1180 | Trade receivables from related parties (Note 9, 19 and 25) | 291,516 | 10 | 319,186 | 10 | 426,887 | 14 |
| 1200 | Other receivables | 13,630 | - | 3,841 | - | 5,711 | - |
| 130X | Inventories, net (Note 10) | 221,003 | 8 | 308,850 | 10 | 348,079 | 11 |
| 1470 | Prepayments and other current assets | 12,149 | - | 14,000 | - | 11,205 | - |
| 11XX | Total current assets | <u>1,020,859</u> | <u>35</u> | <u>1,287,502</u> | <u>40</u> | <u>1,301,718</u> | <u>41</u> |
| | Non-current assets | | | | | | |
| 1535 | Financial assets at amortized cost - non-current (Note 8 and 26) | 10,034 | - | 10,014 | - | 10,005 | - |
| 1600 | Property, plant and equipment (Note 12 and 26) | 1,555,401 | 53 | 1,527,867 | 48 | 1,484,202 | 47 |
| 1755 | Right-of-use assets (Note 13) | 7,865 | - | 9,717 | - | 11,276 | - |
| 1805 | Goodwill (Note 14) | 24,070 | 1 | 24,070 | 1 | 24,070 | 1 |
| 1821 | Other intangible assets (Note 15) | 14,789 | - | 14,210 | 1 | 14,658 | 1 |
| 1840 | Deferred tax assets (Note 4 and 21) | 195,826 | 7 | 166,172 | 5 | 156,788 | 5 |
| 1915 | Prepayments for equipment (Note 27) | 89,805 | 3 | 132,373 | 4 | 163,721 | 5 |
| 1920 | Refundable deposits | 3,769 | - | 3,768 | - | 3,787 | - |
| 1990 | Other non-current assets | 15,096 | 1 | 12,608 | 1 | 13,644 | - |
| 15XX | Total non-current assets | <u>1,916,655</u> | <u>65</u> | <u>1,900,799</u> | <u>60</u> | <u>1,882,151</u> | <u>59</u> |
| 1XXX | Total assets | <u>\$ 2,937,514</u> | <u>100</u> | <u>\$ 3,188,301</u> | <u>100</u> | <u>\$ 3,183,869</u> | <u>100</u> |
| | Liabilities and equity | | | | | | |
| | Current liabilities | | | | | | |
| 2100 | Short-term borrowings (Note 16 and 26) | \$ 350,000 | 12 | \$ 500,000 | 16 | \$ 520,000 | 17 |
| 2120 | Financial liabilities at fair value through profit or loss - current (Note 7) | 208 | - | - | - | 1,559 | - |
| 2170 | Trade payables (Note 25) | 142,322 | 5 | 157,357 | 5 | 228,761 | 7 |
| 2200 | Other payables (Note 17) | 144,509 | 5 | 197,325 | 6 | 188,742 | 6 |
| 2230 | Current tax liabilities (Note 4) | 3,059 | - | 29,261 | 1 | 26,993 | 1 |
| 2250 | Provisions – current | 2,023 | - | 4,798 | - | 5,477 | - |
| 2280 | Lease liabilities - current (Note 13) | 4,492 | - | 4,474 | - | 5,175 | - |
| 2320 | Long-term liabilities due within one year (Note 16 and 26) | 36,269 | 1 | 35,725 | 1 | 35,677 | 1 |
| 2399 | Other current liabilities (Note 19) | 2,046 | - | 4,202 | - | 5,832 | - |
| 21XX | Total current liabilities | <u>684,928</u> | <u>23</u> | <u>933,142</u> | <u>29</u> | <u>1,018,216</u> | <u>32</u> |
| | Non-current liabilities | | | | | | |
| 2540 | Long-term borrowings (Note 16 and 26) | 731,008 | 25 | 757,732 | 24 | 766,666 | 24 |
| 2570 | Deferred tax liabilities (Note 4 and 21) | 10,750 | 1 | 9,269 | - | 9,280 | 1 |
| 2580 | Lease liabilities - non-current (Note 13) | 3,452 | - | 5,320 | - | 6,174 | - |
| 2645 | Deposit Margin | 12 | - | 12 | - | - | - |
| 25XX | Total non-current liabilities | <u>745,222</u> | <u>26</u> | <u>772,333</u> | <u>24</u> | <u>782,120</u> | <u>25</u> |
| 2XXX | Total liabilities | <u>1,430,150</u> | <u>49</u> | <u>1,705,475</u> | <u>53</u> | <u>1,800,336</u> | <u>57</u> |
| | Equity attributable to owners of the Company (Note 18) | | | | | | |
| 3110 | Common stock capital | 444,283 | 15 | 444,283 | 14 | 444,283 | 14 |
| 3150 | Stock dividends to be distributed | 57,756 | 2 | - | - | - | - |
| 3100 | Total share capital | <u>502,039</u> | <u>17</u> | <u>444,283</u> | <u>14</u> | <u>444,283</u> | <u>14</u> |
| 3200 | Capital surplus | 402,511 | 14 | 402,511 | 13 | 402,511 | 12 |
| | Retained earnings | | | | | | |
| 3310 | Legal reserve | 142,722 | 5 | 97,141 | 3 | 97,141 | 3 |
| 3320 | Special reserve | 1,617 | - | 2,341 | - | 2,341 | - |
| 3350 | Unappropriated earnings | 460,006 | 15 | 538,167 | 17 | 438,153 | 14 |
| 3300 | Total retained earnings | <u>604,345</u> | <u>20</u> | <u>637,649</u> | <u>20</u> | <u>537,635</u> | <u>17</u> |
| 3400 | Other equity | (1,531) | - | (1,617) | - | (896) | - |
| 3XXX | Total equity | <u>1,507,364</u> | <u>51</u> | <u>1,482,826</u> | <u>47</u> | <u>1,383,533</u> | <u>43</u> |
| | Total liabilities and equity | <u>\$ 2,937,514</u> | <u>100</u> | <u>\$ 3,188,301</u> | <u>100</u> | <u>\$ 3,183,869</u> | <u>100</u> |

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

Eris Technology Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income
For the three months and nine months ended September 30, 2023 and 2022
(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share are stated in NT\$)

| Code | | For the three months ended September 30, 2023 | | For the three months ended September 30, 2022 | | For the nine months ended September 30, 2023 | | For the nine months ended September 30, 2022 | |
|------|--|---|-------|---|-------|--|-------|--|-------|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| | Operating revenue (Note 19 and 25) | | | | | | | | |
| 4110 | Sales | \$ 436,080 | 100 | \$ 558,413 | 101 | \$ 1,310,809 | 100 | \$ 1,667,486 | 100 |
| 4170 | Less: Sales return and allowance | (1,760) | - | (4,174) | (1) | (2,622) | - | (6,053) | - |
| 4000 | Net operating revenue | 434,320 | 100 | 554,239 | 100 | 1,308,187 | 100 | 1,661,433 | 100 |
| 5000 | Operating costs (Note 10, 20 and 25) | 269,113 | 62 | 343,672 | 62 | 825,645 | 63 | 1,050,480 | 63 |
| 5900 | Gross Profit | 165,207 | 38 | 210,567 | 38 | 482,542 | 37 | 610,953 | 37 |
| | Operating expenses (Note 20) | | | | | | | | |
| 6100 | Selling and Marketing expenses | 15,882 | 4 | 19,227 | 3 | 44,207 | 3 | 55,763 | 3 |
| 6200 | General and Administrative expenses | 38,754 | 9 | 41,970 | 8 | 107,177 | 8 | 123,861 | 8 |
| 6300 | Research and Development expenses | 36,215 | 8 | 34,744 | 6 | 101,403 | 8 | 100,310 | 6 |
| 6450 | Expected credit loss (Note 9) | - | - | 2 | - | - | - | 641 | - |
| 6000 | Total operating expenses | 90,851 | 21 | 95,943 | 17 | 252,787 | 19 | 280,575 | 17 |
| 6900 | Net operating income | 74,356 | 17 | 114,624 | 21 | 229,755 | 18 | 330,378 | 20 |
| | Non-operating income and expenses | | | | | | | | |
| 7100 | Interest income | 641 | - | 140 | - | 2,869 | - | 341 | - |
| 7190 | Other income | 4 | - | 9 | - | 805 | - | 54 | - |
| 7210 | Gains on disposal of property, plant and equipment | - | - | (1,140) | - | 85 | - | (1,140) | - |
| 7230 | Foreign currency exchange gain-net (Note 20) | 9,737 | 2 | 15,423 | 3 | 13,516 | 1 | 36,934 | 2 |
| 7235 | Net profit (loss) of financial instruments at fair value through profit or loss (Note7) | 2,591 | 1 | (2,955) | (1) | 4,775 | - | (5,600) | - |
| 7510 | Interest expense | (5,305) | (1) | (4,346) | (1) | (16,529) | (1) | (11,378) | (1) |
| 7000 | Total non-operating income and expenses | 7,668 | 2 | 7,131 | 1 | 5,521 | - | 19,211 | 1 |
| 7900 | Net profit before income tax | 82,024 | 19 | 121,755 | 22 | 235,276 | 18 | 349,589 | 21 |
| 7950 | Income tax benefit (Notes 4 and 21) | 6,706 | 2 | (842) | - | 29,089 | 2 | 6,215 | 1 |
| 8200 | Net profit for the period | 88,730 | 21 | 120,913 | 22 | 264,365 | 20 | 355,804 | 22 |
| | Other comprehensive income (loss) | | | | | | | | |
| 8361 | Exchange differences on translating the financial statements of foreign operations | 1,986 | - | 479 | - | 107 | - | 1,808 | - |
| 8399 | Income tax relating to items that may be reclassified subsequently to other comprehensive income (Note 4 and 21) | (397) | - | (97) | - | (21) | - | (363) | - |
| 8300 | Other comprehensive income (loss) for the period, net of income tax | 1,589 | - | 382 | - | 86 | - | 1,445 | - |
| 8500 | Total comprehensive income for the period | \$ 90,319 | 21 | \$ 121,295 | 22 | \$ 264,451 | 20 | \$ 357,249 | 22 |
| | Earnings per share (Note 22) | | | | | | | | |
| 9710 | Basic | \$ 1.77 | | \$ 2.41 | | \$ 5.27 | | \$ 7.09 | |
| 9810 | Diluted | \$ 1.77 | | \$ 2.41 | | \$ 5.26 | | \$ 7.08 | |

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

Eris Technology Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2023 and 2022
(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)
(Expressed in Thousands of New Taiwan Dollars)

| Code | | Share capital (Note 18) | | | Retained earnings (Note 18) | | | | Other equity (Note 18) | Total equity |
|------|--|-----------------------------------|--------------------------------------|------------------------------|-----------------------------|-----------------|----------------------------|-------------|---|--------------|
| | | Ordinary shares (in thousands) | Stock dividends to be distributed | Capital surplus (Note 18) | Legal reserve | Special reserve | Unappropriated earnings | Total | Exchange differences on translating the financial statements of foreign operations | |
| A1 | Balance as of January 1, 2022 | \$ 444,283 | \$ - | \$ 402,511 | \$ 64,432 | \$ 2,013 | \$ 337,527 | \$ 403,972 | (\$ 2,341) | \$ 1,248,425 |
| | Appropriation of 2021 earnings | | | | | | | | | |
| B1 | Legal reserve | - | - | - | 32,709 | - | (32,709) | - | - | - |
| B3 | Special reserve | - | - | - | - | 328 | (328) | - | - | - |
| B5 | Cash dividends | - | - | - | - | - | (222,141) | (222,141) | - | (222,141) |
| | | - | - | - | 32,709 | 328 | (255,178) | (222,141) | - | (222,141) |
| D1 | Net profit for the nine months ended September 30, 2022 | - | - | - | - | - | 355,804 | 355,804 | - | 355,804 |
| D3 | Other comprehensive income/(loss) for the nine months ended September 30, 2022 after tax | - | - | - | - | - | - | - | 1,445 | 1,445 |
| D5 | Total comprehensive income/(loss) for the nine months ended September 30, 2022 | - | - | - | - | - | 355,804 | 355,804 | 1,445 | 357,249 |
| Z1 | Balance as of September 30, 2022 | \$ 444,283 | \$ - | \$ 402,511 | \$ 97,141 | \$ 2,341 | \$ 438,153 | \$ 537,635 | (\$ 896) | \$ 1,383,533 |
| A1 | Balance as of January 1, 2023 | \$ 444,283 | \$ - | \$ 402,511 | \$ 97,141 | \$ 2,341 | \$ 538,167 | \$ 637,649 | (\$ 1,617) | \$ 1,482,826 |
| | Appropriation of 2022 earnings | | | | | | | | | |
| B1 | Legal reserve | - | - | - | 45,581 | - | (45,581) | - | - | - |
| B3 | Special surplus reserve | - | - | - | - | (724) | 724 | - | - | - |
| B5 | Cash dividends | - | - | - | - | - | (239,913) | (239,913) | - | (239,913) |
| B9 | Stock dividends | - | 57,756 | - | - | - | (57,756) | (57,756) | - | - |
| | | - | 57,756 | - | 45,581 | (724) | (342,526) | (297,669) | - | (239,913) |
| D1 | Net profit for the nine months ended September 30, 2023 | - | - | - | - | - | 264,365 | 264,365 | - | 264,365 |
| D3 | Other comprehensive income/(loss) for the nine months ended September 30, 2023 after tax | - | - | - | - | - | - | - | 86 | 86 |
| D5 | Total comprehensive income/(loss) for the nine months ended September 30, 2023 | - | - | - | - | - | 264,365 | 264,365 | 86 | 264,451 |
| Z1 | Balance as of September 30, 2023 | \$ 444,283 | \$ 57,756 | \$ 402,511 | \$ 142,722 | \$ 1,617 | \$ 460,006 | \$ 604,345 | (\$ 1,531) | \$ 1,507,364 |

