

Stock Code :
3169

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Review Report
For the Nine Months Ended September 30, 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 September 30, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months and nine months ended September 30, 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 September 30, 2024 and 2023, and of its consolidated financial performance as well as its consolidated cash flows for the nine months ended September 30, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Hsinchu, Taiwan (Republic of China)

October 23.2024

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.

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

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2024, December 31 and September 30, 2023

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2024		December 31, 2023		September 30, 2023				September 30, 2024		December 31, 2023		September 30, 2023	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 1,433,739	78	1,476,486	76	1,403,377	76	2170	Accounts payable	\$ 11,484	1	10,735	1	19,966	1
1136	Financial assets at amortized cost (note 6(c))	85,500	5	85,500	4	85,500	5	2181	Accounts payable-related parties (note 7)	18,848	1	7,830	-	8	-
1170	Notes and accounts receivable, net (note 6(d))	83,953	4	107,437	6	75,689	4	2201	Salary and bonus payable	19,970	1	23,921	1	19,284	1
130X	Inventories (note 6(e))	87,782	5	112,768	6	136,038	7	2206	Accrued compensation to employees and directors (notes 6(o))	47,278	3	70,355	3	51,910	3
1470	Other current assets	6,783	-	3,708	-	3,149	-	2230	Current tax liabilities	1,923	-	39,707	2	34,353	2
1476	Other financial assets	1,708	-	788	-	902	-	2280	Current lease liabilities (notes 6(i))	1,106	-	1,191	-	636	-
Total current assets		1,699,465	92	1,786,687	92	1,704,655	92	2300	Other current liabilities (note 6(j))	27,421	1	31,582	2	30,583	1
								Total current liabilities		128,030	7	185,321	9	156,740	8
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))	10,073	1	11,154	1	10,789	1
								Total non-current liabilities		10,073	1	11,154	1	10,789	1
1600	Property, plant and equipment (notes 6(f))	47,655	3	58,110	3	42,626	2	Total liabilities		138,103	8	196,475	10	167,529	9
1755	Right-of-use assets (note 6(g))	10,103	1	11,393	1	10,515	1	Equity (note 6(l) and (o)):							
1780	Intangible assets (note 6(h))	56,960	3	56,055	3	57,310	3	3110	Capital stock	629,270	34	627,770	32	627,770	34
1840	Deferred tax asset	18,234	1	19,395	1	16,168	1	3200	Capital surplus	458,338	25	440,113	23	440,113	24
1900	Other non-current assets (note 8)	2,541	-	2,541	-	16,001	1	3300	Retained earnings	629,572	34	695,216	36	628,913	34
Total non-current assets		139,398	8	151,399	8	146,525	8	3400	Others	(16,420)	(1)	(21,488)	(1)	(13,145)	(1)
								Total equity		1,700,760	92	1,741,611	90	1,683,651	91
Total assets		\$ 1,838,863	100	1,938,086	100	1,851,180	100	Total liabilities and equity		\$ 1,838,863	100	\$ 1,938,086	100	1,851,180	100

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

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

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months and nine months ended September 30, 2024 and 2023

