

Stock Code :
3169

ASIX Electronics Corporation and Subsidiaries
Consolidated Financial Statements
With Independent Auditors' Review Report
For the Three Months Ended March 31, 2024 and 2023

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and 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 of ASIX Electronics Corporation:

Introduction

We have reviewed the accompanying consolidated balance of ASIX Electronics Corporation and its subsidiaries as of March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2024 and 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of ASIX Electronics Corporation and its subsidiaries as of March 31, 2024 and 2023, and of its consolidated financial performance as well as its consolidated cash flows for the three months ended March 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the audit resulting in this independent auditors' report are Jun-Yuan Wu and An-Chih Cheng.

KPMG

Hsinchu, Taiwan (Republic of China)

April 24.2024

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

Reviewed only, not audited in accordance with Standards on Auditing as of March 31, 2024 and 2023

ASIX Electronics Corporation

CONSOLIDATED BALANCE SHEETS

March 31, 2024, December 31, 2023 and March 31, 2023

(Expressed in Thousands of New Taiwan Dollars)

		March 31, 2024		December 31, 2023		March 31, 2023				March 31, 2024		December 31, 2023		March 31, 2023	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 1,589,082	79	1,476,486	76	1,649,715	76	2170	Accounts payable	\$ 14,014	1	10,735	1	14,020	1
1136	Financial assets at amortized cost (note 6(c))	85,500	4	85,500	4	85,500	4	2181	Accounts payable-related parties (note 7)	22,628	1	7,830	-	17,674	1
1170	Notes and accounts receivable, net (note 6(d))	73,557	4	107,437	6	68,073	3	2201	Salary and bonus payable	13,983	1	23,921	1	14,786	1
130X	Inventories (note 6(e))	107,986	5	112,768	6	218,865	10	2206	Accrued compensation to employees and directors (notes 6(o))	65,244	3	70,355	3	99,471	5
1470	Other current assets	4,787	-	3,708	-	5,802	-	2230	Current tax liabilities	48,891	2	39,707	2	54,445	2
1476	Other financial assets	1,234	-	788	-	1,284	-	2280	Current lease liabilities (notes 6(i))	1,208	-	1,191	-	950	-
Total current assets		1,862,146	92	1,786,687	92	2,029,239	93	2300	Other current liabilities (note 6(j))	13,991	1	31,582	2	64,921	2
								Total current liabilities		179,959	9	185,321	9	266,267	12
Non-current assets:								Non-Current liabilities:							
1517	Financial assets at fair value through other comprehensive income (note 6(b))	3,905	-	3,905	-	3,905	-	2580	Non-current lease liabilities (notes 6(i))	10,571	1	11,154	1	11,083	1
								Total non-current liabilities		10,571	1	11,154	1	11,083	1
1600	Property, plant and equipment (notes 6(f))	54,306	3	58,110	3	51,271	2	Total liabilities		190,530	10	196,475	10	277,350	13
1755	Right-of-use assets (note 6(g))	10,784	1	11,393	1	11,202	1	Equity (note 6(l) and (o)):							
1780	Intangible assets (note 6(h))	57,188	3	56,055	3	57,166	3	3110	Capital stock	627,770	31	627,770	32	624,270	29
1840	Deferred tax asset	17,785	1	19,395	1	18,483	1	3150	Employee stock compensation to be distributed	1,500	-	-	-	3,500	-
1900	Other non-current assets (note 8)	2,541	-	2,541	-	8,447	-	3200	Capital surplus	458,338	23	440,113	23	502,890	23
Total non-current assets		146,509	8	151,399	8	150,474	7	3300	Retained earnings	744,982	37	695,216	36	794,404	36
								3400	Others	(14,465)	(1)	(21,488)	(1)	(22,701)	(1)
								Total equity		1,818,125	90	1,741,611	90	1,902,363	87
Total assets		\$ 2,008,655	100	1,938,086	100	2,179,713	100	Total liabilities and equity		\$ 2,008,655	100	\$ 1,938,086	100	2,179,713	100

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

ASIX Electronics Corporation
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		For the three months ended March 31			
		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(n))	\$ 200,417	100	204,972	100
5000	Operating costs (notes 6(e)、(i)、(j)、(o) and 7)	99,922	50	93,943	46
	Gross profit	100,495	50	111,029	54
	Operating expenses (notes 6(i)、(j)、(o)):				
6100	Selling expenses	11,081	6	12,667	6
6200	Administrative expenses	13,140	6	12,312	6
6300	Research and development expenses	30,260	15	28,738	14
	Total operating expenses	54,481	27	53,717	26
	Net operating income	46,014	23	57,312	28
	Non-operating income and expenses:				
7010	Interest income (note 6(p))	5,983	3	6,205	3
7020	Other gains and losses (notes 6(p))	7,278	4	(2,278)	(1)
7050	Finance costs (notes 6(i))	(143)	-	(141)	-
	Total non-operating income and expenses	13,118	7	3,786	2
	Income before tax	59,132	30	61,098	30
7950	Income tax expense (note 6(k))	9,366	5	14,077	7
	Net income	49,766	25	47,021	23
8300	Other comprehensive income (loss):				
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	8,779	4	(1,683)	(1)
8399	Income tax related to items that may be reclassified to profit or loss (note 6(k))	(1,756)	(1)	336	-
	Total items that may be reclassified subsequently to profit or loss	7,023	3	(1,347)	(1)
8300	Other comprehensive income (after tax)	7,023	3	(1,347)	(1)
8500	Total comprehensive income	\$ 56,789	28	45,674	22
	Earnings per share (NT Dollars) (note 6(m))				
9750	Basic earnings per share	\$ 0.79		\$ 0.75	
9850	Diluted earnings per share	\$ 0.79		\$ 0.74	