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

Eris Technology Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the nine months ended September 30, 2023 and 2022
(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)
(Expressed in Thousands of New Taiwan Dollars)

| Code | | For the nine months ended September 30, 2023 | For the nine months ended September 30, 2022 |
|--------|--|--|--|
| | Cash flows from operating activities | | |
| A10000 | Net Profit before tax for the period | \$ 235,276 | \$ 349,589 |
| A20010 | Adjustments for: | | |
| A20100 | Depreciation expenses | 97,393 | 92,957 |
| A20200 | Amortization expenses | 9,516 | 8,355 |
| A20300 | Expected credit loss | - | 641 |
| A20400 | Net gain on financial instruments at fair value through profit or loss | (4,808) | 1,559 |
| A20900 | Interest expense | 16,529 | 11,378 |
| A21200 | Interest income | (2,869) | (341) |
| A22500 | Gains on disposal of property, plant and equipment | (85) | 1,140 |
| A23800 | Write-downs of inventories and sluggish losses (recovery profit) | 2,000 | (5,000) |
| A24100 | Unrealized gain on foreign currency exchange | (14,198) | (8,590) |
| A30000 | Net changes in operating assets and liabilities | | |
| A31130 | Notes receivable | 507 | 1,792 |
| A31150 | Trade receivables | 20,556 | 10,585 |
| A31160 | Trade receivables from related parties | 35,707 | (38,376) |
| A31180 | Other receivables | (9,789) | 5,197 |
| A31200 | Inventories | 85,847 | (2,609) |
| A31240 | Prepayments and other current assets | 2,181 | (856) |
| A32150 | Trade payables | (17,207) | (37,480) |
| A32180 | Other payables | (46,257) | 19,245 |
| A32200 | Provisions | (2,775) | (1,223) |
| A32230 | Other current liabilities | (2,156) | 4,848 |
| A33000 | Cash generated from operations | 405,368 | 412,811 |
| A33100 | Interest received | 2,539 | 304 |
| A33300 | Interest paid | (16,277) | (11,357) |
| A33500 | Income tax paid | (25,307) | (18,479) |
| AAAA | Net cash generated from operating activities | <u>366,323</u> | <u>383,279</u> |

(Continued on the next page)

(Continued from the previous page)

| Code | | For the nine months ended September 30, 2023 | For the nine months ended September 30, 2022 |
|--------|--|--|--|
| | Cash flows from investing activities | | |
| B00040 | Acquisition of financial assets at amortized cost | (\$ 10,076) | (\$ 12,007) |
| B00050 | Disposal of financial assets measured at amortized cost | 10,000 | 10,000 |
| B02700 | Acquisition of property, plant and equipment | (39,257) | (39,895) |
| B02800 | Proceeds from disposal of property, plant and equipment | 220 | 1,076 |
| B04500 | Payments for intangible assets | (2,811) | (2,385) |
| B06700 | Increase in other non-current assets | (9,771) | (8,027) |
| B07100 | Increase in prepayments for equipment | (<u>45,343</u>) | (<u>128,766</u>) |
| BBBB | Net cash used in investing activities | (<u>97,038</u>) | (<u>180,004</u>) |
| | Cash flows from financing activities | | |
| C00100 | Proceeds from short-term borrowings (decrease) increase | (150,000) | 20,000 |
| C01600 | long-term borrowing | 469,475 | 50,000 |
| C01700 | Repayments of long-term borrowings | (495,655) | (73,308) |
| C04020 | Repayments of principal portion of lease liabilities | (4,701) | (4,563) |
| C04500 | Paid cash dividends | (<u>239,913</u>) | (<u>222,141</u>) |
| CCCC | Net cash used in financing activities | (<u>420,794</u>) | (<u>230,012</u>) |
| DDDD | Effect of exchange rate changes on cash | <u>72</u> | <u>1,826</u> |
| EEEE | Decrease in cash | (151,437) | (24,911) |
| E00100 | Cash at the beginning of the period | <u>493,065</u> | <u>334,633</u> |
| E00200 | Cash at the ending of the period | <u>\$ 341,628</u> | <u>\$ 309,722</u> |

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

Eris Technology Corporation and Subsidiaries

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)

(Unless otherwise stated, in thousands of New Taiwan Dollars)

1. Company History

Eris Technology Corporation (the “Company”) was incorporated with the approval of the Ministry of Economic Affairs on August 16, 1995, and it mainly manufactures, sells and services for testing of components, such as rectifier diode, wafer, light-emitting diode, and related products.

The Securities and Futures Bureau of Financial Supervisory Commission approved the Company for the public offering of its stocks on August 13, 2009, and the shares have been listed on the Taipei Exchange (“TPEX”) Mainboard on June 29, 2012 with approval.

In August 2012, Diodes International B.V. (Diodes B.V.) became the parent company of the Company with a shareholding ratio of more than 50%. Diodes Holding B.V. has merged and assumed all the rights and obligations of Diodes B.V. in January 2019, and the relevant operation was completed in August 2019. Diodes Holding B.V. was acquired by Diodes Holdings UK Limited in January 2021, and it assumed all the rights and obligations of Diodes Holding B.V.

As of September 30, 2023, Diodes Holdings UK Limited held 51.07% of the Company’s shares. The ultimate parent of the Company is Diodes Incorporated (Diodes), and the ultimate parent and its subsidiaries are hereinafter referred to as the Diodes Group.

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

2. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements were approved by the Company's Board of Directors on October 27, 2023.

3. Application of New and Revised Standards, Amended and Interpretations

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

The application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group accounting policies.

b. IFRSs approved by the Financial Supervisory Commission applicable in 2024

| New/Revised/Amended Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|--|---|
| IFRS 16 “Lease liability in sale and leaseback” | January 1, 2024 (Note 2) |
| Amendment to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2024 |
| Amendments to IAS 1 "Disclosure of Accounting Policies" | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements" | January 1, 2024 (Note 3) |

Note 1: Unless otherwise specified, the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the annual reporting period after the specified dates.

Note 2: The seller and lessee shall apply the amendments of IFRS 16 retroactively to the sale and leaseback transactions signed after the date of initial application of IFRS 16.

Note 3: The first time this amendment is applied, some disclosure requirements are exempted.

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

- c. IFRSs issued by the International Accounting Standards Board ("IASB") and yet to be endorsed by the FSC

| New/Revised/Amended Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|--|---|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture" | To be determined |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendment to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information" | January 1, 2023 |
| Amendment to IAS 21 "Lack of Convertibility" | January 1, 2025 (Note 2) |

Note 1: Unless otherwise specified, the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the annual reporting period after the specified dates.

Note 2: Applicable to annual reporting periods starting after January 1, 2025. When the amendment is first applied, the impact will be recognized in retained earnings on the first application date. When the merged company uses non-functional currency as the currency of expression, the impact amount will be adjusted to the exchange difference of foreign operating institutions under equity on the first application date.

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

4. Summary of Significant Accounting Policies

- a. Statement of compliance

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, other regulations and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs.

- b. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments at fair value.

The fair value measurement is classified into Levels 1 to 3 based on the observability and importance of the related inputs:

- 1) Level 1 inputs refer to the quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date;

- 2) Level 2 inputs refer to the inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs refer to the unobservable inputs for an asset or liability.

c. Basis of Consolidation

The Consolidated Financial Statements include the financial statements of the Company and entities controlled by the Company (subsidiaries). The financial statements of the subsidiaries have been adjusted to bring their accounting policies in line with those used by the Group. All intergroup transactions, balances, income and expenses are eliminated in full as preparing the consolidated financial statements. A subsidiary's total comprehensive income is attributed to the owners of the Company and non-controlling interests, even if non-controlling interests become having deficit balances in the process.

When a change in the Group's ownership interests in a subsidiary does not cause a loss of control over the subsidiary, it shall be treated as an equity transaction. The carrying amounts of the Group and its non-controlling interests have been adjusted to reflect the relative changes in the interest in the subsidiaries. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or collected shall be directly recognized in equity attributable to the owners of the Company.

Please refer to Note 11 and Tables 5 and 6 for details, shareholding ratio, and operations of subsidiaries.

d. Other significant accounting policies

In addition to the following description, please refer to the summary of significant accounting policies in the consolidated financial statements for the year ended December 31, 2022.

Income Tax

Income tax expenses are the sum of current income tax and deferred income tax. The income tax for an interim period is accrued by applying the tax rate applicable based on expected total annual earnings to the profit before tax of the interim period.

5. The significant Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

Please refer to the primary sources of uncertainties in major accounting judgments, estimates, and assumptions described in the consolidated financial statements for the year ended December 31, 2022.

6. Cash

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|----------------------------------|---------------------------|--------------------------|---------------------------|
| Foreign currency demand deposits | \$ 132,664 | \$ 137,040 | \$ 115,792 |
| Demand deposits | 207,687 | 354,992 | 192,736 |
| Cash on hand | 1,144 | 1,020 | 1,181 |
| Check deposits | <u>133</u> | <u>13</u> | <u>13</u> |
| | <u>\$ 341,628</u> | <u>\$ 493,065</u> | <u>\$ 309,722</u> |

The market rate intervals of demand deposits at the balance sheet date were as follows:

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|-----------------|---------------------------|--------------------------|---------------------------|
| Demand deposits | 0.05%~1.45% | 0.01%~1.05% | 0.01%~0.7% |

7. Financial Instruments at Fair Value through Profit or Loss

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|---|---------------------------|--------------------------|---------------------------|
| <u>Financial assets - current</u> | | | |
| Held for trading | | | |
| – Cross-currency swap contracts(a) | \$ <u>5,016</u> | \$ <u>-</u> | \$ <u>-</u> |
| <u>Financial liabilities - current</u> | | | |
| Held for trading | | | |
| – Forward foreign exchange contracts(b) | \$ <u>208</u> | \$ <u>-</u> | \$ <u>1,559</u> |

(a) At the balance sheet date, outstanding cross-currency swap contracts not applicable to hedge accounting were as follows (December 31 and September 30, 2022: None):

September 30, 2023

| <u>Currency</u> | <u>Maturity Period</u> | <u>Notional Amount (In Thousands)</u> |
|-----------------|---------------------------------|---|
| USD : NTD | From October 2023 to March 2024 | USD 2,000/ NTD 58,855 |

(b) At the balance sheet date, outstanding forward foreign exchange contracts not applicable to hedge accounting were as follows (December 31, 2022: None)

September 30, 2023

| | <u>Currency</u> | <u>Maturity Period</u> | <u>Notional Amount (In Thousands)</u> |
|--------------------------------------|-----------------|-----------------------------------|---|
| Sales of forwarding foreign exchange | USD : NTD | From November to December 2023 | USD 2,000/ NTD 63,984 |

September 30, 2022

| | <u>Currency</u> | <u>Maturity Period</u> | <u>Notional Amount (In Thousands)</u> |
|--------------------------------------|-----------------|-----------------------------------|---|
| Sales of forwarding foreign exchange | USD : NTD | From November to December 2022 | USD 1,500/ NTD 45,955 |

From July1 to September 30, 2023 and 2022, and from January 1 to September 30, 2023 and 2022, the Group's financial instruments at fair value through profit or loss that incurred a net (loss) gain NT\$2,591 thousand, (NT\$2,955thousand), NT\$4,775 thousand, and (NT\$5,600 thousand).

8. Financial assets at amortized cost

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|--|---------------------------|--------------------------|---------------------------|
| <u>Current</u> | | | |
| Un-Pledged bank deposits | | | |
| Time deposits with original maturity of more than 3 months | \$ 9,681 | \$ 9,213 | \$ 9,525 |
| Pledged bank deposits | | | |
| Time deposits with original maturity of more than 3 months | 14,991 | 14,515 | 14,905 |
| Restricted demand deposits | <u>32,122</u> | <u>32,066</u> | <u>42,025</u> |
| | <u>\$ 56,794</u> | <u>\$ 55,794</u> | <u>\$ 66,455</u> |
| <u>Non-current</u> | | | |
| Pledged bank deposits | | | |
| Restricted demand deposits | <u>\$ 10,034</u> | <u>\$ 10,014</u> | <u>\$ 10,005</u> |

The market rate intervals of the above assets at the balance sheet date were as follows:

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|--|---------------------------|--------------------------|---------------------------|
| Time deposits with original maturity of more than 3 months | 1.80%~4.80% | 1.80%~2.90% | 2.45%~2.90% |
| Restricted demand deposits | 0.51%~0.60% | 0.40%~0.48% | 0.26%~0.35% |

Please refer to Note 26 for information relating to financial assets at amortized cost pledged as security.