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

	For the three months ended September 30				For the nine months ended September 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (notes 6(n))	\$ 195,339	100	215,762	100	\$ 633,300	100	642,317	100
5000 Operating costs (notes 6(e) 、(i) 、(j) 、(o) and 7)	99,780	51	98,650	46	312,803	50	298,352	46
Gross profit	95,559	49	117,112	54	320,497	50	343,965	54
Operating expenses (notes 6(i) 、(j) 、(o)):								
6100 Selling expenses	10,681	5	13,815	6	33,836	5	38,417	6
6200 Administrative expenses	11,766	6	15,329	7	39,843	6	41,502	6
6300 Research and development expenses	28,522	15	29,101	14	89,293	14	87,056	14
Total operating expenses	50,969	26	58,245	27	162,972	25	166,975	26
Net operating income	44,590	23	58,867	27	157,525	25	176,990	28
Non-operating income and expenses:								
7010 Interest income (note 6(p))	6,121	3	5,346	2	18,818	3	17,545	3
7020 Other gains and losses (notes 6(p))	(2,117)	(1)	3,330	2	7,406	1	4,445	-
7050 Finance costs (notes 6(i))	(140)	-	(138)	-	(425)	-	(418)	-
Total non-operating income and expenses	3,864	2	8,538	4	25,799	4	21,572	3
Income before tax	48,454	25	67,405	31	183,324	29	198,562	31
7950 Income tax expense (note 6(k))	7,220	4	10,242	5	28,724	5	34,536	5
Net income	41,234	21	57,163	26	154,600	24	164,026	26
8300 Other comprehensive income (loss):								
8360 Items that may be reclassified subsequently to profit or loss								
8361 Exchange differences on translation of foreign operations	(5,513)	(3)	7,433	4	6,335	1	10,262	1
8399 Income tax related to items that may be reclassified to profit or loss (note 6(k))	1,103	1	(1,487)	(1)	(1,267)	-	(2,053)	-
Total items that may be reclassified subsequently to profit or loss	(4,410)	(2)	5,946	3	5,068	1	8,209	1
8300 Other comprehensive income (after tax)	(4,410)	(2)	5,946	3	5,068	1	8,209	1
8500 Total comprehensive income	\$ 36,824	19	63,109	29	\$ 159,668	25	172,235	27
Earnings per share (NT Dollars) (note 6(m))								
9750 Basic earnings per share	\$ 0.66		\$ 0.91		\$ 2.46		\$ 2.62	
9850 Diluted earnings per share	\$ 0.65		\$ 0.91		\$ 2.44		\$ 2.60	

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

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

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended September 30, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	Retained Earnings						Other equity interest			
	Capital stock -Common Stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial	Unrealized gain(loss) on financial assets measured at fair value through other comprehensive	Total	Total equity
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	-	-	-	-	164,026	164,026	-	-	-	164,026
Other comprehensive income	-	-	-	-	-	-	8,209	-	8,209	8,209
Total comprehensive income	-	-	-	-	164,026	164,026	8,209	-	8,209	172,235
Legal reserve	-	-	41,567	-	(41,567)	-	-	-	-	-
Special reserve	-	-	-	(11,804)	11,804	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(282,496)	(282,496)	-	-	-	(282,496)
Employees' compensation transferred to common shares	3,500	37,800	-	-	-	-	-	-	-	41,300
Cash dividends from capital surplus	-	(62,777)	-	-	-	-	-	-	-	(62,777)
Balance on September 30, 2023	\$ 627,770	440,113	245,764	21,354	361,795	628,913	479	(13,624)	(13,145)	1,683,651
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	-	-	-	-	154,600	154,600	-	-	-	154,600
Other comprehensive income	-	-	-	-	-	-	5,068	-	5,068	5,068
Total comprehensive income	-	-	-	-	154,600	154,600	5,068	-	5,068	159,668
Legal reserve	-	-	23,033	-	(23,033)	-	-	-	-	-
Special reserve	-	-	-	134	(134)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(220,244)	(220,244)	-	-	-	(220,244)
Employees' compensation transferred to common shares	1,500	18,225	-	-	-	-	-	-	-	19,725
Balance on September 30, 2024	\$ 629,270	458,338	268,797	21,488	339,287	629,572	(2,796)	(13,624)	(16,420)	1,700,760

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

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

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2024	2023
Cash flows from operating activities:	\$ 183,324	198,562
Income before income tax		
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	13,339	14,679
Amortization expense	10,486	11,406
Interest expense	425	418
Interest income	(18,818)	(17,545)
Impairment loss and disposal loss on inventory	1,694	3,182
Total adjustments to reconcile profit	7,126	12,140
Changes in operating assets and liabilities:		
Notes and accounts receivable, net	23,484	13,000
Inventories	23,292	81,444
Other operating assets	(3,560)	(244)
Accounts payable	749	(594)
Accounts payable-related parties	11,018	(16,663)
Other operating liabilities	(10,842)	(62,221)
Total changes in operating assets and liabilities	44,141	14,722
Total adjustments	51,267	26,862
Cash in flow generated from operations	234,591	225,424
Interest received	18,383	17,235
Interest paid	(425)	(418)
Income taxes paid	(67,130)	(40,975)
Net cash generated by operating activities	185,419	201,266
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive income	-	(1,080)
Property, plant and equipment	(1,862)	(2,985)
Intangible assets	(9,910)	(13,582)
Other non-current assets	-	(7,554)
Net cash generated by(used in) investing activities	(11,772)	(25,201)
Cash flows from financing activities:		
Payment of lease liabilities	(898)	(909)
Cash dividends paid	(220,244)	(345,273)
Net cash generated by(used in) financing activities	(221,142)	(346,182)
Effect of exchange rate changes on cash and cash equivalents	4,748	7,754
Net increase in cash and cash equivalents	(42,747)	(162,363)
Cash and cash equivalents at beginning of period	1,476,486	1,565,740
Cash and cash equivalents at end of period	\$ 1,433,739	1,403,377

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

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
September 30, 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 October 23, 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 issued by the FCS but not yet effective

The Group assesses that the adoption of the new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its consolidated financial statements.