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

Reviewed only, not audited in accordance with Standards on Auditing

ASIX Electronics Corporation

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	Capital stock -Common Stock	Employee stock compensation to be distributed	Capital surplus	Legal reserve	Special reserve	Retained Earnings		Other equity interest		Total	Total equity
						Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gain(loss) on financial assets measured at fair value through other comprehensive income		
Balance on January 1, 2023	\$ 624,270	-	465,090	204,197	33,158	510,028	747,383	(7,730)	(13,624)	(21,354)	1,815,389
Net income	-	-	-	-	-	47,021	47,021	-	-	-	47,021
Other comprehensive income	-	-	-	-	-	-	-	(1,347)	0	(1,347)	(1,347)
Total comprehensive income	-	-	-	-	-	47,021	47,021	(1,347)	0	(1,347)	45,674
Employees' compensation transferred to common shares	-	3,500	37,800	0	0	0	-	-	-	-	41,300
Balance on March 31, 2023	\$ 624,270	3,500	502,890	204,197	33,158	557,049	794,404	(9,077)	(13,624)	(22,701)	1,902,363
Balance on January 1, 2024	\$ 627,770	-	440,113	245,764	21,354	428,098	695,216	(7,864)	(13,624)	(21,488)	1,741,611
Net income	-	-	-	-	-	49,766	49,766	-	-	-	49,766
Other comprehensive income	-	-	-	-	-	-	-	7,023	-	7,023	7,023
Total comprehensive income	-	-	-	-	-	49,766	49,766	7,023	-	7,023	56,789
Employees' compensation transferred to common shares	-	1,500	18,225	-	-	-	-	-	-	-	19,725
Balance on March 31, 2024	\$ 627,770	1,500	458,338	245,764	21,354	477,864	744,982	(841)	(13,624)	(14,465)	1,818,125

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

Reviewed only, not audited in accordance with Standards on Auditing

ASIX Electronics Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2024	2023
Cash flows from operating activities:	\$ 59,132	61,098
Income before income tax		
Adjustments:		
Depreciation expense	4,459	4,942
Amortization expense	3,274	3,720
Interest expense	143	141
Interest income	(5,983)	(6,205)
Others	3,444	1,335
	<u>5,337</u>	<u>3,933</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable, net	33,880	20,616
Inventories	1,338	464
Other operating assets	(1,079)	(2,838)
Accounts payable	3,279	(6,540)
Accounts payable-related parties	14,798	1,003
Other operating liabilities	<u>(12,251)</u>	<u>14,939</u>
Total changes in operating assets and liabilities	<u>39,965</u>	<u>27,644</u>
Total adjustments	<u>45,302</u>	<u>31,577</u>
Cash generated from operations	104,434	92,675
Interest received	5,537	5,454
Interest paid	(143)	(141)
Income taxes paid	<u>(846)</u>	<u>(183)</u>
Net cash generated by operating activities	<u>108,982</u>	<u>97,805</u>
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive income	-	(1,080)
Property, plant and equipment	(314)	(2,580)
Intangible assets	<u>(2,379)</u>	<u>(8,603)</u>
Net cash generated by(used in) investing activities	<u>(2,693)</u>	<u>(12,263)</u>
Cash flows from financing activities:		
Payment of lease liabilities	<u>(298)</u>	<u>(301)</u>
Net cash generated by(used in) financing activities	<u>(298)</u>	<u>(301)</u>
Effect of exchange rate changes on cash and cash equivalents	6,605	(1,266)
Net increase in cash and cash equivalents	112,596	83,975
Cash and cash equivalents at beginning of period	1,476,486	1,565,740
Cash and cash equivalents at end of period	<u>\$ 1,589,082</u>	<u>1,649,715</u>

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

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with Standards on Auditing

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2024 and 2023

(Expressed in thousand dollars of TWD, Unless Otherwise Specified)

1 、 Company history

ASIX Electronics Corporation (the “Company”) was incorporated in May 12, 1995 at 4F, No. 8, Hsin-Ann Road, Hsinchu Science Park, Hsinchu, Taiwan (R.O.C.). The Company is primarily engaged in the research, development, manufacture and sale of communication and mixed-signal receiving and processing chips, multimedia graphics IC and graphics boards, asynchronous transmission mode chips, interface transmission chips, display driver chips and white light emitting diode driver chips. The company's stock has been listed for trading on the Republic of China Securities OTC Center since November 24, 2009.

2 、 Approval date and procedures of the financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on April 24, 2024.

3 、 New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRS Accounting Standards”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2024.

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

- (b) The impact of IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative information”
- Amendments to IAS21“Lack of Exchangeability”
- IFRS 18 “Presentation and Disclosure in Financial Statements”

4、Summary of significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Presentation of Financial Reports by Securities issuers (hereafter referred to as the Regulations) and the guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by the FSC. These consolidated financial statements do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRS endorsed by the FSC) for a complete set of the annual financial statements

Except as described in the following paragraph, the significant accounting policies used in the interim financial statement are consistent with the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2023.

(b) Basis of consolidation

1) List of subsidiaries in consolidated financial statements:

Name of Investor	Name of Subsidiary	Principal activity	Share holding		
			March 31, 2024	December 31, 2023	March 31, 2023
The Company	Zywyn Corporation (Zywyn)	Research of interface transmission chips, display driver chips and white light emitting diode driver chips.	100%	100%	100%

2) Subsidiaries excluded from the consolidated financial statements: None.

(c) Employee benefits

The pension cost for the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Income Taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, "Interim Financial Reporting".

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

5 、 Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, major judgements, estimates and underlying assumptions which are in conformity with note (5) of the consolidated financial statements for the year ended December 31, 2023.