9. Notes Receivable and Trade Receivables

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|---|---------------------------|--------------------------|---------------------------|
| <u>Notes receivable</u> | | | |
| Measured at amortized cost | | | |
| Total carrying amount | <u>\$ 987</u> | <u>\$ 1,494</u> | <u>\$ 1,320</u> |
| <u>Trade receivables</u> | | | |
| Measured at amortized cost | | | |
| Total carrying amount | \$ 82,058 | \$ 95,192 | \$ 136,275 |
| Less: loss allowance | (3,922) | (3,920) | (3,936) |
| Trade receivables, net | <u>\$ 78,136</u> | <u>\$ 91,272</u> | <u>\$ 132,339</u> |
| <u>Receivables from related parties</u> | | | |
| Measured at amortized cost | | | |
| Total carrying amount | <u>\$ 291,516</u> | <u>\$ 319,186</u> | <u>\$ 426,887</u> |

The payment terms of sales of goods were about 30 days to 120 days, and no interest was charged during the payment terms.

In order to mitigate credit risk, the management of the Group's Company has assigned a dedicated team to be responsible for the decision of credit duration, credit approval and other monitoring procedures to ensure that appropriate actions are taken for the recovery of overdue accounts receivable. In addition, the Group's company will review the recoverable amount of the accounts receivable on the balance sheet date to ensure that the unrecoverable accounts receivable have

been properly set aside for impairment losses. Accordingly, the management of the Group's believes that the credit risk of the merged company has been significantly reduced.

The Group's company recognizes the allowance loss for accounts receivable according to the expected credit loss during the existence period. The expected credit loss during the duration is based on the customer's past default record, current financial situation and industrial economic situation.

The allowance losses for accounts receivable (including receivables from related parties) of the Group was as follows:

September 30, 2023

| | Payment Terms of 30 days | Payment Terms of 60 days | Payment Terms of 90 days | Payment Terms of 120 days | Others | Total |
|---|--------------------------------|--------------------------------|--------------------------------|---------------------------------|-------------|-------------------|
| Total carrying amount | \$ 18,413 | \$ 305,950 | \$ 44,026 | \$ 4,365 | \$ 820 | \$ 373,574 |
| Loss allowance (lifetime expected credit losses) | (921) | (1,957) | (220) | (4) | (820) | (3,922) |
| Amortized cost | <u>\$ 17,492</u> | <u>\$ 303,993</u> | <u>\$ 43,806</u> | <u>\$ 4,361</u> | <u>\$ -</u> | <u>\$ 369,652</u> |

December 31, 2022

| | Payment Terms of 30 days | Payment Terms of 60 days | Payment Terms of 90 days | Payment Terms of 120 days | Others | Total |
|---|--------------------------------|--------------------------------|--------------------------------|---------------------------------|-------------|-------------------|
| Total carrying amount | \$ 21,693 | \$ 345,705 | \$ 44,737 | \$ 1,423 | \$ 820 | \$ 414,378 |
| Loss allowance (lifetime expected credit losses) | (1,085) | (1,791) | (223) | (1) | (820) | (3,920) |
| Amortized cost | <u>\$ 20,608</u> | <u>\$ 343,914</u> | <u>\$ 44,514</u> | <u>\$ 1,422</u> | <u>\$ -</u> | <u>\$ 410,458</u> |

September 30, 2022

| | Payment Terms of 30 days | Payment Terms of 60 days | Payment Terms of 90 days | Payment Terms of 120 days | Others | Total |
|---|--------------------------------|--------------------------------|--------------------------------|---------------------------------|-------------|-------------------|
| Total carrying amount | \$ 27,802 | \$ 478,033 | \$ 55,403 | \$ 1,104 | \$ 820 | \$ 563,162 |
| Loss allowance (lifetime expected credit losses) | (1,347) | (1,492) | (277) | - | (820) | (3,936) |
| Amortized cost | <u>\$ 26,455</u> | <u>\$ 476,541</u> | <u>\$ 55,126</u> | <u>\$ 1,104</u> | <u>\$ -</u> | <u>\$ 559,226</u> |

Information on the movements of the loss allowance of trade receivables was as follows:

| | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|--|---|---|
| Beginning balance | \$ 3,920 | \$ 8,026 |
| Add: Loss on impairment recognized in the period | - | 641 |
| Less: Impairment loss in the current period | - | (4,757) |
| Foreign exchange translation differences | <u>2</u> | <u>26</u> |
| Ending balance | <u>\$ 3,922</u> | <u>\$ 3,936</u> |

The aging analysis of trade receivables was as follows:

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|----------------------------|--------------------|-------------------|--------------------|
| Not Overdue | \$ 370,140 | \$ 406,942 | \$ 546,656 |
| Less than 60 days overdue | 2,076 | 3,104 | 11,338 |
| 61~90 days overdue | 404 | - | 4 |
| 91~120 days overdue | 16 | 671 | 1,425 |
| More than 120 days overdue | <u>938</u> | <u>3,661</u> | <u>3,739</u> |
| | <u>\$ 373,574</u> | <u>\$ 414,378</u> | <u>\$ 563,162</u> |

10. Inventory

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|------------------|---------------------------|--------------------------|---------------------------|
| Raw Material | \$ 118,081 | \$ 113,524 | \$ 131,098 |
| Work in progress | 70,499 | 114,591 | 137,369 |
| Finished goods | <u>32,423</u> | <u>80,735</u> | <u>79,612</u> |
| | <u>\$ 221,003</u> | <u>\$ 308,850</u> | <u>\$ 348,079</u> |

The cost of goods sold from January 1 to September 30, 2023 includes provision for inventory depreciation and sluggish losses of NT\$ 2,000 thousand (July 1 to September 30, 2023: None). The cost of goods sold from January 1 to September 30, 2022 includes gains from inventory price declines of NT\$ NT\$ 5,000 thousand (July 1 to September 30, 2022: None).

11. Subsidiaries

a. Subsidiaries included in the consolidated financial statements

The entities involved in the preparation of the consolidated financial statements were as follows:

| Name of Investor | Name of Subsidiary | Nature of business | Percentage of Ownership | | |
|------------------|---|--|-------------------------|-------------------|--------------------|
| | | | September 30, 2023 | December 31, 2022 | September 30, 2022 |
| The Company | Keep High Limited ("Keep High") | Holding of investments | 100% | 100% | 100% |
| The Company | Yea Shin Technology Co., Ltd. ("Yea Shin") | Manufacturing of electronic components and wholesaling of electronic materials | 100% | 100% | 100% |
| Keep High | Forever Eagle Incorporation ("Forever") | Holding of investments | 100% | 100% | 100% |
| Forever | Jie Cheng Electronic (Shanghai) Co., Ltd. ("Jie Cheng") | Wholesaling of electronic materials and international trading business | 100% | 100% | 100% |
| The Company | Erishin Semiconductor Corporation("Erishin") | Manufacturing of electronic components and wholesaling of electronic materials | 100% | - | - |

On April 3, 2008, the Company reinvested in Jie Cheng located in mainland China through a third region approved by the Investment Commission, Ministry of Economic Affairs (the MOEAIC). This company mainly engaged in wholesaling and international trading of electronic materials. As of September 30, 2023, the paid-in capital of Jie Cheng was US\$650 thousand.

Due to business expansion needs, the company established Erishin Semiconductor in accordance with the resolution of the board of directors on July 5, 2023, to acquire the businesses items and machine equipment from the related parties. Please refer to Note 25(6) for related transactions. The company's main business is the manufacturing of electronic parts and components and the wholesale of electronic materials. As of September 30, 2023, Erishin Semiconductor's paid-in capital was NTD1,000,000.

12. Property, Plant and Equipment

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---|---------------------|---------------------|---------------------|
| <u>Carrying amount of each category</u> | | | |
| Land | \$ 574,129 | \$ 574,129 | \$ 574,129 |
| Houses and buildings | 390,583 | 399,103 | 398,589 |
| Machinery Equipment | 582,842 | 544,792 | 501,589 |
| Transportation Equipment | 3,114 | 4,049 | 4,371 |
| Leasehold Improvements | 84 | 226 | 325 |
| Other Equipment | <u>4,649</u> | <u>5,568</u> | <u>5,199</u> |
| | <u>\$ 1,555,401</u> | <u>\$ 1,527,867</u> | <u>\$ 1,484,202</u> |

| | Nine Months Ended September 30, 2023 | | | | | Ending balance |
|---------------------------------|--------------------------------------|------------------------|------------------------|-------------------|-------------------------|--------------------|
| | Beginning balance | Increase of the period | Decrease of the period | Internal transfer | Effect of exchange rate | |
| <u>Cost</u> | | | | | | |
| Land | \$ 574,129 | \$ - | \$ - | \$ - | \$ - | \$ 574,129 |
| Houses and buildings | 537,698 | 7,586 | 2,677 | 7,564 | - | 550,171 |
| Machinery Equipment | 1,190,852 | 24,680 | 51,677 | 80,347 | - | 1,244,202 |
| Transportation Equipment | 15,411 | - | - | - | 3 | 15,414 |
| Leasehold Improvements | 4,371 | - | 771 | - | - | 3,600 |
| Other Equipment | <u>15,061</u> | <u>249</u> | <u>-</u> | <u>-</u> | <u>2</u> | <u>15,312</u> |
| Total Cost | <u>2,337,522</u> | <u>\$ 32,515</u> | <u>\$ 55,125</u> | <u>\$ 87,911</u> | <u>\$ 5</u> | <u>2,402,828</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Houses and buildings | 138,595 | \$ 23,670 | \$ 2,677 | \$ - | \$ - | 159,588 |
| Machinery Equipment | 646,060 | 66,842 | 51,542 | - | - | 661,360 |
| Transportation Equipment | 11,362 | 935 | - | - | 3 | 12,300 |
| Leasehold Improvements | 4,145 | 142 | 771 | - | - | 3,516 |
| Other Equipment | <u>9,493</u> | <u>1,169</u> | <u>-</u> | <u>-</u> | <u>1</u> | <u>10,663</u> |
| Total accumulated depreciation | <u>809,655</u> | <u>\$ 92,758</u> | <u>\$ 54,990</u> | <u>\$ -</u> | <u>\$ 4</u> | <u>847,427</u> |
| Net balance | <u>\$1,527,867</u> | | | | | <u>\$1,555,401</u> |

| | Nine Months Ended September 30, 2022 | | | | | Ending balance |
|---------------------------------|--------------------------------------|------------------------|------------------------|-------------------|-------------------------|--------------------|
| | Beginning balance | Increase of the period | Decrease of the period | Internal transfer | Effect of exchange rate | |
| <u>Cost</u> | | | | | | |
| Land | \$ 574,129 | \$ - | \$ - | \$ - | \$ - | \$ 574,129 |
| Houses and buildings | 524,376 | 4,701 | 430 | 1,299 | - | 529,946 |
| Machinery Equipment | 1,066,519 | 31,563 | 68,718 | 136,885 | - | 1,166,249 |
| Transportation Equipment | 15,385 | - | - | - | 52 | 15,437 |
| Leasehold Improvements | 11,693 | - | 4,312 | - | - | 7,381 |
| Other Equipment | <u>15,932</u> | <u>28</u> | <u>1,114</u> | <u>-</u> | <u>26</u> | <u>14,872</u> |
| Total Cost | <u>2,208,034</u> | <u>\$ 36,292</u> | <u>\$ 74,574</u> | <u>\$ 138,184</u> | <u>\$ 78</u> | <u>2,308,014</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Houses and buildings | 111,505 | \$ 20,282 | \$ 430 | \$ - | \$ - | 131,357 |
| Machinery Equipment | 666,961 | 64,201 | 66,502 | - | - | 664,660 |
| Transportation Equipment | 9,792 | 1,224 | - | - | 50 | 11,066 |
| Leasehold Improvements | 9,943 | 1,425 | 4,312 | - | - | 7,056 |
| Other Equipment | <u>9,544</u> | <u>1,219</u> | <u>1,114</u> | <u>-</u> | <u>24</u> | <u>9,673</u> |
| Total accumulated depreciation | <u>807,745</u> | <u>\$ 88,351</u> | <u>\$ 72,358</u> | <u>\$ -</u> | <u>\$ 74</u> | <u>823,812</u> |
| Net balance | <u>\$1,400,289</u> | | | | | <u>\$1,484,202</u> |

The Group did not process any assessment for impairment due to no signs of impairment for the nine months ended September 30, 2023 and 2022.

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

| | |
|------------------------------|----------------|
| Houses and buildings | |
| Main buildings of the office | 35 to 50 years |
| Building improvement | 5 to 15 years |
| Machinery Equipment | 3 to 15 years |
| Transportation Equipment | 5 years |
| Leasehold Improvements | 5 years |
| Other Equipment | 5 years |

Please refer to Note 26 for the amounts of property, plant and equipment pledged as collateral for borrowings.