- Amendments to IAS 21 “Lack of Exchangeability”

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board(IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combines with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> • A more structured income statement : Under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. • Management performance measures(MPMs) : the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements wht the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. 	January 1,2027

(Continued)

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

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.

- 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”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards

4 、 Summary of significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and 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 and issued into effect by the FSC (hereinafter referred to IFRS Accounting Standards endorsed by the FSC) for a complete set of the annual consolidated financial statements.

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statement are the same as those in 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		
			September 30, 2024	December 31, 2023	September 30, 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) Classification of current and non-current assets and liabilities

The Group classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

1. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
2. It holds the asset primarily for the purpose of trading;
3. It expects to realize the asset within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

1. It expects to settle the liability in its normal operating cycle;
2. It holds the liability primarily for the purpose of trading;
3. The liability is due to be settled within twelve months after the reporting period; or
4. It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) 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.

(e) Income Taxes

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

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(a) Cash and cash equivalents

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Cash on hand	\$ 200	208	211
Demand deposits	204,699	221,134	140,510
Time deposits	<u>1,228,840</u>	<u>1,255,144</u>	<u>1,262,656</u>
	<u>\$ 1,433,739</u>	<u>1,476,486</u>	<u>1,403,377</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.

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 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 nine months ended September 30, 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>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 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.

ASIX ELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2024, December 31 and September 30, 2023, the Group holds domestic time deposit certificates with annual interest rates of 1.465%、1.340% and 1.340% respectively. Due on October 3, 2024 to March 25, 2025、February 2 to May 5, 2024 and October 3, 2023 to March 25, 2024.

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

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

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Notes receivable	\$ -	-	1,290
Accounts receivable	<u>83,953</u>	<u>107,437</u>	<u>74,399</u>
	<u>\$ 83,953</u>	<u>107,437</u>	<u>75,689</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:

	<u>September 30, 2024</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 83,929	0%	-
Overdue under 60 days	<u>24</u>	<u>0%</u>	<u>-</u>
	<u>\$ 83,953</u>		<u>-</u>

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	December 31, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 104,662	0%	-
Overdue under 60 days	2,775	0%	-
	<u>\$ 107,437</u>		<u>-</u>

	September 30, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 75,443	0%	-
Overdue under 60 days	246	0%	-
	<u>\$ 75,689</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.

(e) Inventories

	September 30, 2024	December 31, 2023	September 30, 2023
Material	\$ -	-	-
Finished goods	70,492	69,116	88,375
Work in progress and semi-finished product	<u>17,290</u>	<u>43,652</u>	<u>47,663</u>
	<u>\$ 87,782</u>	<u>112,768</u>	<u>136,038</u>

Components of operating cost were as follows:

	For the three months ended September 30,		For the nine months ended September 30 ,	
	2024	2023	2024	2023
Cost of goods sold	\$ 99,141	95,618	310,726	288,375
Losses(Reversal) on valuation of inventories	498	133	1,694	3,182
Unallocated fixed manufacturing expense	<u>141</u>	<u>2,899</u>	<u>383</u>	<u>6,795</u>
	<u>\$ 99,780</u>	<u>98,650</u>	<u>312,803</u>	<u>298,352</u>

The inventories mentioned above were not pledged as collateral.

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(f) Property, plant and equipment

The Carrying amounts of the property, plant and equipment of the Group for the nine months ended September 30, 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 September 30,2024	<u>\$ 22,807</u>	<u>18,446</u>	<u>2,247</u>	<u>4,155</u>	<u>47,655</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 September 30,2023	<u>\$ 23,946</u>	<u>13,148</u>	<u>3,217</u>	<u>2,315</u>	<u>42,626</u>

There were no significant additions, disposals, impairments, provision or reversal of the real estate, plants and equipment of the consolidated company for the nine months ended September 30, 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.