6 、 Explanation of significant accounts

There were no significant differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2023 annual consolidated financial statements. Please refer to Note (6) of the 2023 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Cash on hand	\$ 211	208	249
Demand deposits	224,316	221,134	207,666
Time deposits	<u>1,364,555</u>	<u>1,255,144</u>	<u>1,441,800</u>
	<u><u>\$ 1,589,082</u></u>	<u><u>1,476,486</u></u>	<u><u>1,649,715</u></u>

Please refer to note (6) (q) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Financial assets at fair value through other comprehensive income — non-current

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Unlisted stock - C-Life Technologies, INC.	\$ 1,225	1,225	1,225
Unlisted stock - Nextw Technology Co., LTD.	<u>2,680</u>	<u>2,680</u>	<u>2,680</u>
	<u>\$ 3,905</u>	<u>3,905</u>	<u>3,905</u>

The Group investments in these equity instruments are long-term strategic investments and are not held for trading purposes and have been designated to be measured at fair value through other comprehensive income.

The Group did not dispose of the aforementioned strategic investments for the three months ended March 31, 2024 and 2023, and the accumulated profits and losses during these periods were not transferred in equity.

For the disclosure of market risk, please refer to note (6) (q).

None of the above financial assets has been provided as a pledge.

(c) Financial assets measured at cost — current

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Time deposits for more than three months	<u>\$ 85,500</u>	<u>85,500</u>	<u>85,500</u>

The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on the principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

As of March 31, 2024, December 31 and March 31, 2023, the Group holds domestic time deposit certificates with annual interest rates of 1.340% to 1.465%、1.340% and 1.090% to 1.215% respectively. Due on April 3 to September 25, 2024、February 2 to May 5, 2024 and April 3 to September 25, 2023.

For the disclosure of market risk, please refer to note (6) (q).

None of the above financial assets has been provided as a pledge

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Notes and accounts receivable, net (including related parties and non-related parties)

	March 31, 2024	December 31, 2023	March 31, 2023
Notes receivable	\$ 13	-	1,937
Accounts receivable	73,544	107,437	66,136
	<u>\$ 73,557</u>	<u>107,437</u>	<u>68,073</u>

As of January 1, 2023, the ending balance of notes and accounts receivable was NT\$88,689 thousand dollars.

The Group applies the simplified approach to provide for its expected credit losses (including related parties and non-related parties), i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking macroeconomic information.

The expected credit losses were determined as follows:

	March 31, 2024		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not past due	\$ 73,085	0%	-
Overdue under 60 days	472	0%	-
	<u>\$ 73,557</u>		<u>-</u>
	December 31, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not past due	\$ 104,662	0%	-
Overdue under 60 days	2,775	0%	-
	<u>\$ 107,437</u>		<u>-</u>
	March 31, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not past due	\$ 67,810	0%	-
Overdue under 60 days	263	0%	-
	<u>\$ 68,073</u>		<u>-</u>

For credit risk information, please refer to note (6) (q).

The notes and accounts receivable mentioned above were not pledged as collateral.

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Inventories

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Material	\$ -	-	973
Finished goods	71,224	69,116	187,285
Work in progress and semi-finished product	<u>36,224</u>	<u>43,652</u>	<u>30,607</u>
	<u>\$ 107,986</u>	<u>112,768</u>	<u>218,865</u>

Components of operating cost were as follows:

	For the three months ended March 31,	
	<u>2024</u>	<u>2023</u>
Cost of goods sold	\$ 96,348	91,318
Losses(Reversal) on valuation of inventories	3,444	1,335
Unallocated fixed manufacturing expense	<u>130</u>	<u>1,290</u>
	<u>\$ 99,922</u>	<u>93,943</u>

The inventories mentioned above were not pledged as collateral.

(f) Property, plant and equipment

The Carrying amounts of the property, plant and equipment of the Group for the three months ended March 31, 2024 and 2023 were as follows:

	<u>Buildings and construction</u>	<u>Equipment and Mask</u>	<u>Research and development equipment</u>	<u>Office and other equipment</u>	<u>Total</u>
Carrying amounts:					
Balance at January 1,2024	<u>\$ 23,661</u>	<u>27,491</u>	<u>3,420</u>	<u>3,538</u>	<u>58,110</u>
Balance at March 31,2024	<u>\$ 23,376</u>	<u>24,382</u>	<u>3,013</u>	<u>3,535</u>	<u>54,306</u>
Balance at January 1,2023	<u>\$ 24,800</u>	<u>24,057</u>	<u>3,353</u>	<u>1,079</u>	<u>53,289</u>
Balance at March 31,2023	<u>\$ 24,516</u>	<u>20,334</u>	<u>3,825</u>	<u>2,596</u>	<u>51,271</u>

There were no significant additions, disposals, impairments, provision or reversal of the real estate, plants and equipment of the consolidated company for the three months ended March 31, 2024 and 2023. The amount of depreciation for the current period was please refer to Note 12 for details. For other relevant information, please refer to Note 6 (f) of the consolidated financial report of the 2023.

The company of property, plant and equipment were above were not pledged as collateral.

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Right-of-use assets

The carrying amounts of the land, offices and other equipment leased of the Group for the three months ended March 31, 2024 and 2023 were as follows:

	<u>Land</u>	<u>Office and other equipment</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1,2024	\$ 9,638	1,755	11,393
Balance at March 31,2024	\$ 9,261	1,523	10,784
Balance at January 1,2023	\$ 9,953	1,593	11,546
Balance at March 31,2023	\$ 9,874	1,328	11,202

There were no significant additions, disposals, impairments, provision or reversal of the real estate, land and office and other equipment of the consolidated company for the three months ended March 31, 2024 and 2023. For other relevant information, please refer to Note 6 (g) of the consolidated financial report of the 2023.