13. Lease Arrangements

a. Right-of-use assets

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|---|--|--|---|
| Carrying amount of right-of-use assets | | | |
| Buildings | <u>\$ 7,865</u> | <u>\$ 9,717</u> | <u>\$ 11,276</u> |
| | For the Three Months ended <u>September 30, 2023</u> | For the Three Months ended <u>September 30, 2022</u> | For the Nine Months Ended <u>September 30, 2023</u> |
| Additions on right-of-use assets | | | <u>\$ 2,782</u> |
| Depreciation expense of right-of-use assets | | | <u>\$ 5,276</u> |
| Buildings | <u>\$ 1,560</u> | <u>\$ 1,548</u> | <u>\$ 4,635</u> |

b. Lease liabilities

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|--------------------------------------|---------------------------|--------------------------|---------------------------|
| Carrying amount of lease liabilities | | | |
| Current | <u>\$ 4,492</u> | <u>\$ 4,474</u> | <u>\$ 5,175</u> |
| Non-current | <u>\$ 3,452</u> | <u>\$ 5,320</u> | <u>\$ 6,174</u> |

Intervals of discount rates for lease liabilities were as follows:

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|-----------|---------------------------|--------------------------|---------------------------|
| Buildings | 1.00%~1.80% | 1.00%~1.25% | 1.00%~1.25% |

c. Other lease information

| | For the Three Months ended September 30, 2023 | For the Three Months ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|-------------------------------|--|--|---|---|
| Total cash outflow for leases | <u>\$ 1,582</u> | <u>\$ 2,378</u> | <u>\$ 4,701</u> | <u>\$ 4,563</u> |

14. Goodwill

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|------|---------------------------|--------------------------|---------------------------|
| Cost | <u>\$ 24,070</u> | <u>\$ 24,070</u> | <u>\$ 24,070</u> |

The acquisition of Yea Shin Technology by the Group in July 2018 resulted in related goodwill of \$24,070 thousand, which mainly came from the expects of future economic benefits of the subsidiary.

15. Other Intangible Assets

| | Patent | Computer Software | Total |
|--|---------------|-------------------|------------------|
| <u>Cost</u> | | | |
| Balance as of January 1, 2023 | \$ 617 | \$ 19,671 | \$ 20,288 |
| Separate acquisition | - | 2,811 | 2,811 |
| Gains on disposal | - | (565) | (565) |
| Balance as of September 30, 2023 | <u>\$ 617</u> | <u>\$ 21,917</u> | <u>\$ 22,534</u> |
| <u>Accumulated amortization and impairment</u> | | | |
| Balance as of January 1, 2023 | \$ 559 | \$ 5,519 | \$ 6,078 |
| Amortization expenses | 46 | 2,186 | 2,232 |
| Gains on disposal | - | (565) | (565) |
| Balance as of September 30, 2023 | <u>\$ 605</u> | <u>\$ 7,140</u> | <u>\$ 7,745</u> |
| Net balance as of September 30, 2023 | <u>\$ 12</u> | <u>\$ 14,777</u> | <u>\$ 14,789</u> |
| <u>Cost</u> | | | |
| Balance as of January 1, 2022 | \$ 617 | \$ 18,908 | \$ 19,525 |
| Separate acquisition | - | 2,385 | 2,385 |
| Gains on disposal | - | (636) | (636) |
| Balance as of September 30, 2022 | <u>\$ 617</u> | <u>\$ 20,657</u> | <u>\$ 21,274</u> |
| <u>Accumulated amortization and impairment</u> | | | |
| Balance as of January 1, 2022 | \$ 497 | \$ 4,716 | \$ 5,213 |
| Amortization expenses | 46 | 1,993 | 2,039 |
| Gains on disposal | - | (636) | (636) |
| Balance as of September 30, 2022 | <u>\$ 543</u> | <u>\$ 6,073</u> | <u>\$ 6,616</u> |
| Net balance as of September 30, 2022 | <u>\$ 74</u> | <u>\$ 14,584</u> | <u>\$ 14,658</u> |

Amortization charge is accrued on a straight-line basis over the following useful years:

| | |
|-------------------|---------------|
| Patent | 10 years |
| Computer Software | 2 to 15 years |

16. Borrowings

a. Short-term borrowings

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|------------------------|--------------------|-------------------|--------------------|
| <u>Secured loans</u> | | | |
| Bank loans | \$ 350,000 | \$ 400,000 | \$ 520,000 |
| <u>Unsecured loans</u> | | | |
| Line of credit loans | - | 100,000 | - |
| | <u>\$ 350,000</u> | <u>\$ 500,000</u> | <u>\$ 520,000</u> |

The interest rates of bank revolving borrowings on September 30, 2023 and December 31 and September 30, 2022 were 1.78%~1.85% , 1.73%~2.00% and 1.38%~1.43%, respectively.

Please refer to Note 26 for information relating to assets pledged for secured borrowings.

b. Long-term borrowings

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---|--------------------|-------------------|--------------------|
| <u>Secured loans</u> | | | |
| Bank loans (1) | \$ 59,652 | \$ 63,349 | \$ 64,739 |
| Bank loans (2) | - | 425,068 | 430,661 |
| Bank loans (3) | 7,124 | 8,468 | 8,915 |
| Bank loans (4) | 42,212 | 46,572 | 48,028 |
| Bank loans (5) | - | - | 100,000 |
| Bank loans (6) | - | - | 100,000 |
| Bank loans (7) | - | 50,000 | 50,000 |
| Bank loans (8) | 100,000 | 100,000 | - |
| Bank loans (9) | 100,000 | 100,000 | - |
| Bank loans (10) | 408,289 | - | - |
| Bank loans (11) | <u>50,000</u> | <u>-</u> | <u>-</u> |
| | 767,277 | 793,457 | 802,343 |
| Less: listed as portion matured in 1 year | (<u>36,269</u>) | (<u>35,725</u>) | (<u>35,677</u>) |
| Long-term borrowings | <u>\$ 731,008</u> | <u>\$ 757,732</u> | <u>\$ 766,666</u> |

- 1) The bank loan of NT\$140,000 thousand was obtained by the Group at the end of June 2018, which are pledged by the land and buildings owned by the Company as collateral, with an interest rate of the loan calculated by the fixed savings deposit flexible interest rate plus 0.115%, and is amortized in 15 years. The maturity date of the loan is June 28, 2033. The effective annual interest rates were 1.7400%, 1.6078% and 1.4757% as of September 30, 2023, December 31 and September 30 2022, respectively.
- 2) The bank loan of NT\$476,000 thousand was obtained by the Group at the end of May 2019, which are pledged by the land and buildings owned by the Group as collateral, with an interest rate of the loan calculated by TAIBOR 3M plus 0.5% and a grace period of two years to be repaid after the period in one installment of 2% of the principal for every three months and to be repaid in a one-time payment at maturity for the rest of the principal. The maturity date of the loan is May 27, 2024, that had been paid off in May 2023. The effective interest rate was 1.7093% and 1.3727% as of December 31 and September 30 2022, respectively.
- 3) The bank loan of NT\$11,000 thousand was obtained by the Group on July 1, 2020, which are pledged by the land and buildings owned by the Group as collateral, with an interest rate of the loan calculated by the floating interest rate of one-month time savings deposit plus 0.08%, which should not be lower than 0.98%, and a grace period of one-year to be averagely repaid after the period for the principal and the interests. The maturity date of the loan was June 30, 2027. The effective interest rate was 1.68%, 1.43% and 1.29% as of September 30, 2023, December 31 and September 30 2022, respectively.
- 4) The bank loan of NT\$49,000 thousand was obtained by the Group on July 1, 2020, which are pledged by the land and buildings owned by the Group as collateral, with an interest rate of the loan calculated by the floating interest rate of one-month time savings deposit plus 0.08%, which should not be lower than 0.90%, and a grace period of two year to be averagely repaid after the period for the principal and the interests. The maturity date of the loan was June 30, 2030. The effective interest rate was 1.68%, 1.43% and 1.29% as of September 30, 2023, December 31 and September 30 2022, respectively.
- 5) The bank loan of NT\$100,000 thousand was obtained by the Group on December 30, 2021, which are pledged by the land and buildings owned by the Group as collateral, with an interest rate of the loan calculated by TAIBOR 3M plus 0.5% to be paid monthly for the interests and repaid in a one-time payment at maturity for

the principal. The maturity date of the loan was December 30, 2023, which had been paid off all in December 2022. The effective annual interest rates were 1.3691% as of September 30, 2022, respectively.

- 6) The bank loan of NT\$100,000 thousand was obtained by the Group on December 20, 2021, which are pledged by the demand deposits owned by the Group as collateral amounted to 10% of the drawdown balance, with an interest rate of the loan calculated by the floating interest rate of one-month time savings deposit plus 0.08%, to be paid monthly for the interests and repaid in a one-time payment at maturity for the principal. The maturity date of the loan was December 20, 2023, which had been paid off all in December 2022. The effective annual interest rates were 1.29% as of September 30, 2022, respectively.
- 7) The bank loan of NT\$50,000 thousand was obtained by the Group on September 30, 2022, which are pledged by the land and buildings owned by the Group as collateral. And with an interest rate of the loan calculated based on the two-year fixed deposit floating interest rate plus 0.082%, to be paid monthly for the interests and repaid in a one-time payment at maturity for the principal. The loan maturity date is September 30, 2024, which had been paid off all in September 2023. The effective annual interest rates were 1.6723% and 1.5402% as of September 30, 2023 and December 31 2022, respectively.
- 8) The bank loan of NT\$100,000 thousand was obtained by the Group on December 26, 2022, which are pledged by the demand deposits owned by the Group as collateral amounted to 10% of the drawdown balance, with an interest rate of the loan calculated by the floating interest rate of one-month time savings deposit plus 0.08%, to be paid monthly for the interests and repaid in a one-time payment at maturity for the principal. The maturity date of the loan was December 26, 2024. The effective annual interest rates were 1.68% and 1.43% as of September 30, 2023 and December 31 2022, respectively.
- 9) The bank loan of NT\$100,000 thousand was obtained by the Group on December 30, 2022, which are pledged by the land and buildings owned by the Group as collateral, with an interest rate of the loan calculated by TAIBOR 3M plus 0.5% to be paid monthly for the interests and repaid in a one-time payment at maturity for the principal. The maturity date of the loan was December 30, 2024. The effective annual interest rates were 1.8000% and 1.8587% as of September 30, 2023 and December 31 2022, respectively.
- 10) The bank loan of NT\$419,475 thousand was obtained by the Group in May 2023, which are pledged by the land and buildings owned by the Group as collateral, with an interest rate of the loan calculated by TAIBOR 3M plus 0.5% to be paid quarterly for the interests, the principal is amortized to a specified amount quarterly, and the remaining amount is paid off in one lump sum when due. The maturity date of the loan was May 21, 2028. The effective annual interest rate was 1.83% as of September 30, 2023, respectively.
- 11) The bank loan of NT\$50,000 thousand was obtained by the Group on September 28, 2023, which are pledged by the land and buildings owned by the Group as collateral. And with an interest rate of the loan calculated based on the two-year fixed deposit floating interest rate plus 0.082%, to be paid monthly for the interests and repaid in a one-time payment at maturity for the principal. The loan maturity date is September 28, 2025. The effective annual interest rates were 1.8044% as of September 30, 2023, respectively.

Please refer to Note 26 for information relating to assets pledged for secured borrowings.

17. Other Payables

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--------------------------|--------------------|-------------------|--------------------|
| Salary and bonus payable | \$ 62,099 | \$ 91,547 | \$ 93,406 |
| Processing fees payable | 14,372 | 17,760 | 17,703 |
| Equiement fees payable | 3,244 | 9,986 | 788 |
| Other | <u>64,794</u> | <u>78,032</u> | <u>76,845</u> |
| | <u>\$ 144,509</u> | <u>\$ 197,325</u> | <u>\$ 188,742</u> |

18. Equity

a. Share capital

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---|--------------------|-------------------|--------------------|
| Number of shares authorized (in thousands) | <u>70,000</u> | <u>70,000</u> | <u>70,000</u> |
| Share capital authorized | <u>\$ 700,000</u> | <u>\$ 700,000</u> | <u>\$ 700,000</u> |
| Number of shares issued (in thousands) | <u>44,428</u> | <u>44,428</u> | <u>44,428</u> |
| Share capital issued | <u>\$ 444,283</u> | <u>\$ 444,283</u> | <u>\$ 444,283</u> |
| Number of stock dividend shares to be distributed(Thousands of shares) | <u>5,776</u> | <u>-</u> | <u>-</u> |
| Stock dividend shares to be distributed | <u>\$ 57,756</u> | <u>\$ -</u> | <u>\$ -</u> |

Ordinary shares issued have a par value of \$10, and they're entitled to one vote right per share and a right to receive dividends.

b. Capital surplus

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|---------------------------------|--------------------|-------------------|--------------------|
| Issuance of shares at a premium | \$ 401,662 | \$ 401,662 | \$ 401,662 |
| Others | <u>849</u> | <u>849</u> | <u>849</u> |
| | <u>\$ 402,511</u> | <u>\$ 402,511</u> | <u>\$ 402,511</u> |

The capital surplus from the premium from issuance of shares over the par value and the portion received as endowments may be used to offset a deficit; in addition, when a company has no deficit, it may also be distributed as cash dividends or transferred to share capital with a limit of transferring to a certain percentage of the paid-in capital every year.

c. Retained earnings and dividends policy

Under the policy of earnings distribution as set forth in the Articles of Incorporation, 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 as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's Board of Directors as the basis for proposing an earnings distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies of the Company on the distribution of employees' compensation, please refer to employees' compensation in Note 20(4).