(g) Right-of-use assets

The carrying amounts of the Group leases land, offices and other equipment for the nine months ended September 30, 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	<u>\$ 9,638</u>	<u>1,755</u>	<u>11,393</u>
Balance at September 30,2024	<u>\$ 9,108</u>	<u>995</u>	<u>10,103</u>
Balance at January 1,2023	<u>\$ 9,953</u>	<u>1,593</u>	<u>11,546</u>
Balance at September 30,2023	<u>\$ 9,717</u>	<u>798</u>	<u>10,515</u>

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 nine months ended September 30, 2024 and 2023. For other relevant information, please refer to Note 6 (g) of the consolidated financial report of the 2023.

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(h) Intangible assets

	<u>Goodwill</u>	<u>Computer software</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2024	\$ <u>48,026</u>	<u>8,029</u>	<u>56,055</u>
Balance at September 30, 2024	\$ <u>49,507</u>	<u>7,453</u>	<u>56,960</u>
Balance at January 1, 2023	\$ <u>48,034</u>	<u>4,656</u>	<u>52,690</u>
Balance at September 30, 2023	\$ <u>50,479</u>	<u>6,831</u>	<u>57,310</u>

There were no significant additions, disposals, impairments, provision or reversal of the real estate, goodwill and computer software of the consolidated company for the nine months ended September 30, 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.

(i) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Current	\$ <u>1,106</u>	<u>1,191</u>	<u>636</u>
Non-current	\$ <u>10,073</u>	<u>11,154</u>	<u>10,789</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 September 30, 2024</u>	<u>For the three months ended September 30, 2023</u>	<u>For the nine months ended September 30, 2024</u>	<u>For the nine months ended September 30, 2023</u>
Interest on lease liabilities	\$ <u>140</u>	<u>138</u>	<u>425</u>	<u>418</u>
Expense relating to short-term leases	\$ <u>9</u>	<u>8</u>	<u>26</u>	<u>35</u>
Expense relating to lease of low value assets(excluding short term leases of low value assets)	\$ <u>2</u>	<u>7</u>	<u>5</u>	<u>10</u>

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

	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Total cash outflow for leases	<u>\$ 1,354</u>	<u>1,372</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.

(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.

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As of December 31 and September 30, 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 September 30, 2024, the Group had 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\$1,043 thousand dollars, NT\$989 thousand dollars, NT\$3,109 thousand dollars and NT\$2,951 thousand dollars for the three months and nine months ended September 30, 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 September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Current tax expense				
Current period	\$ 7,220	10,242	29,289	35,081
Adjustment for prior periods	-	-	(565)	(545)
	<u>\$ 7,220</u>	<u>10,217</u>	<u>28,724</u>	<u>34,536</u>

2. Recognized in other comprehensive income was as follows:

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Exchange differences on translation of foreign financial statements	\$ (1,103)	1,487	1,267	2,053

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

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Notes to the Consolidated Financial Statements

(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 nine months ended September 30, 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 September 30, 2024, December 31 and September 30, 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\$629,770 thousand dollars、NT\$627,770 thousand dollars and NT\$627,770 thousand dollars respectively. Reconciliation of shares outstanding was as follows (in thousands of shares):

	Common stock	
	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Opening balance on January 1	62,777	62,427
Add: Capital increase for employee remuneration	150	350
Closing balance on September 30	<u>62,927</u>	<u>62,777</u>

2. Capital surplus

The balances of capital surplus were as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Additional paid in capital	\$ 458,140	439,915	439,915
Others	198	198	198
	<u>\$ 458,338</u>	<u>440,113</u>	<u>440,113</u>

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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</u> \$ <u>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.

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.

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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 appropriation of 2023 and 2022 earnings that were approved by the shareholders' meeting on May 29, 2024 and June 7, 2023, respectively. 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 2023 and 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.