(h) Intangible assets

The carrying amounts of the intangible assets by the combined company were as follows:

	<u>Goodwill</u>	<u>Computer software</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1,2024	\$ 48,026	8,029	56,055
Balance at March 31,2024	\$ 50,055	7,133	57,188
Balance at January 1,2023	\$ 48,034	4,656	52,690
Balance at March 31,2023	\$ 47,627	9,539	57,166

There were no significant additions, disposals, impairments, provision or reversal of the real estate, goodwill and computer software of the consolidated company for the three months ended March 31, 2024 and 2023, and please refer to Note 12 for details of the amortization amount for the current period. For other relevant information, please refer to Note 6 (h) of the consolidated financial report of the 2023.

The company of intangible assets were above were not pledged as collateral.

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(i) Lease liabilities

The carrying amounts of lease liabilities of the Group were as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Current	<u>\$ 1,208</u>	<u>1,191</u>	<u>950</u>
Non-current	<u>\$ 10,571</u>	<u>11,154</u>	<u>11,083</u>

For maturity analysis, please refer to Note 6(q) Financial Instruments.

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended March 31, 2024</u>	<u>For the three months ended March 31, 2023</u>
Interest on lease liabilities	<u>\$ 143</u>	<u>141</u>
Expense relating to short-term leases	<u>\$ 9</u>	<u>8</u>
Expense relating to lease of low value assets (excluding short term leases of low value assets)	<u>\$ 2</u>	<u>1</u>

The amounts recognized in the statement of cash flows were as follows:

	<u>For the three months ended March 31, 2024</u>	<u>For the three months ended March 31, 2023</u>
Total cash outflow for leases	<u>\$ 452</u>	<u>451</u>

1) Lease of land

The Group leases land as office space. The lease period of the office space is usually 20 years. Some leases include the option to extend the same period as the original contract when the lease period expires.

The lease payment of the land contract depends on the local announcement of the land price, and is adjusted after adding the public facilities construction costs reinvested in each park. These costs are usually incurred once a year.

2) Other leases

The Group leases office with contract terms of 2 years.

In addition, the company leases other equipment, etc., these leases are low-value subject leases, and the company chooses to apply the exemption recognition regulations and does not recognize its related right-of-use assets and lease liabilities.

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(j) Employee benefits

1. Defined benefit plans

The pension fund allocated by the Group in accordance with the Labor Standards Act is managed by the Labor Fund Utilization Bureau of the Ministry of Labor (hereinafter referred to as the Labor Fund Bureau). According to the “Regulations on the Custody and Utilization of Income and Expenditure of the Labor Retirement Fund”, the minimum income of the fund’s annual final settlement and distribution shall not be lower than the income calculated according to the local bank’s two-year fixed deposit interest rate.

In August 2017, the Group applied to the competent authority to settle the special account for labor retirement reserves of the Bank of Taiwan, and at the same time settled the service years of the employees who were originally subject to the defined payment retirement method. NT\$10,860 thousand dollars and the balance of 6,913 thousand dollars in the special retirement pension account was transferred from the Taiwan Bank to the bank account of the company. It was originally provided for managers who met the retirement requirements and applied the fixed-payment retirement method. As of December 31 and March 31, 2023, the Group has fully subscribed the above-mentioned managers’ vested pensions of NT\$1,421 thousand dollars and NT\$1,421 thousand dollars respectively, and accounted for other current liabilities. As of March 31, 2024, the Group has paid the above-mentioned managers’ vested pensions

2. Defined contribution plans

The Group allocate 6% of each employee’s monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Group recognized the pension costs under the defined contribution method amounting to NT\$1,026 thousand dollars and NT\$972 thousand dollars for the three months ended March 31, 2024 and 2023, respectively. Payment was allocated to the Bureau of Labor Insurance.

(k) Income tax

1. The components of income tax expense was as follows:

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Current tax expense	<u>\$ 9,366</u>	<u>14,077</u>

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2. Recognized in other comprehensive income was as follows:

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Exchange differences on translation of foreign financial statements	\$ 1,756	(336)

3. The Company's tax returns for the years through 2021 were assessed by the tax authority.

(l) Capital and other equity

Except as described below, there are no significant changes in the capital and other equity of the combined company for the three months ended March 31, 2024 and 2023. The relevant information, please refer to Note 6(l) of the 2023 consolidated financial report.

1. Issuance of common stock

In order to introduce strategic investors, strengthen the shareholder structure and improve future competitiveness, the company issued ordinary shares by private placement on February 3, 2021 through the resolution of the extraordinary shareholders' meeting. The NT\$495,817 thousand dollars, 12,396 thousand shares were issued at a premium of NT\$40 per share. The transfer of the privately placed common stock and its subsequent gratuitous allotment shall be handled in accordance with Article 43-8 of the Securities and Exchange Act, and shall be disclosed to the Financial Supervisory Commission three years after the delivery date of the privately. Only after the issuance can apply for listing. As of March 31, 2024, December 31 and March 31, 2023, the total rated share capital of the company is NT\$800,000 thousand dollars, the par value of ordinary shares is NT\$10 dollars per share, and the paid-in share capital is NT\$627,770 thousand dollars 、NT\$627,770 thousand dollars and NT\$624,270 thousand dollars respectively.

Reconciliation of shares outstanding was as follows (in thousands of shares):

	Common stock	
	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Opening balance on March 31 (the same as January 1)	62,777	62,427

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2. Capital surplus

The balances of capital surplus were as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Additional paid in capital	\$ 458,140	439,915	502,692
Others	<u>198</u>	<u>198</u>	<u>198</u>
	<u>\$ 458,338</u>	<u>440,113</u>	<u>502,890</u>

According to the R.O.C Company Act, capital surplus can firstly be used to offset a deficit, and only the realized capital surplus can be used to increase the ordinary shares or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus arising from premium on issuance of capital stock and the fair value of donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, to increase ordinary shares by transferring paid-in capital in excess of par value should not exceed 10% of the total ordinary shares outstanding.