An appropriation of earnings to a 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 deficit 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.

On May 16, 2023 and May 16, 2022, the company held general shareholders' meetings, and the resolutions were passed respectively to approve the 2022 and 2021 annual profit distribution proposals as follows:

| | For the Year Ended December 31, 2022 | For the Year Ended December 31, 2021 |
|--------------------------------|---|---|
| Legal reserve | <u>\$ 45,581</u> | <u>\$ 32,709</u> |
| Special reserve | <u>(\$ 724)</u> | <u>\$ 328</u> |
| Cash dividends | <u>\$ 239,913</u> | <u>\$ 222,141</u> |
| Stock dividends | <u>\$ 57,756</u> | <u>\$ -</u> |
| Cash Dividends Per Share (\$) | <u>\$ 5.4</u> | <u>\$ 5.0</u> |
| Stock Dividends Per Share (\$) | <u>\$ 1.3</u> | <u>\$ -</u> |

d. Other equity items

Exchange differences on translating the financial statements of foreign operations

| | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|---|---|---|
| Beginning balance | (\$ 1,617) | (\$ 2,341) |
| Derived from this period | | |
| Exchange differences on translating the financial statements of foreign operations | 107 | 1,808 |
| Income tax related to the components of other comprehensive income | (21) | (363) |
| Ending balance | <u>(\$ 1,531)</u> | <u>(\$ 896)</u> |

19. Revenue

| | For the Three Months ended September 30, 2023 | For the Three Months Ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|--|--|--|---|---|
| Revenue from contracts with customers | | | | |
| Revenue from the sale of goods | <u>\$ 434,320</u> | <u>\$ 554,239</u> | <u>\$ 1,308,187</u> | <u>\$ 1,661,433</u> |

Contract balances

| | September 30, 2023 | December 31, 2022 | September 30, 2022 | January 1, 2022 |
|---|-----------------------|----------------------|-----------------------|--------------------|
| Notes and trade receivables | <u>\$ 370,639</u> | <u>\$ 411,952</u> | <u>\$ 560,546</u> | <u>\$ 523,247</u> |
| Contract liabilities (included in other current liability) | | | | |
| Sales of goods | <u>\$ 328</u> | <u>\$ 264</u> | <u>\$ 1,753</u> | <u>\$ 38</u> |

20. Net Profit

Additional information on the net profit includes the following items:

a. Depreciation and amortization

| | For the Three Months ended September 30, 2023 | For the Three Months ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|-------------------------------|--|--|---|---|
| Property, plant and equipment | \$ 32,372 | \$ 31,851 | \$ 92,758 | \$ 88,351 |
| Right-of-use assets | 1,560 | 1,548 | 4,635 | 4,606 |
| Unamortized expenses | 2,946 | 2,021 | 7,284 | 6,316 |
| Intangible assets | <u>799</u> | <u>751</u> | <u>2,232</u> | <u>2,039</u> |
| | <u>\$ 37,677</u> | <u>\$ 36,171</u> | <u>\$ 106,909</u> | <u>\$ 101,312</u> |

| | For the Three Months ended September 30, 2023 | For the Three Months ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|---|--|--|---|---|
| Depreciation expenses summarized by function | | | | |
| Operating costs | \$ 16,786 | \$ 17,400 | \$ 49,390 | \$ 47,913 |
| Operating expenses | <u>17,146</u> | <u>15,999</u> | <u>48,003</u> | <u>45,044</u> |
| | <u>\$ 33,932</u> | <u>\$ 33,399</u> | <u>\$ 97,393</u> | <u>\$ 92,957</u> |
| Amortization expenses summarized by function | | | | |
| Operating costs | \$ 2,742 | \$ 1,887 | \$ 6,766 | \$ 5,387 |
| Sales expenses | 156 | 144 | 433 | 393 |
| Management expenses | 200 | 172 | 554 | 481 |
| R&D expenses | <u>647</u> | <u>569</u> | <u>1,763</u> | <u>2,094</u> |
| | <u>\$ 3,745</u> | <u>\$ 2,772</u> | <u>\$ 9,516</u> | <u>\$ 8,355</u> |

b. Gains or losses on foreign currency exchange

| | For the Three Months ended September 30, 2023 | For the Three Months ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|-------------------------------|--|--|---|---|
| Total foreign exchange gains | \$ 14,465 | \$ 28,442 | \$ 30,911 | \$ 80,779 |
| Total foreign exchange losses | (<u>4,728</u>) | (<u>13,019</u>) | (<u>17,395</u>) | (<u>43,845</u>) |
| Net balance | <u>\$ 9,737</u> | <u>\$ 15,423</u> | <u>\$ 13,516</u> | <u>\$ 36,934</u> |

c. Employee benefits expense

| | For the Three Months ended September 30, 2023 | For the Three Months ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|--------------------------|--|--|---|---|
| Post-employment benefits | | | | |
| Defined benefit plans | \$ 2,582 | \$ 2,485 | \$ 7,659 | \$ 7,209 |
| Salaries and bonus | <u>73,921</u> | <u>84,301</u> | <u>218,650</u> | <u>259,076</u> |
| Total | <u>\$ 76,503</u> | <u>\$ 86,786</u> | <u>\$ 226,309</u> | <u>\$ 266,285</u> |
| Summarized by function | | | | |
| Operating costs | \$ 38,234 | \$ 45,965 | \$ 116,138 | \$ 139,783 |
| Operating expenses | <u>38,269</u> | <u>40,821</u> | <u>110,171</u> | <u>126,502</u> |
| | <u>\$ 76,503</u> | <u>\$ 86,786</u> | <u>\$ 226,309</u> | <u>\$ 266,285</u> |

d. Employees' compensation

The Company sets aside 1%~5% of the profit before tax income for the current year before distribution of employees' compensation as the employees' compensation in compliance with the Articles of Incorporation. The estimated employee's compensation for the three months ended September 30, 2023 and 2022, and for nine months ended January 1 to September 30, 2023 and 2022 were as follows:

Accrual rate

| | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|-------------------------|---|---|
| Employees' compensation | 1.7% | 2.2% |

Amount of Cash

| | For the Three Months ended September 30, 2023 | For the Three Months ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|-------------------------|--|--|---|---|
| Employees' compensation | <u>\$ 800</u> | <u>\$ 2,800</u> | <u>\$ 4,600</u> | <u>\$ 8,600</u> |

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimates and adjusted in the next year.

The board of directors of the Company held on February 20, 2023 and February 24, 2022 to approve the employees' compensation for years ended December 31, 2022 and 2021 as follows:

Amount of Cash

| | For the Year Ended December 31, 2022 | For the Year Ended December 31, 2021 |
|-------------------------|---|---|
| Employees' compensation | <u>\$ 11,000</u> | <u>\$ 8,400</u> |

There is no difference between the actual distribution amount of employee compensation for 2022 and 2021 and the amount recognized in the 2022 and 2021 consolidated financial statements.

Information on the employees' compensation by the Company's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. Income Tax

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

| | For the Three Months ended September 30, 2023 | For the Three Months ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|---|--|--|---|---|
| Current income tax | | | | |
| In respect of the current year | (\$ 2,394) | (\$ 9,141) | (\$ 10,958) | (\$ 23,561) |
| Adjustments for prior years | <u>-</u> | <u>-</u> | <u>12,269</u> | <u>3,839</u> |
| | <u>(2,394)</u> | <u>(9,141)</u> | <u>1,311</u> | <u>(19,722)</u> |
| Deferred income tax | | | | |
| In respect of the current year | <u>\$ 9,100</u> | <u>\$ 8,299</u> | <u>\$ 27,778</u> | <u>\$ 25,937</u> |
| Income tax recognized in profit or loss | <u>\$ 6,706</u> | <u>(\$ 842)</u> | <u>\$ 29,089</u> | <u>\$ 6,215</u> |

b. Income tax recognized in other comprehensive income

| | For the Three Months ended September 30, 2023 | For the Three Months ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|-------------------------------------|--|--|---|---|
| <u>Deferred income tax</u> | | | | |
| In respect of the current period: | | | | |
| -Translations of foreign operations | <u>(\$ 397)</u> | <u>(\$ 97)</u> | <u>(\$ 21)</u> | <u>(\$ 363)</u> |

c. Income tax assessments

The profit-seeking enterprise income tax filing case of the Company has been approved by the tax authority through the year ended December 31, 2021; The profit-seeking enterprise income tax filing case of the subsidiary, Yea Shin, had been approved by the tax authority through the year ended December 31, 2021.

22. Earnings per Share

| Unit : NT\$ | For the Three Months ended September 30, 2023 | For the Three Months ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|----------------------------|--|--|---|---|
| Earnings per share | <u>\$ 1.77</u> | <u>\$ 2.41</u> | <u>\$ 5.27</u> | <u>\$ 7.09</u> |
| Diluted earnings per share | <u>\$ 1.77</u> | <u>\$ 2.41</u> | <u>\$ 5.26</u> | <u>\$ 7.08</u> |

For calculating earnings per share, the impact of the free allotment has been adjusted retrospectively, and the base date for the free allotment is October 6, 2023. Due to retrospective adjustments, the changes in basic and diluted earnings per share from July 1 to September 30, 2022 and from January 1 to September 30, 2022 are as follows:

| Unit : NT\$ | Before retrospective adjustment | | After retrospective adjustment | |
|----------------------------|--|---|--|---|
| | For the Three Months ended September 30, 2022 | For the Nine Months ended September 30, 2022 | For the Three Months ended September 30, 2022 | For the Nine Months ended September 30, 2022 |
| Earnings per share | <u>\$ 2.72</u> | <u>\$ 8.01</u> | <u>\$ 2.41</u> | <u>\$ 7.09</u> |
| Diluted earnings per share | <u>\$ 2.72</u> | <u>\$ 8.00</u> | <u>\$ 2.41</u> | <u>\$ 7.08</u> |

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

Current Net Profit

| | For the Three Months ended September 30, 2023 | For the Three Months ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|--|--|--|---|---|
| Net profit for the current period used to calculate basic and diluted earnings per share | <u>\$ 88,730</u> | <u>\$ 120,913</u> | <u>\$ 264,365</u> | <u>\$ 355,804</u> |

Number of shares

| Unit: Thousand shares | For the Three Months ended September 30, 2023 | For the Three Months ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|---|--|--|---|---|
| Weighted average number of common shares used to calculate basic earnings per share | 50,204 | 50,204 | 50,204 | 50,204 |
| Effect of potentially dilutive ordinary shares | | | | |
| Employees' compensation | <u>19</u> | <u>51</u> | <u>27</u> | <u>58</u> |
| Weighted average number of common shares used to calculate diluted earnings per share | <u>50,223</u> | <u>50,255</u> | <u>50,231</u> | <u>50,262</u> |

If the Group offered to settle the employees' compensation in cash or shares, it assumed the entire amount of the compensation will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential ordinary shares is included in the computation of diluted earnings per share until the number of shares to be distributed as employees' compensation in the resolution in the next year.

23. Capital Risk Management

The Group monitors its funds by regularly reviewing the ratio of assets to liabilities, and based on the characteristics of the current operating industry, future company development and changes in the external environment, it plans the company's needs for working capital, capital expenditures, and dividend payments in the future, To ensure that the company can continue to operate and maintain the best capital structure.

24. Financial Instruments

a. Fair value information - financial instruments at fair value on a recurring basis

1) Fair value hierarchy (December 31, 2022: None)

September 30, 2023

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|----------------|--------------|
| <u>Financial assets at fair value through profit or loss</u> | | | | |
| Derivatives | \$ _____ | \$ 5,016 | \$ _____ | \$ 5,016 |
| <u>Financial liabilities at fair value through profit or loss</u> | | | | |
| Derivatives | \$ _____ | \$ 208 | \$ _____ | \$ 208 |

September 30, 2022

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|----------------|--------------|
| <u>Financial liabilities at fair value through profit or loss</u> | | | | |
| Derivatives | \$ _____ | \$ 1,559 | \$ _____ | \$ 1,559 |

There were no transfers between Levels 1 and 2 for the Nine months ended September 30, 2023 and 2022.

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

| <u>Category of Financial Instruments</u> | <u>Valuation Technique and Inputs</u> |
|--|---|
| Derivatives - forward foreign exchange contracts | The fair value of forward foreign exchange contracts is measured by reference to quoted forward exchange rates and the yield curves derived from the quoted interest rates over the contract maturity period. |
| Derivatives - cross-currency swap contract | Discounted cash flow method: Estimate the future cash flow according to the observable forward exchange rate and the exchange rate stipulated in the contract at the end of the period, and discount it at a discount rate that can reflect the credit risk of each counterparty. |

b. Categories of financial instruments

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|---|---------------------------|--------------------------|---------------------------|
| <u>Financial assets</u> | | | |
| Financial assets at amortized cost (Note 1) | \$ 786,416 | \$ 974,787 | \$ 950,561 |
| Measured at fair value through profit or loss | | | |
| Held for trading | 5,016 | - | - |
| <u>Financial liabilities</u> | | | |
| Measured at amortized cost (Note 2) | 1,332,879 | 1,545,677 | 1,636,946 |
| Measured at fair value through profit or loss | | | |
| Held for trading | 208 | - | 1,559 |

Note 1: The balance includes cash, debt instrument investments, notes receivable, trade receivable, other receivables (excluding tax refunds receivable) and deposits and other financial assets measured at amortized cost.