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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	5,068	-
Balance at September 30, 2024	<u>\$ (2,796)</u>	<u>(13,624)</u>
Balance at January 1, 2023	\$ (7,730)	(13,624)
Exchange difference on translation of foreign financial statements	8,209	-
Balance at September 30, 2023	<u>\$ 479</u>	<u>(13,624)</u>

(m) Earnings per share

1. Basic earnings per share

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Net income attributable to the shareholders of the Company	<u>\$ 41,234</u>	<u>57,163</u>	<u>154,600</u>	<u>164,026</u>
Weighted-average common stock outstanding (in thousands of shares):				
Weighted-average common stock outstanding	62,777	62,427	62,777	62,427
Employees' compensation	150	350	122	283
Balance on September 30	<u>62,927</u>	<u>62,777</u>	<u>62,899</u>	<u>62,710</u>
Basic earnings per share (dollars)	<u>\$ 0.66</u>	<u>0.91</u>	<u>2.46</u>	<u>2.62</u>

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2. Diluted earnings per share

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Net income attributable to the shareholders of the Company	<u>\$ 41,234</u>	<u>57,163</u>	<u>154,600</u>	<u>164,026</u>
Weighted-average common stock outstanding (in thousands of shares) :				
Weighted-average common stock outstanding	62,927	62,777	62,899	62,710
Effect of the employees' compensation transferred to common shares	<u>338</u>	<u>241</u>	<u>421</u>	<u>417</u>
	<u>63,265</u>	<u>63,018</u>	<u>63,320</u>	<u>63,127</u>
Diluted earnings per share (dollars)	<u>\$ 0.65</u>	<u>0.91</u>	<u>2.44</u>	<u>2.60</u>

(n) Revenue from contracts with customers

Disaggregation of revenues as follows:

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Primary geographical markets:				
Asia	\$ 126,096	126,734	404,014	396,537
Taiwan	62,172	61,073	204,864	171,137
Other areas	<u>7,071</u>	<u>27,955</u>	<u>24,422</u>	<u>74,643</u>
	<u>\$ 195,339</u>	<u>215,762</u>	<u>633,300</u>	<u>642,317</u>
Major product categories :				
Chips	\$ 195,339	215,742	633,300	641,297
Royalties and NRE	<u>-</u>	<u>20</u>	<u>-</u>	<u>1,020</u>
	<u>\$ 195,339</u>	<u>215,762</u>	<u>633,300</u>	<u>642,317</u>

(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 and nine months ended September 30, 2024 and 2023 are NT\$10,156 thousand dollars, NT\$14,188 thousand dollars, NT\$38,525 thousand dollars and NT\$41,810 thousand dollars respectively, and the directors' remuneration accruals are NT\$1,793 thousand dollars, NT\$2,504 thousand dollars, NT\$6,799 thousand dollars and NT\$7,378 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 September 30, 2024, the above-mentioned employee compensation of the Company was issued in shares, and the statutory registration procedures had been completed.

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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 September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Interest income from bank deposits and financial assets measured at amortized cost	\$ 6,119	5,345	18,813	17,541
Others	<u>2</u>	<u>1</u>	<u>5</u>	<u>4</u>
	<u>\$ 6,121</u>	<u>5,346</u>	<u>18,818</u>	<u>17,545</u>

2. Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Foreign exchange losses, net	\$ (2,357)	3,181	6,706	3,636
Others	<u>240</u>	<u>149</u>	<u>700</u>	<u>809</u>
	<u>\$ (2,117)</u>	<u>3,330</u>	<u>7,406</u>	<u>4,445</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 September 30, 2024, December 31, and September 30, 2023 (accounts are based on amortization The balances of financial assets measured at post-cost account for 35%, 37% and 35% 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 September 30, 2024, December 31 and September 30, 2023, the top five customers of the year of Group's accounts and bills receivable were 76%, 62% and 62%, 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>
September 30, 2024					
Non-derivative financial liabilities					
Accounts payable (including related parties)	\$ 30,332	(30,332)	(30,332)	-	-
Accrued payroll and bonus	19,970	(19,970)	(19,970)	-	-
Accrued remuneration of employee and directors	47,278	(47,278)	(47,278)	-	-
Lease liabilities	11,179	(21,188)	(1,647)	(2,756)	(16,785)
	<u>\$ 108,759</u>	<u>(118,768)</u>	<u>(99,227)</u>	<u>(2,756)</u>	<u>(16,785)</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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	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
September 30, 2023					
Non-derivative financial liabilities					
Accounts payable (including related parties)	\$ 19,974	(19,974)	(19,974)	-	-
Accrued payroll and bonus	19,284	(19,284)	(19,284)	-	-
Accrued remuneration of employee and directors	51,910	(51,910)	(51,910)	-	-
Lease liabilities	11,425	(21,672)	(1,174)	(3,037)	(17,461)
	\$ 102,593	(112,840)	(92,342)	(3,037)	(17,461)