The company passed the shareholders' meeting on June 7, 2023 to resolve the 2022 capital reserve allotment case, the contents are as follows:

	<u>2022</u>
Dividends distributed to shareholder of common stock	
Cash(NT\$1/per share)	<u>\$ 0 \$ 62,777</u>

There was no difference between the above-mentioned capital reserve distribution situation in 2022 and the content proposed by the company's board of directors. Relevant information can be queried through the Market Observation Post System website.

3. Earnings distribution

According to the company's articles of association, after closing of the fiscal year accounts, the Company shall allocate its surplus profits according the following:

- (1) Pay all tax and dues first, and then make up for previous losses;
- (2) 10% shall be reserved for surplus reserve, except for when accumulated legal reserve has reached the Company's paid-in capital, as specified by law;
- (3) The company may set aside additional surplus funds for the business operation and legal regulations.

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After the above distribution, if there is still undistributed surplus at the beginning of the same period, the remainder shall be added to shareholder dividends. The Board of Directors may propose a surplus distribution proposal and submit that to the shareholders' meeting for resolution and distribution. The company's earnings are distributed in cash, and may be approved by a resolution of the Board of Directors in accordance with provisions of the Company Law, and reported to the shareholders' meeting, without requiring the approval of the shareholders' meeting.

The Company's dividend policy is based on the provisions of the Company Law and the company's Articles of Incorporation, and is determined by factors such as the company's capital and financial structure, operating conditions, earnings, and the characteristics and business cycles of the industry to which it belongs. In accordance with the principle of prudent distribution and sustainable development and growth, the company shall distribute stock, stock dividends or cash, and cash dividends. The company conducts business in a period of growth and expansion. The distribution of distributable earnings will depend on future capital expenditure and working capital planning. The amount of distribution will be no less than 30% of the current year's after-tax earnings, and cash dividends of no less than 10%.

The company proposed the 2023 earnings distribution plan through the board of directors on February 21, 2024, and the 2022 earnings distribution plan was resolved at the shareholders' regular meeting on June 7, 2023. The content was as follows:

	<u>2023</u>	<u>2022</u>
Dividends distributed to ordinary shareholders:		
Cash(3.5 and 4.5 dollars per share respectively)	<u>\$ 220,244</u>	<u>282,496</u>

There was no difference between the above-mentioned 2022 earnings distribution and the content proposed by the board of directors of the Company and the accounting expenses. The above-mentioned information was available on the Market Observation Post System website.

The related information of the earnings distribution for the year 2023, can be accessed through the Market Observation Post System website after the shareholder's meeting.

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4. Other equity

The movements of other equity were follows:

	Exchange differences on translation of foreign financial statements	Unrealized gain(loss) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2024	\$ (7,864)	(13,624)
Exchange difference on translation of foreign financial statements	7,023	-
Balance at March 31, 2024	<u><u>\$ (841)</u></u>	<u><u>(13,624)</u></u>
Balance at January 1, 2023	\$ (7,730)	(13,624)
Exchange difference on translation of foreign financial statements	(1,347)	-
Balance at March 31, 2023	<u><u>\$ (9,077)</u></u>	<u><u>(13,624)</u></u>

(m) Earnings per share

1. Basic earnings per share

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Net income attributable to the shareholders of the Company	<u><u>\$ 49,766</u></u>	<u><u>47,021</u></u>
Weighted-average common stock outstanding (in thousands of shares):		
Balance on 1 January	62,777	62,427
Employees' compensation	66	148
Balance on March 31	<u><u>62,843</u></u>	<u><u>62,575</u></u>
Basic earnings per share (dollars)	<u><u>\$ 0.79</u></u>	<u><u>0.75</u></u>

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2. Diluted earnings per share

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Net income attributable to the shareholders of the Company	\$ 49,766	47,021
Weighted-average common stock outstanding (in thousands of shares):		
Weighted-average common stock outstanding	62,843	62,575
Effect of the employees' compensation transferred to common shares	349	636
	63,192	63,211
Diluted earnings per share (dollars)	\$ 0.79	0.74

(n) Revenue from contracts with customers

Disaggregation of revenues as follows:

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Primary geographical markets:		
Asia	\$ 122,294	129,213
Taiwan	70,836	52,154
Other areas	7,287	23,605
	\$ 200,417	204,972
Major product categories :		
Chips	\$ 200,417	203,972
Royalties and NRE	-	1,000
	\$ 200,417	204,972

(o) Remuneration to employees and directors

In accordance with the articles of Incorporation the Company should contribute between 10% and 25% of the profit as employee compensation and no higher than 5% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The employee remunerations may include the employees of the Company's affiliated companies who meet certain conditions.

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The company's employee remuneration accruals for the three months ended March 31, 2024 and 2023 are NT\$12,422 thousand dollars and NT\$12,867 thousand dollars respectively, and the directors' remuneration accruals are NT\$2,192 thousand dollars and NT\$2,271 thousand dollars respectively. It was estimated based on the company's pre-tax net profit for each period after deducting employee remuneration and director's remuneration multiplied by the employee remuneration and director's remuneration distribution ratio stipulated in the company's articles of association. The operating costs for each period were also presented or Operating expenses, among which employee compensation was paid in the form of stocks, were calculated based on the closing price of common stocks on the day before the board of directors' resolution. If there was a difference between the actual distribution amount in the next year and the estimated amount, it will be treated as a change in accounting estimates, and the difference will be considered as profit or loss in the next year.