Note 2: The balances include short-term borrowings, trade payables, other payables, long-term borrowings and deposit margin and other financial liabilities measured at amortized cost.

c. Financial risk management objectives and policies

The Group's major financial instruments include note receivables, trade receivables, other receivables, trade payables, borrowings, and lease liabilities. The Group's financial risk management objective is to manage market risks, credit risks, and liquidity risks associated with its operating activities. To reduce related risks, the Group is committed to identify, assess and avoid uncertainties of the market in order to reduce potentially unfavorable effects on its financial performance due to changes in the market.

1) Market risk

The Group's operating activities expose the main market risks that the Group's is exposed to are the risk of changes in foreign currency exchange rates and the risk of changes in interest rates.

i. Foreign exchange risk

The Group's sales and purchase transactions are denominated in foreign currency; as a consequence, the Group is exposed to the risk of fluctuation in the exchange rate. In order to avoid the decrease in the value of foreign currency assets and fluctuations in future cash flows due to changes in exchange rates, the Group has taken into account the risk of the net position of foreign currencies by analyzing factors, such as the amount of payments received and paid for foreign currency assets and foreign currency liabilities and the maturity period, and it also avoids the related risk of exchange rates by methods of cross-currency swap contracts, forward foreign exchange contracts, borrowings in foreign currency, and so on. Internal-audit members who will be continuously review the conformity to policies and risk exposure limits. The application of cross-currency swap contracts and forward foreign exchange contracts by the Group is governed by the policies approved by the Board of Directors, and the Group does not enter into transactions of cross-currency swap contracts and forward foreign exchange contracts for speculative purposes.

Please refer to Note 28, for the carrying amount of monetary assets and monetary liabilities of the Group denominated in non-functional currencies at the balance sheet date (including the monetary items denominated in non-functional currencies and already eliminated in the consolidated financial statements).

The sensitivity analysis of foreign exchange rate risks is mainly computed with respect to foreign currency items (mainly in USD) and derivatives on the end date of the financial reporting period. If the functional currency of the consolidated entities had strengthened/weakened by 1% against USD, the net profit after tax of the Group for the nine months ended September 30, 2023 would decrease/increase by \$2,434 thousand; the net profit after tax of the Group for the nine months ended September 30, 2022 would increase / decrease by \$134 thousand.

As the above-mentioned sensitivity analysis is based on the amount of foreign currency to be exposed at the balance sheet date, the management considers that the sensitivity is unrepresentative of the interim exposure.

ii. Interest rate risk

Interest rate risk refers to the risk of changes in the fair value of a financial instrument or changes in cash flows caused by fluctuations in market interest rates. The Group is exposed to fair value interest rate risk through holding its fixed-rate financial assets and liabilities; financial assets and liabilities held at floating rates expose the Group to cash flow interest rate risk. The management of the Group regularly monitors the changes in market interest rates and adjusts the portion of financial assets and liabilities at floating rates to make the Group's interest rates approximate the market interest rates in response to the risk of changes in market interest rates.

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

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|-------------------------------|---------------------------|--------------------------|---------------------------|
| Fair value interest rate risk | | | |
| – Financial assets | \$ 24,672 | \$ 23,728 | \$ 24,430 |
| – Financial liabilities | 7,944 | 9,794 | 11,349 |
| Cash flow interest rate risk | | | |
| – Financial assets | 382,507 | 534,112 | 360,558 |
| – Financial liabilities | 1,117,277 | 1,293,457 | 1,322,343 |

Fixed-rate financial assets/liabilities held by the Group are measured at amortized cost and are therefore excluded from the analysis; the methods for the analysis of floating-rate financial assets/liabilities assume that the amounts of assets/liabilities outstanding at the balance sheet date were outstanding for the whole reporting period. An increase/decrease of 0.25% in market interest rates is used as a reasonable risk assessment for reporting changes in interest rates to the management by the Group. With all other variables remaining unchanged, an increase/decrease of 0.25% in market interest rates will impact to a decrease / increase of \$363 thousand and \$1,089 thousand on the Group's net profit after tax for the three months and nine months ended September 30, 2023; It also, would impact to a decrease or increase of \$478 thousand and \$1,435 thousand on the Group's net profit after tax for the three months and nine months ended September 30, 2022, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopted a policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults, and the exposure to credit risk and the credit ratings of its counterparties were continuously monitored. At the balance sheet date, the Group's maximum amount of exposure to credit risk approximated the carrying amount of its financial assets.

The Group's credit risk of trade receivable is concentrated on the Group's top customer, the Diodes Group, which is also the parent company, accounting for 78%, 77%, and 76% of the total trade receivable from the above-mentioned customer as of September 30, 2023, and December 31 and September 30, 2022, respectively. Therefore, it belongs to associates transactions which should not result in credit risk.

3) Liquidity risk

The Group's management finances the operations and mitigates the liquidity risk by maintaining sufficient cash and banking facilities.

i. Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details analysis of the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows, including both interest and principal cash flows, of financial liabilities from the earliest date on which the Group can be required to pay.

September 30, 2023

| | <u>Weighted Average Effective Rate (%)</u> | <u>Payment on Sight or Less than 3 Month</u> | <u>3 Months to 1 Year</u> | <u>1 to 2 Year(s)</u> | <u>2 to 5 Years</u> | <u>Over 5 Years</u> |
|---|--|--|-------------------------------|-----------------------|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | | | | |
| Non-interest bearing liabilities | | \$ 286,831 | \$ - | \$ - | \$ - | \$ - |
| Lease liabilities | 1.06% | 1,569 | 3,196 | 1,791 | 1,848 | - |
| Floating-rate instruments | 1.80% | <u>314,030</u> | <u>87,099</u> | <u>296,084</u> | <u>423,407</u> | <u>43,264</u> |
| | | <u>\$ 602,430</u> | <u>\$ 90,295</u> | <u>\$ 297,875</u> | <u>\$ 425,255</u> | <u>\$ 43,264</u> |

December 31, 2022

| | Weighted Average Effective Rate (%) | Payment on Sight or Less than 3 Month | 3 Months to 1 Year | 1 to 2 Year(s) | 2 to 5 Years | Over 5 Years |
|---|--|---|-----------------------|-------------------|------------------|------------------|
| <u>Non-derivative financial liabilities</u> | | | | | | |
| Non-interest bearing liabilities | | \$ 354,682 | \$ - | \$ - | \$ - | \$ - |
| Lease liabilities | 1.07% | 1,593 | 2,955 | 2,350 | 3,032 | - |
| Floating-rate instruments | 1.70% | <u>413,356</u> | <u>136,323</u> | <u>672,194</u> | <u>43,798</u> | <u>53,376</u> |
| | | <u>\$ 769,631</u> | <u>\$ 139,278</u> | <u>\$ 674,544</u> | <u>\$ 46,830</u> | <u>\$ 53,376</u> |

September 30, 2022

| | Weighted Average Effective Rate (%) | Payment on Sight or Less than 3 Month | 3 Months to 1 Year | 1 to 2 Year(s) | 2 to 5 Years | Over 5 Years |
|---|--|---|-----------------------|-------------------|------------------|------------------|
| <u>Non-derivative financial liabilities</u> | | | | | | |
| Non-interest bearing liabilities | | \$ 417,503 | \$ - | \$ - | \$ - | \$ - |
| Lease liabilities | 1.08% | 1,574 | 3,687 | 2,772 | 3,479 | - |
| Floating-rate instruments | 1.39% | <u>432,822</u> | <u>135,183</u> | <u>677,624</u> | <u>43,889</u> | <u>56,505</u> |
| | | <u>\$ 851,899</u> | <u>\$ 138,870</u> | <u>\$ 680,396</u> | <u>\$ 47,368</u> | <u>\$ 56,505</u> |

ii. Financing facilities

Conditions of utilization on the Group's bank financing facilities at the balance sheet date were as follows:

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|---------------------------------------|---------------------------|--------------------------|---------------------------|
| Secured bank financing facilities: | | | |
| — Amount used | \$ 1,117,277 | \$ 1,293,457 | \$ 1,322,343 |
| — Amount unused | <u>482,270</u> | <u>480,710</u> | <u>431,750</u> |
| | <u>\$ 1,599,547</u> | <u>\$ 1,774,167</u> | <u>\$ 1,754,093</u> |

25. Related Party Transactions

Transactions, account balances, income and expenses between the Company and its subsidiaries have been eliminated in full upon consolidation, and they are not disclosed in this note accordingly. In addition to those disclosed in other notes, the significant transactions between the Group and other related parties were as follows:

a. Related party name and category

| <u>Related Party</u> | <u>Relationship with the Group</u> |
|---|------------------------------------|
| Diodes Taiwan S.A R.L., Taiwan Branch (Luxembourg) (Diodes (TW)) | Sister company |
| Diodes Taiwan S.A R.L., Keelung Branch (Luxembourg) (Diodes (KL)) | Sister company |
| Diodes Hong Kong Limited (Diodes (HK)) | Sister company |
| Shanghai KaiHong Electronic Co., Ltd (Kaihong Electronics) | Sister company |

b. Operating revenue

| Line Item | Related Party Category/Name | For the Three Months ended September 30, 2023 | For the Three Months ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|-----------|-----------------------------|---|---|--|--|
| Sales | Sister company | | | | |
| | Diodes (TW) | \$ 75,449 | \$ 238,151 | \$ 510,044 | \$ 553,996 |
| | Diodes (HK) | 275,036 | 201,453 | 511,638 | 702,943 |
| | Kaihong Electronics | - | 809 | 5,321 | 3,281 |
| | | <u>\$ 350,485</u> | <u>\$ 440,413</u> | <u>\$ 1,027,003</u> | <u>\$ 1,260,220</u> |

There are no significant differences between the terms and conditions of transactions for related parties and that for general transactions.

c. Purchase

| Line Item | Related Party Category/Name | For the Three Months ended September 30, 2023 | For the Three Months ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|-----------|-----------------------------|---|---|--|--|
| Purchase | Sister company | | | | |
| | Diodes (HK) | \$ 163 | \$ - | \$ 163 | \$ - |

There are no significant differences between the terms and conditions of transactions for related parties and that for general transactions.

d. Receivables from related parties

| Line Item | Related Party Category/Name | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--|-----------------------------|--------------------|-------------------|--------------------|
| Trade receivables from related parties | Sister company | | | |
| | Diodes(HK) | \$ 235,385 | \$ 103,451 | \$ 161,847 |
| | Diodes(TW) | 56,131 | 215,735 | 264,187 |
| | Others | - | - | 853 |
| | | <u>\$ 291,516</u> | <u>\$ 319,186</u> | <u>\$ 426,887</u> |

No secure was received for the outstanding amount of receivables from related parties. No loss allowances were set aside for receivables from related parties as of September 30, 2023, and December 31 and September 30, 2022.

e. Amounts payable to related parties

| Line Item | Related Party Category/Name | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|------------------------------------|-----------------------------|--------------------|-------------------|--------------------|
| Trade payable from related parties | Sister company | | | |
| | Diodes (HK) | \$ 165 | \$ - | \$ - |

There is no guarantee for outstanding amounts payable to related parties.

f. Transactions with other related parties

On July 5, 2023, the company passed a resolution of the board of directors to acquire the wafer manufacturing business planned to be divided by the Diodes (KL) by the company or the newly established subsidiary in cash. The two parties also signed a division contract, agreeing that Diodes (KL) would divide and transfer the assets and liabilities related to its wafer manufacturing business (subject assets and liabilities) to the company or a newly established subsidiary. After the split, the merged company will continue to operate at the original location. The calculation of the split consideration is based on the operating value of the underlying assets and liabilities on the split base date plus the operating premium agreed by both parties, and is adjusted based on the underlying assets and liabilities at the time of delivery. The split base date is tentatively set as December 29, 2023. The transaction is not yet to be approved by the extraordinary shareholders' meeting on August 21, 2023. The company expects to issues increase cash capital to complete the aforementioned transaction.

g. Remuneration to the major management

| | For the Three Months ended September 30, 2023 | For the Three Months ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|------------------------------|--|--|---|---|
| Short-term employee benefits | \$ 3,808 | \$ 3,659 | \$ 16,704 | \$ 15,980 |
| Post-employment benefits | <u>27</u> | <u>27</u> | <u>81</u> | <u>81</u> |
| | <u>\$ 3,835</u> | <u>\$ 3,686</u> | <u>\$ 16,785</u> | <u>\$ 16,061</u> |

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

26. Pledged Assets

The following assets of the Group were provided as collateral for borrowings and endorsements/guarantees through pledges:

| | September 30, 2023 | December 31, 2022 | September 30, 2022 | Nature |
|---|-----------------------|----------------------|-----------------------|---|
| Bank time deposits (classified as financial assets at amortized cost) | \$ 14,991 | \$ 14,515 | \$ 14,905 | endorsements/guarantees and short-term borrowings |
| Bank demand deposits (classified as financial assets at amortized cost) | 42,156 | 42,080 | 52,030 | Short-term and long- term borrowings |
| Property and plant | <u>888,211</u> | <u>893,713</u> | <u>895,547</u> | Short-term and long- term borrowings |
| | <u>\$ 945,358</u> | <u>\$ 950,308</u> | <u>\$ 962,482</u> | |