The Company's provision for employee remuneration in 2023 and 2022 is NT\$57,553 thousand dollars and NT\$106,823 thousand dollars respectively, and the provision for directors' remuneration is NT\$10,080 thousand dollars and NT\$18,810 thousand dollars respectively, which is no different from the actual distribution. Among them, employee remuneration is in the form of stocks. The distribution is based on the closing prices of ordinary shares of NT\$131.5 and NT\$118 per share on February 21, 2024 and February 22, 2023, respectively, the day before the board of directors resolved to allocate remuneration to employees and directors. 150,000 shares and 350,000 shares were issued. Relevant information can be found at the Public Information Observatory.

As of March 31, 2024, the company's 2023 employee compensation was paid in stocks, and the legal registration procedures have not yet been completed. The company's employee compensation stocks to be distributed were NT\$1,500 thousand dollars and capital reserves of NT\$18,225 thousand dollars were separately accounted for.

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(p) Non-Operating income and expenses

1. Interest income

The details of interest income were as follows:

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Interest income from bank deposits and financial assets measured at amortized cost	\$ 5,981	6,204
Others	<u>2</u>	<u>1</u>
	<u>\$ 5,983</u>	<u>6,205</u>

2. Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Foreign exchange losses, net	\$ 7,092	(2,701)
Others	<u>186</u>	<u>423</u>
	<u>\$ 7,278</u>	<u>(2,278)</u>

(q) Financial instruments

1. Credit risk

(1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk

(2) Concentration of credit risk

The cash and time deposits of more than three months deposited by the merged company in a domestic financial institution on March 31, 2024, December 31, and March 31, 2023 (accounts are based on amortization) The balances of financial assets measured at post-cost account for 42%, 39% and 48% of the balance of this account respectively, which makes the cash of the merged company subject to concentration of credit risk. However, the credit status of the financial institution is excellent. The Merger Company controls its exposure to credit risk from each financial institution and believes that there is no risk of a significant concentration of credit risk on the Merger Company's cash.

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As of March 31, 2024, December 31 and March 31, 2023, the top five customers of the year of Group's accounts and bills receivable were 71%, 62% and 71%, in order to reduce credit risk, the Group company continues to regularly evaluate the financial status of these customers and the possibility of recovery of accounts receivable and bills. These major customers are all reputable companies and the merged company does not expect to suffer significant credit risk losses from these major customers.

(3) Credit risk of receivables

For credit risk exposure of notes and accounts receivable, please refer the note (6) (d).

2. Liquidity risk

There was no liquidity risk due to inability to raise funds to fulfill contractual obligations, due to the company's capital and working capital are sufficient to fulfill all contractual obligations.

The following table shows the contractual maturities for financial liabilities were as follow:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
March 31, 2024					
Non-derivative financial liabilities					
Accounts payable (including related parties)	\$ 36,642	(36,642)	(36,642)	-	-
Accrued payroll and bonus	13,983	(13,983)	(13,983)	-	-
Accrued remuneration of employee and directors	65,244	(65,244)	(65,244)	-	-
Lease liabilities	11,779	(22,070)	(1,764)	(3,183)	(17,123)
	<u>\$ 127,648</u>	<u>(137,939)</u>	<u>(117,633)</u>	<u>(3,183)</u>	<u>(17,123)</u>
December 31, 2023					
Non-derivative financial liabilities					
Accounts payable (including related parties)	\$ 18,565	(18,565)	(18,565)	-	-
Accrued payroll and bonus	23,921	(23,921)	(23,921)	-	-
Accrued remuneration of employee and directors	70,355	(70,355)	(70,355)	-	-
Lease liabilities	12,345	(22,477)	(1,742)	(3,443)	(17,292)
	<u>\$ 125,186</u>	<u>(135,318)</u>	<u>(114,583)</u>	<u>(3,443)</u>	<u>(17,292)</u>

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
March 31, 2023					
Non-derivative financial liabilities					
Accounts payable (including related parties)	\$ 31,694	(31,694)	(31,694)	-	-
Accrued payroll and bonus	14,786	(14,786)	(14,786)	-	-
Accrued remuneration of employee and directors	99,471	(99,471)	(99,471)	-	-
Lease liabilities	12,033	(22,557)	(1,498)	(3,260)	(17,799)
	<u>\$ 157,984</u>	<u>(168,508)</u>	<u>(147,449)</u>	<u>(3,260)</u>	<u>(17,799)</u>

The Group Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

3. Market risk

(1) Currency risk

The Group's significant exposure to foreign currency risk was as follows:

	<u>March 31, 2024</u>			<u>December 31, 2023</u>			<u>March 31, 2023</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchan ge rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchan ge rate</u>	<u>TWD</u>
<u>Financial assets</u>									
<u>Monetary Items</u>									
USD	\$ 4,580	31.950	146,331	6,784	30.655	207,964	8,931	30.400	271,502
<u>Financial liabilities</u>									
<u>Monetary Items</u>									
USD	1,194	31.950	38,148	908	30.655	27,835	1,030	30.400	31,312

A. Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, and accounts payable(including related parties), that are denominated in foreign currencies. A weakening (strengthening) of 5% of the NTD against the USD for the three months ended March 31, 2024 and 2023, would have increased or decreased the net income before income tax by NT\$5,409 thousand dollars and NT\$12,010 thousand dollars, respectively.

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B. Foreign exchange gains and losses on monetary items

The information of foreign exchange gains (losses) (including these realized and unrealized portions) by the Company's monetary items, were as follows:

	For the three months ended March 31, 2024		For the three months ended March 31, 2023	
	Foreign exchange gains (losses)	Average rate	Foreign exchange gains (losses)	Average rate
USD	\$ 7,092	31.395	(2,701)	30.352

(2) Interest rate analysis

The following sensitivity analysis is based on the exposure to interest rates. The rate of change used by the Company when reporting interest rates internally to key management is an increase or decrease of 0.25% in interest rates, which also represents management's assessment of the reasonably possible range of variation in interest rates.