27. Significant Contingent Liabilities and Unrecognized Contract Commitments

As a result of the replacement of production line equipment and business expansion, the Group has undertaken to order machinery equipment and system software, etc. The amounts paid were as follows:

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--|-----------------------|----------------------|-----------------------|
| Amount of Contract Commitments | <u>\$ 145,639</u> | <u>\$ 201,380</u> | <u>\$ 240,479</u> |
| Amount Paid (classified as prepayments for equipment) | <u>\$ 89,805</u> | <u>\$ 132,373</u> | <u>\$ 163,721</u> |

28. Information on Assets And Liabilities Denominated in Foreign Currencies With Significant Effects

The following information is presented in foreign currencies other than the functional currency of the Group's each entity, and the exchange rate disclosed refers to the exchange rate for such foreign currency translated to the functional currency. Financial assets and liabilities denominated in foreign currencies with significant effects were as follows:

Unit: Foreign currency/NT\$ thousands, Except for Exchange Rate

| September 30, 2023 | | | | |
|---|------------------|--------------------|---------------------|------------|
| | Foreign Currency | Exchange rate (\$) | Functional Currency | NTD |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | \$ 16,812 | 32.27 (USD:NTD) | \$ 542,523 | \$ 542,523 |
| USD | 369 | 7.31 (USD:RMB) | 2,697 | 11,907 |
| RMB | 1,407 | 4.42 (RMB:NTD) | 6,212 | 6,212 |
| EUR | 331 | 33.91 (EUR:NTD) | 11,224 | 11,224 |
| <u>Non-monetary items</u> | | | | |
| <u>Derivatives</u> | | | | |
| USD | 2,000 | 32.27 (USD:NTD) | 64,540 | 64,540 |
| Investments accounted for using the equity method | | | | |
| USD | 2,089 | 32.27 (USD:NTD) | 67,422 | 67,422 |
| RMB | 15,441 | 0.14 (RMB:USD) | 2,113 | 68,171 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | 7,823 | 32.27 (USD:NTD) | 252,448 | 252,448 |
| <u>Non-monetary items</u> | | | | |
| <u>Derivatives</u> | | | | |
| USD | 2,000 | 32.27 (USD:NTD) | 64,540 | 64,540 |
| December 31, 2022 | | | | |
| | Foreign Currency | Exchange rate (\$) | Functional Currency | NTD |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | \$ 8,376 | 30.71 (USD:NTD) | \$ 257,227 | \$ 257,227 |
| USD | 1,186 | 6.97 (USD:RMB) | 8,263 | 36,422 |
| RMB | 1,420 | 4.41 (RMB:NTD) | 6,259 | 6,259 |
| <u>Non-monetary items</u> | | | | |
| Investments accounted for using the equity method | | | | |
| USD | 2,063 | 30.71 (USD:NTD) | 63,353 | 63,353 |
| RMB | 14,600 | 0.14 (RMB:USD) | 2,096 | 64,335 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | \$ 6,086 | 30.71 (USD:NTD) | \$ 186,901 | \$ 186,901 |
| USD | 98 | 6.97 (USD:RMB) | 683 | 3,010 |
| September 30, 2022 | | | | |
| | Foreign Currency | Exchange rate (\$) | Functional Currency | NTD |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | \$ 9,863 | 31.75 (USD:NTD) | \$ 313,150 | \$ 313,150 |
| USD | 217 | 7.10 (USD:RMB) | 1,540 | 6,888 |
| RMB | 1,460 | 4.47 (RMB:NTD) | 6,531 | 6,531 |
| EUR | 515 | 31.26 (EUR:NTD) | 16,099 | 16,099 |
| <u>Non-monetary items</u> | | | | |
| Investments accounted for using the equity method | | | | |
| USD | 1,993 | 31.75 (USD:NTD) | 63,281 | 63,281 |
| RMB | 14,370 | 0.14 (RMB:USD) | 2,024 | 64,278 |

September 30, 2022

| | Foreign Currency | Exchange rate (\$) | Functional Currency | NTD |
|------------------------------|------------------|--------------------|---------------------|---------|
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | 9,150 | 31.75 (USD:NTD) | 290,513 | 290,513 |
| <u>Non-monetary items</u> | | | | |
| Derivatives | | | | |
| USD | 1,500 | 31.75 (USD:NTD) | 47,625 | 47,625 |

The (realized and unrealized) foreign exchange net gains or losses with significant effects were as follows:

Unit: NT\$ Thousands, Except for Exchange Rate

| Foreign Currency | Three Months Ended September 30, 2023 | | Three Months Ended September 30, 2022 | |
|------------------|---------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|
| | Exchange Rate | Net Foreign Exchange Gains (Losses) | Exchange Rate | Net Foreign Exchange Gains (Losses) |
| USD | 31.68 (USD:NTD) | \$ 10,135 | 30.40 (USD:NTD) | \$ 13,899 |
| USD | 7.17 (USD:RMB) | (113) | 6.83 (USD:RMB) | (5) |
| EUR | 34.49 (EUR:NTD) | (138) | 30.62 (EUR:NTD) | 320 |
| JPY | 0.22 (JPY:NTD) | 24 | 0.22 (JPY : NTD) | 1,004 |
| Others | | (171) | | 205 |
| | | <u>\$ 9,737</u> | | <u>\$ 15,423</u> |

| Foreign Currency | Nine Months Ended September 30, 2023 | | Nine Months Ended September 30, 2022 | |
|------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Exchange Rate | Net Foreign Exchange Gains (Losses) | Exchange Rate | Net Foreign Exchange Gains (Losses) |
| USD | 31.49 (USD:NTD) | \$ 12,555 | 29.72 (USD:NTD) | \$ 33,331 |
| USD | 7.31 (USD:RMB) | 446 | 6.74 (USD:RMB) | 346 |
| EUR | 33.91 (EUR:NTD) | 126 | 31.26 (EUR:NTD) | 1,699 |
| JPY | 0.22 (JPY:NTD) | 23 | 0.22 (JPY : NTD) | 1,002 |
| Others | | 366 | | 556 |
| | | <u>\$ 13,516</u> | | <u>\$ 36,934</u> |

29. Supplementary Disclosures

a. Information on significant transactions:

- 1) Financing provided to others: None.
- 2) Endorsements/guarantees provided to others: Please refer to Attached Table 1.
- 3) Marketable securities held at end of period (excluding investments in subsidiaries): None.
- 4) Marketable securities acquired and disposed of amounting to NT\$300 million or 20% of the paid-in capital or more: None.
- 5) Acquisition of property amounting to NT\$300 million or 20% of paid-in capital or more: None.
- 6) Disposal of property amounting to NT\$300 million or 20% of paid-in capital or more: None.
- 7) Purchases or sales with related parties amounting to NT\$100 million or 20% of paid-in capital or more: Please refer to Attached Table 2.
- 8) Receivables from related parties amounting to NT\$100 million or 20% of paid-in capital or more: Please refer to Attached Table 3.
- 9) Trading in derivative instruments: Please refer to Note 7.

- 10) Other: Business relations and important transactions and amounts between parent and subsidiary companies and between subsidiaries: Please refer to Attached Table 4.
- b. Intercompany relationships and significant intercompany transactions: Please refer to Attached Table 5.
- 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: Please refer to Attached Table 6.
 - 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:
 - i. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Please refer to Attached Table 7.
 - ii. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Please refer to Attached Table 7.
 - iii. The amount of property transactions and the amount of the resultant gains or losses: None.
 - iv. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Please refer to Attached Table 1.
 - v. The highest balance, the end of the period balance, the interest rate intervals, and total current period interest with respect to the financing of funds: None.
 - vi. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None.
- d. Information on major shareholders: names of shareholders with a shareholding ratio of 5% or more as well as number and proportion of shares held: Please refer to Attached Table 8.

30. Segment Information

The information provided to major operating decision makers for allocating resources and evaluating department performance, in addition to considering department managers, focuses on each operating entity and the types of products or services provided. The departments that the consolidate company should report are as follows:

- Eris Technology and Jie Cheng - mainly manufacturing and selling in diodes.
- Yea Shin - mainly manufacturing and selling in wafers.

Segment revenues and operating results

The following was an analysis of the Group's revenues and operating results from continuing operation units by reportable segments.

Nine Months Ended September 30, 2023

| | <u>Eris Technology and Jie Cheng</u> | <u>Yea Shin</u> | <u>Adjustments and write-offs</u> | <u>Total</u> |
|---------------------------------|--|-------------------|---------------------------------------|---------------------|
| Revenue from external customers | \$ 1,230,972 | \$ 77,215 | \$ - | \$ 1,308,187 |
| Inter-segment revenue | <u>17,929</u> | <u>550,859</u> | (<u>568,788</u>) | <u>-</u> |
| Segment revenue | <u>\$ 1,248,901</u> | <u>\$ 628,074</u> | (<u>\$ 568,788</u>) | <u>\$ 1,308,187</u> |
| Segment income | <u>\$ 268,076</u> | <u>\$ 204,762</u> | (<u>\$ 208,473</u>) | <u>\$ 264,365</u> |
| Segment assets | <u>\$ 3,099,054</u> | <u>\$ 741,715</u> | (<u>\$ 903,255</u>) | <u>\$ 2,937,514</u> |
| Segment liabilities | <u>\$ 1,523,520</u> | <u>\$ 138,098</u> | (<u>\$ 231,468</u>) | <u>\$ 1,430,150</u> |

Nine Months Ended September 30, 2022

| | <u>Eris Technology and Jie Cheng</u> | <u>Yea Shin</u> | <u>Adjustments and write-offs</u> | <u>Total</u> |
|---------------------------------|--|-------------------|---------------------------------------|---------------------|
| Revenue from external customers | \$ 1,556,772 | \$ 104,661 | \$ - | \$ 1,661,433 |
| Inter-segment revenue | <u>23,085</u> | <u>658,280</u> | <u>(681,365)</u> | <u>-</u> |
| Segment revenue | <u>\$ 1,579,857</u> | <u>\$ 762,941</u> | <u>(\$ 681,365)</u> | <u>\$ 1,661,433</u> |
| Segment income | <u>\$ 359,196</u> | <u>\$ 256,826</u> | <u>(\$ 260,218)</u> | <u>\$ 355,804</u> |
| Segment assets | <u>\$ 3,321,860</u> | <u>\$ 797,755</u> | <u>(\$ 935,746)</u> | <u>\$ 3,183,869</u> |
| Segment liabilities | <u>\$ 1,874,048</u> | <u>\$ 172,371</u> | <u>(\$ 246,083)</u> | <u>\$ 1,800,336</u> |

TABLE 1

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
ERIS TECHNOLOGY CORPORATION AND SUBSIDIARIES

Endorsements/Guarantees Provided to Others
For the Nine Months ended September 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Provided to An Individual Entity (Note 2) | Maximum Endorsement/ Guarantee Balance for the Period | Outstanding Balance of Endorsements/ Guarantees at the End of the Period | Actual Drawing Amount | Amount of Endorsements/ Guarantees Collateralized by Property | Ratio of Cumulative Amount of Endorsements/ Guarantees to the Net Equity Stated in the Latest Financial Statements | Maximum Limit of Endorsement/ Guarantee (Note 2) | Endorsements/ Guarantees Provided by Parent for Subsidiary | Endorsements/ Guarantees Provided by Subsidiary for Parent | Endorsements/ Guarantees Provided for Subsidiary in Mainland China |
|-----|-----------------------|--|--------------------------|---|---|---|--------------------------|---|--|--|--|--|---|
| | | Name of Company | Relationship (Note 1) | | | | | | | | | | |
| 0 | Eris Technology Corp. | Jie Cheng Electronic (Shanghai) Co., Ltd. | (2) | \$ 150,736 | \$ 30,000 | \$ 30,000 | \$ - | \$ 9,681 | 1.99% | \$ 452,209 | Y | N | Y |

Note 1: Relationship between the endorser/guarantor and the endorsee/guarantee is classified into the following seven categories:

- (1) A company with which it does business.
- (2) A company in which the company directly and indirectly holds more than 50% of the voting shares.
- (3) A company that directly and indirectly holds more than 50% of the voting shares in the company.
- (4) A company in which the company holds, directly or indirectly, 90% or more of the voting shares.
- (5) A company that fulfills its contractual obligations by providing mutual guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) A company that all capital contributing shareholders make endorsements/guarantees in proportion to their shareholding ratio due to their joint investment relationship.
- (7) Escrow with joint and several guarantees between companies in the same industry for performance guarantees of pre-construction homes under the Consumer Protection Act.

Note 2: The total amount of the company's external endorsement guarantee and the limit of the single company's endorsement guarantee shall not exceed 30% and 10% of the company's net worth, respectively. The maximum limit of this endorsement guarantee is calculated based on the company's net value on September 30, 2023.