If the interest rate had increased or decreased by 0.25%, the Group's net income before income tax would have increased or decreased by NT\$140 thousand dollars and NT\$130 thousand dollars, for the three months ended March 31, 2024 and 2023, assuming all other variable factors remain constant. This is mainly due to the Company's cash and cash equivalent with variable rates.

4. Fair value of financial instruments

(1) Fair value hierarchy

The Group's financial assets at fair value through other comprehensive income were measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount was reasonably close to the fair value, and lease liabilities, disclosure of fair value information was not required:

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		March 31, 2024				
		Carrying	Fair value			
		amount	Level1	Level2	Level3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	1,589,082	-	-	-	-
Financial assets measured at amortized cost		85,500	-	-	-	-
Notes and accounts receivable		73,557	-	-	-	-
Refundable deposits(other non-current assets)		2,541	-	-	-	-
		<u>\$ 1,750,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial assets at fair value through other comprehensive income						
	\$	<u>3,905</u>	<u>-</u>	<u>-</u>	<u>3,905</u>	<u>3,905</u>
Financial liabilities measured at amortized cost						
Account payable (including related parties)	\$	36,642	-	-	-	-
Accrued payroll and bonus		13,983	-	-	-	-
Accrued remuneration of employee and directors		65,244	-	-	-	-
Lease liabilities		11,779	-	-	-	-
	\$	<u>127,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2023						
		Carrying	Fair value			
		amount	Level 1	amount	Level 1	amount
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	1,476,486	-	-	-	-
Financial assets measured at amortized cost		85,500	-	-	-	-
Notes and accounts receivable		107,437	-	-	-	-
Refundable deposits(other non-current assets)		2,541	-	-	-	-
		<u>\$ 1,671,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial assets at fair value through other comprehensive income						
	\$	<u>3,905</u>	<u>-</u>	<u>-</u>	<u>3,905</u>	<u>3,905</u>

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December 31, 2023					
	Carrying amount	Fair value			
		Level 1	amount	Level 1	amount
Financial liabilities measured at amortized cost					
Account payable (including related parties)	\$ 18,565	-	-	-	-
Accrued payroll and bonus	23,921	-	-	-	-
Accrued remuneration of employee and directors	70,355	-	-	-	-
Lease liabilities	12,345	-	-	-	-
	\$ 125,186	-	-	-	-
March 31, 2023					
	Carrying amount	Fair value			
		Level 1	amount	Level 1	amount
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,649,715	-	-	-	-
Financial assets measured at amortized cost	85,500	-	-	-	-
Notes and accounts receivable	68,073	-	-	-	-
Refundable deposits(other non-current assets)	2,541	-	-	-	-
	\$ 1,805,829	-	-	-	-
Financial assets at fair value through other comprehensive income	\$ 3,905	-	-	3,905	3,905
Financial liabilities measured at amortized cost					
Account payable (including related parties)	\$ 31,694	-	-	-	-
Accrued payroll and bonus	14,786	-	-	-	-
Accrued remuneration of employee and directors	99,471	-	-	-	-
Lease liabilities	12,033	-	-	-	-
	\$ 157,984	-	-	-	-

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Notes to the Consolidated Financial Statements

(2) Valuation techniques for financial instruments not measured at fair value

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

(3) Valuation techniques for financial instruments measured at fair value

The financial instruments held by the Group without an active market, which are mainly equity instruments whose fair value is not publicly quoted. The fair value is estimated using the market method, and is assessed based on the peers value of price-to-book ratio.

(4) There was no fair value class transfers for the three months ended March 31, 2024 and 2023.

(5) Reconciliation of Level 3 fair value as below:

	Fair value through other comprehensive income
March 31, 2024	\$ <u><u>3,905</u></u>
January 1, 2023	\$ 2,825
Addition	<u>1,080</u>
March 31, 2023	\$ <u><u>3,905</u></u>

(6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through other comprehensive income - equity investments".

The Group's investments in inactive market equity instruments classified as Level 3 have multiple significant unobservable inputs. The significant unobservable inputs of the equity instruments are independent of each other, as a result, there is no relevance between them.

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Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income-equity investment without and active market	Market approach	<ul style="list-style-type: none"> • The multiplier of price-to-book ratio (as of March 31, 2024 、 December 31 and March 31,2023 the number were 1.51~52.45 、 1.46~17.43 及 2.59~46.86) • Liquidity discount (as of March 31, 2024 、 December 31 and March 31,2023, the number were 28%) 	<ul style="list-style-type: none"> • The higher the price-to-book value ratio, the higher the fair value. • The higher the liquidity discount, the lower the fair value.

(r) Financial risk management

The financial risk management objectives and policies of the consolidated company have not changed significantly from those disclosed in Note 6(r) of the 2023 consolidated financial report.

(s) Capital management

The capital management objectives, policies and procedures of the combined company are consistent with those disclosed in the 2023 consolidated financial report; in addition, there are no significant changes in the summary quantitative information of capital management items and those disclosed in the 2023 consolidated financial report. Please refer to Note 6(s) of the 2023 Consolidated Financial Report for relevant information.

(t) Cash flows from financing activities

Reconciliations of liabilities arising from financing activities were as follows:

	<u>Lease liabilities</u>
January 1, 2024	\$ 12,345
Cash flows	
Lease principal repayment	(298)
Interest(note)	(143)
Non-cash changes	
Change in Lease principal	(268)
Interest(note)	143
March 31, 2024	<u>\$ 11,779</u>

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	<u>Lease liabilities</u>
January 1, 2023	\$ 12,334
Cash flows	
Lease principal repayment	(301)
Interest(note)	(141)
Non-cash changes	
Interest(note)	<u>141</u>
March 31, 2023	<u>\$ 12,033</u>

Note: Listed under operating activities.