TABLE 2

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
ERIS TECHNOLOGY CORPORATION AND SUBSIDIARIES

Purchases or Sales with Related Parties Amounting to NT\$100 Million or 20% of Paid-in Capital or More

For the Nine Months ended September 30, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer (Seller) | Counterparty | Relationship | Transaction Details | | | | Details and Reasons for Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|-----------------------|--|---|---------------------|----------------|--------------------------------------|---------------------|--|---------------|-------------------------------------|--|--------|
| | | | Purchases (Sales) | AMOUNT | Ratio of Total Purchases (Sales) (%) | Credit Period | Unit price | Credit Period | Balance | Ratio of Notes/Accounts Receivable (Payable) (%) | |
| Eris Technology Corp. | Diodes Taiwan S.A R.L., Taiwan Branch (Luxembourg) | Same as the Company's ultimate parent company | Sales | (\$ 510,044) | 42.64% | Net 60 payment term | None | None | \$ 56,131 | 16.75% | - |
| Eris Technology Corp. | Diodes Hong Kong Limited | Same as the Company's ultimate parent company | Sales | (511,638) | 42.77% | Net 60 payment term | None | None | 235,385 | 70.23% | - |
| Eris Technology Corp. | Yea Shin Technology Co., Ltd. | The Company's subsidiary | Purchases | 537,332 | 57.78% | Net 60 payment term | None | None | (222,724) | 91.28% | Note 1 |

Note 1: Related transactions have been written off in the consolidated financial statements

TABLE 3

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
ERIS TECHNOLOGY CORPORATION AND SUBSIDIARIES

Receivables from Related Parties Amounting to NT\$100 Million or 20% of the Paid-in Capital or More

September 30, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company recording the receivables | Counterparty | Relationship | Balance Receivables from Related Parties | Turnover rate | Overdue Receivables from Related Parties | | Amounts of Receivables from Related Parties Received in Subsequent Period (Note 1) | Amount of Loss Allowance |
|-----------------------------------|--------------------------|---|--|---------------|--|---------------|--|--------------------------|
| | | | | | AMOUNT | Actions Taken | | |
| Eris Technology Corp. | Diodes Hong Kong Limited | Same as the Company's ultimate parent company | \$ 235,385 | 4.03 | \$ - | — | \$ 91,765 | - |
| Yea Shin Technology Co., Ltd. | Eris Technology Corp. | Parent company | 222,724 | 3.69 | - | — | 70,679 | - |

Note 1: Related transactions were eliminated in the consolidated financial statements.

TABLE 4

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
ERIS TECHNOLOGY CORPORATION AND SUBSIDIARIES

Intercompany Relationships and Significant Intercompany Transactions

For the Nine Months ended September 30, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. (Note 1) | Company | Counterparty | Relationship with Investor (Note 2) | Transactions Details | | | |
|-----------------|-------------------------------|---|---|--------------------------|-----------------|--|--|
| | | | | Ledger Account | Amount (Note 4) | Transaction Term | Ratio of Consolidated Total Revenue or Total Assets (Note 3) |
| 0 | Eris Technology Corp. | Jie Cheng Electronic (Shanghai) Co., Ltd. | 1 | Trade receivables | \$ 780 | - | 0.03% |
| 0 | Eris Technology Corp. | Jie Cheng Electronic (Shanghai) Co., Ltd. | 1 | Sales | 5,171 | No significant difference from general customers | 0.39% |
| 0 | Eris Technology Corp. | Jie Cheng Electronic (Shanghai) Co., Ltd. | 1 | Trade payables | 831 | - | 0.03% |
| 0 | Eris Technology Corp. | Jie Cheng Electronic (Shanghai) Co., Ltd. | 1 | Purchases | 20,636 | No significant difference from general customers | 1.57% |
| 0 | Eris Technology Corp. | Jie Cheng Electronic (Shanghai) Co., Ltd. | 1 | Other operating expenses | 589 | No significant difference from general customers | 0.04% |
| 0 | Eris Technology Corp. | Yea Shin Technology Co., Ltd. | 1 | Trade receivables | 4,668 | - | 0.16% |
| 0 | Eris Technology Corp. | Yea Shin Technology Co., Ltd. | 1 | Trade payables | 222,724 | - | 7.58% |
| 0 | Eris Technology Corp. | Yea Shin Technology Co., Ltd. | 1 | Sales | 17,929 | No significant difference from general customers | 1.37% |
| 0 | Eris Technology Corp. | Yea Shin Technology Co., Ltd. | 1 | Purchases | 537,332 | No significant difference from general customers | 40.99% |
| 0 | Eris Technology Corp. | Yea Shin Technology Co., Ltd. | 1 | Processing fees | 10,754 | No significant difference from general customers | 0.82% |
| 0 | Eris Technology Corp. | Yea Shin Technology Co., Ltd. | 1 | Other receivables | 1,457 | - | 0.05% |
| 0 | Eris Technology Corp. | Yea Shin Technology Co., Ltd. | 1 | Rental income | 2,571 | No significant difference from general customers | 0.20% |
| 1 | Yea Shin Technology Co., Ltd. | Jie Cheng Electronic (Shanghai) Co., Ltd. | 3 | Sales | 2,773 | No significant difference from general customers | 0.22% |
| 1 | Yea Shin Technology Co., Ltd. | Jie Cheng Electronic (Shanghai) Co., Ltd. | 3 | Trade payables | 987 | - | 0.03% |
| 1 | Yea Shin Technology Co., Ltd. | Jie Cheng Electronic (Shanghai) Co., Ltd. | 3 | Purchases | 1,518 | No significant difference from general customers | 0.12% |
| 1 | Yea Shin Technology Co., Ltd. | Jie Cheng Electronic (Shanghai) Co., Ltd. | 3 | Other income | 2,587 | No significant difference from general customers | 0.20% |
| 1 | Yea Shin Technology Co., Ltd. | Jie Cheng Electronic (Shanghai) Co., Ltd. | 3 | Other receivables | 717 | - | 0.02% |

Note 1: The numbers shall be filled in the column of No. for intercompany relationships in a manner of following instructions:

1. Fill in 0 for the parent company.
2. Subsidiaries are numbered in order starting from 1 of Arabic numerals.

Note 2: Relationships with the investor are classified into the following three categories to remark the category only:

1. Parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries.

Note 3: Regarding the ratio of the transaction amount to consolidated total operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet accounts, and based on the accumulated amount for the interim to consolidated total operating revenues for income statement accounts.

Note 4: Related transactions were eliminated in the consolidated financial statements.

TABLE 5

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
ERIS TECHNOLOGY CORPORATION AND SUBSIDIARIES

Related Information on Name of Investee, Location, and So On

For the Nine Months ended September 30, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Name of Investor | Name of Investee | Location | Principal Business Activities | Original Investment Amount (Note 1) | | Ending Balance | | | Net Income (Loss) of the Investee for the Period (Note 2 and 6) | Investment Profit (Loss) Recognized for the Period (Note 2 and 3) | Note |
|-----------------------|-----------------------------------|------------|---|-------------------------------------|---------------------------------|---------------------------------|-----------|--------------------------------|---|---|-------------------|
| | | | | End of the Period | Year-end of the last year | Number of shares (in thousands) | Ratio (%) | Carrying Amount (Note 3) | | | |
| Eris Technology Corp. | Keep High Limited | SEYCHELLES | Holding of investments | \$ 20,776 (USD 670 thousand) | \$ 20,776 (USD 670 thousand) | N/A | 100 | \$ 67,422 | \$ 3,711 (USD 118 thousand) | \$ 3,966 (Note 4) | Subsidiary |
| | Yea Shin Technology Co., Ltd. | Taiwan | Engaged in manufacturing of electronic components and wholesaling of electronic materials | 381,078 | 381,078 | 29,342 | 100 | 611,652 | 204,762 | 202,269 (Note 4) | Subsidiary |
| | Erishin Semiconductor Corporation | Taiwan | Engaged in manufacturing of electronic components and wholesaling of electronic materials | 1,000 | - | 100 | 100 | 1,000 | - | - | Subsidiary |
| Keep High Limited | Forever Eagle Incorporation | MAURITIUS | Holding of investments | 20,473 (USD 660 thousand) | 20,473 (USD 660 thousand) | N/A | 100 | 68,171 (USD 2,113 thousand) | 3,711 (USD 118 thousand) | 3,711 (USD 118 thousand) | Sub-subsubsidiary |

Note 1: The conversion is based on the US dollar buying exchange rate when the original investment funds are remitted out.

Note 2: The conversion is based on the average exchange rate of USD during the investment period.

Note 3: Related transactions were eliminated in the consolidated financial statements.

Note 4: It includes the adjustment of unrealized sales gross profit.

Note 5: Please refer to Table 6 for related information on investee in Mainland China.

Note 6: The calculation is based on the financial statements reviewed by the certified accountants of the parent company in Taiwan during the same period.

TABLE 6

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
ERIS TECHNOLOGY CORPORATION AND SUBSIDIARIES

Information on Investments in Mainland China
For the Nine Months ended September 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee in Mainland China | Principal Business Activities | Paid-in Capital (Note 1) | Method of Investments | Accumulated Amount of Investments Remitted Outward from Taiwan at Beginning of Period (Note 1) | Amount of Investments Remitted or Repatriated for the Period | | Accumulated Amount of Investments Remitted Outward from Taiwan at End of Period (Note 1) | Income (Loss) of the Investee for the Period | Shareholding Ratio of The Company's Direct or Indirect Investment | Investment Gain (Loss) Recognized for the Period (Note 2, 5 and 6) | Carrying Amount of Investments at End of Period (Note 6) | Accumulated Repatriation of Investment Income at End of Period |
|---|--|-----------------------------------|--|--|--|-------------|--|--|---|--|--|--|
| | | | | | Remitted | Repatriated | | | | | | |
| Jie Cheng Electronic (Shanghai) Co., Ltd. | Wholesaling of electronic materials and international trading business | \$ 20,170 (USD 650 thousand) | Indirectly investment in Mainland China through companies registered in a third region | \$ 20,170 (USD650 thousand) | \$ - | \$ - | \$ 20,170 (USD 650 thousand) | \$ 3,711 (RMB 841 thousand) | 100% | \$ 3,711 (RMB 841 thousand) | \$ 68,171 | \$ - |

| Accumulated Amount of Investments in Mainland China Remitted Outward from Taiwan at End of Period (Note 1) | Investment Amounts Authorized by Investment Commission, MOEA (Note 3) | Upper Limit on the Amount of Investment in Mainland China Stipulated by Investment Commission, MOEA (Note 4) |
|--|---|--|
| \$20,170 (USD 650 thousand) | \$20,976 (USD 650 thousand) | \$904,418 |

Note 1: Translation was based on the buying exchange rate of USD at the time of remittance.

Note 2: Translation was based on the average exchange rate during the investment period.

Note 3: Translation was based on the period-end exchange rate of USD on September 30, 2023.

Note 4: The information was calculated as 60% of the Company's net worth on September 30, 2023.

Note 5: Computation was based on the financial statements for the same periods reviewed by the certified public accountants of the Taiwan parent company.

Note 6: Related transactions were eliminated in the consolidated financial statements.

TABLE 7

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
ERIS TECHNOLOGY CORPORATION AND SUBSIDIARIES

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, and Other Related Information
For the Nine Months ended September 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Counterparty | Transaction Details | | | Details and Reasons for Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|---|---------------------|--------------|--------------------------------------|--|---------------|-------------------------------------|--|--------|
| | Purchases (Sales) | AMOUNT | Ratio of Total Purchases (Sales) (%) | Unit price | Credit Period | Balance | Ratio of Notes/Accounts Receivable (Payable) (%) | |
| Jie Cheng Electronic (Shanghai) Co., Ltd. | Sales | (\$ 7,944) | 0.44% | None | None | \$ 780 | 0.13% | Note 1 |
| Jie Cheng Electronic (Shanghai) Co., Ltd. | Purchases | 22,154 | 2.18% | None | None | (1,818) | 0.52% | Note 1 |
| Jie Cheng Electronic (Shanghai) Co., Ltd | Other Income | (2,587) | - | None | None | 717 | 4.47% | Note 1 |

Note 1: Related transactions were eliminated in the consolidated financial statements.

TABLE 8

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
ERIS TECHNOLOGY CORPORATION AND SUBSIDIARIES

Information on Major Shareholders

September 30, 2023

| Name of Major Shareholders | Shares | |
|--|-----------------------|--------------------|
| | Number of Shares Held | Shareholding Ratio |
| Yuanta Commercial Bank is entrusted with the custody of Diodes Holdings UK Limited Investment Account. | 22,687,604 | 51.07% |

Note 1: Information on major shareholders in this table is the information on shareholders holding more than 5% of the common stocks and preferred stocks that are completed the non-physical registration and delivered (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been completed the non-physical registration and delivered as a result of the different basis of preparation.

Note 2: In the above table, if the shareholder entrusts his/her shares to the trust, disclosure shall be made by the individual account of the trustee who opened the trust account of the grantor. As for the shareholders' declarations for insider equity holdings exceeding 10% in accordance with the Securities and Exchange Act, their shareholding includes their own shares plus their delivery of trust and shares with the right to make decisions on trust property, etc. For information on the declaration for insider equity, please refer to the Market Observatory Post System (website: <http://mops.twse.com.tw>).