7 、 Related-parties transactions

(a) Name and relationship with related parties

The followings were related parties that have had transactions with the Company during the periods covered in the financial statements:

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Airoha Technology Corp. (Airoha)	Other related party
Airoha Technology Corp. Zhubei Branch (Airoha Zhubei)	Other related party

(b) Significant transactions with related parties

1. Purchase

The amounts of purchases and payables between the Group and related parties were as follows:

	<u>Purchase</u>		<u>Accounts payable</u>		
	<u>For the three months ended March 31, 2024</u>	<u>For the three months ended March 31, 2023</u>	<u>March 31 2024</u>	<u>December 31, 2023</u>	<u>March 31 2023</u>
Airoha Zhubei	<u>\$ 58,609</u>	<u>\$ 42,503</u>	<u>22,628</u>	<u>7,830</u>	<u>14,524</u>

The prices of purchases was determined by market rates.

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2. Others

The amounts of property transactions between the Group and related parties were as follows:

	<u>Purchase amount</u>		<u>Accounts payable</u>		
	<u>For the three months ended March 31, 2024</u>	<u>For the three months ended March 31, 2023</u>	<u>March 31 2024</u>	<u>December 31, 2023</u>	<u>March 31 2023</u>
Other related party	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,150</u>

(c) Key management personnel compensation

The remuneration to key management included:

	<u>For the three months ended March 31, 2024</u>	<u>For the three months ended March 31, 2023</u>
Short-term employee benefits	\$ 11,109	11,898
Post-employment benefits	79	79
	<u>\$ 11,188</u>	<u>11,977</u>

8 、 Pledged assets

The carrying values of pledged assets were as follows:

<u>Asset name</u>	<u>Purpose of pledge</u>	<u>March 31 2024</u>	<u>December 31, 2023</u>	<u>March 31 2023</u>
Time deposits/ refundable deposits (recognized in other assets- noncurrent)	Guarantee payment for the import VAT	\$ 1,000	1,000	1,000
Time deposits/ refundable deposits (recognized in other assets- noncurrent)	Guarantee for land lease contract	1,000	1,000	1,000
		<u>\$ 2,000</u>	<u>2,000</u>	<u>2,000</u>

9 、 Commitments and contingencies

(a) Significant unrecognized contractual commitments:

The company entrusts other companies to carry out cooperative development projects. According to the agreement, the development fee should be paid in installments, and after the completion of development and mass production.

(b) Contingent liabilities: None

10 、 Losses due to major disasters: None

11 、 Subsequent events: None

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12 、Others

A summary of the employee benefits, depreciation, and amortization expenses, by function were as follows

By Function By Item	For the three months ended March 31, 2024			For the three months ended March 31, 2023		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	1,022	36,111	37,133	970	35,264	36,234
Labor and health insurance	99	1,795	1,894	96	1,715	1,811
Pension	55	971	1,026	53	919	972
Others	66	882	948	58	747	805
Depreciation	2,702	1,757	4,459	3,322	1,620	4,942
Amortization	9	3,265	3,274	11	3,709	3,720

13 、Other disclosures

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group :

1. Loans to other parties: None.
2. Guarantees and endorsements for other parties: None.
3. Securities held as of March 31, 2024 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and Name of security	Relationship With company	Account title	Ending balance				Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value	
The Company	C-Life Technologies, INC.	None	Non-current financial assets at fair value through other comprehensive income	490	1,225	0.51 %	1,225	Note
The Company	Nextw Technology Co., LTD.	None	Non-current financial assets at fair value through other comprehensive income	214	2,680	18.14 %	2,680	Note
The Company	E-Cmos Corporation	None	Non-current financial assets at fair value through other comprehensive income	160	-	0.39 %	-	Note
The Company	Moai Green Power Corporation	None	Non-current financial assets at fair value through other comprehensive income	35	-	0.09 %	-	Note
					<u>3,905</u>		<u>3,905</u>	

Note: The Fair value assessment please refer to note (6) (q).

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4. Individual securities acquired or disposed of with accumulated amounts exceeding the lower of NT\$300 million or 20% of the capital stock: None.
5. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
6. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
7. Related-parties transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
8. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
9. Trading in derivative instruments: None.
10. Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Zywyn	Parent company to its subsidiaries	Authorization fee	335	Note2	-%
0	The Company	Zywyn	Parent company to its subsidiaries	Other payables-related parties	670	Note2	-%

Note1 : The parent company is coded“0”

Note 2 : Net 45 days from the end of the month upon issuance of invoice.

(b) Information on investees:

The following was the information on investees during January 1, 2024 to March31, 2024:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2024			Net Income Of the investee	Investment income (Note)	Note
				March 31, 2024	December 31, 2023	of the investee	% of the investee	Carry amount			
The Company	Zywyn	USA	R&D center	255,143	255,143	15,663	100.00%	217,319	1,238	1,238	Subsidiary

Note1 : The parent company is coded“0”

(c) Information on investment in mainland China: None

(d) Major shareholders:

Shareholder's Name	Shares	Percentage
Airoha Technology Corp.	12,396,396	19.74%

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14 、 Segment information

The Group was mainly engaged in research, development, production and sales of integrated circuits and belongs to a single industry sector. The operating department information was consistent with the consolidated financial quarterly report information. For revenue (from external customers) and departmental profits and losses, please consolidate the comprehensive income statement; for departmental assets, please consolidate the balance sheet.