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:

	September 30, 2024			December 31, 2023			September 30, 2023		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>									
<u>Monetary Items</u>									
USD	\$ 4,444	31.600	140,430	6,784	30.655	207,964	4,480	32.220	144,313
<u>Financial liabilities</u>									
<u>Monetary Items</u>									
USD	1,022	31.600	32,295	908	30.655	27,835	714	32.220	23,005

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 nine months ended September 30, 2024 and 2023, would have increased or decreased the net income before income tax by NT\$5,407 thousand dollars and NT\$6,067 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 nine months ended September 30, 2024		For the nine months ended September 30, 2023	
	Foreign exchange gains (losses)	Average rate	Foreign exchange gains (losses)	Average rate
USD	\$ 6,706	31.997	3,636	30.905

(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\$384 thousand dollars and NT\$263 thousand dollars, for the nine months ended September 30, 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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		September 30, 2024				
		Carrying	Fair value			
		amount	Level1	Level2	Level3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 1,433,739	-	-	-	-	-
Financial assets measured at amortized cost	85,500	-	-	-	-	-
Notes and accounts receivable	83,953	-	-	-	-	-
Refundable deposits(other non-current assets)	2,541	-	-	-	-	-
	<u>\$ 1,605,733</u>	<u>-</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>	<u>3,905</u>
Financial liabilities measured at amortized cost						
Account payable (including related parties)	\$ 30,332	-	-	-	-	-
Accrued payroll and bonus	19,970	-	-	-	-	-
Accrued remuneration of employee and directors	47,278	-	-	-	-	-
Lease liabilities	11,179	-	-	-	-	-
	<u>\$ 108,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2023				
		Carrying	Fair value			
		amount	Level1	Level2	Level3	Total
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>	<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>	<u>3,905</u>

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		December 31, 2023				
		Carrying	Fair value			
		amount	Level1	Level2	Level3	Total
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	-	-	-	-
		September 30, 2023				
		Carrying	Fair value			
		amount	Level1	Level2	Level3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	1,403,377	-	-	-	-
Financial assets measured at amortized cost		85,500	-	-	-	-
Notes and accounts receivable		75,689	-	-	-	-
Refundable deposits(other non-current assets)		2,541	-	-	-	-
	\$	1,567,107	-	-	-	-
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)	\$	19,974	-	-	-	-
Accrued payroll and bonus		19,284	-	-	-	-
Accrued remuneration of employee and directors		51,910	-	-	-	-
Lease liabilities		11,425	-	-	-	-
	\$	102,593	-	-	-	-

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(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 six months ended June 30, 2024 and 2023.

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

	Fair value through other comprehensive income
September 30, 2024	\$ <u><u>3,905</u></u>
January 1, 2023	\$ 2,825
Addition	<u>1,080</u>
September 30, 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 September 30, 2024 、 December 31 and September 30,2023 the number were 1.29~20.92 、 1.46~17.43 及 1.49~43.11) • Liquidity discount (as of September 30, 2024 、 December 31 and September 30,2023, the number were 34% 、 28% 、 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:

	Lease liabilities
January 1, 2024	\$ 12,345
Cash flows	
Lease principal repayment	(898)
Interest(note)	(425)
Non-cash changes	
Change in Lease principal	(268)
Interest(note)	425
September 30, 2024	<u><u>\$ 11,179</u></u>

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	<u>Lease liabilities</u>
January 1, 2023	\$ 12,334
Cash flows	
Lease principal repayment	(909)
Interest(note)	(418)
Non-cash changes	
Interest(note)	418
September 30, 2023	<u>\$ 11,425</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

(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>		
	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023	September 30 2024	December 31, 2023	September 30 2023
Airoha	<u>\$ 55,519</u>	<u>\$ 1,480</u>	<u>\$ 183,599</u>	<u>\$ 62,503</u>	<u>\$ 18,848</u>	<u>\$ 7,830</u>	<u>\$ 8</u>

The prices of purchases was determined by market rates.

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(c) Key management personnel compensation

The remuneration to key management included:

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Short-term employee benefits	\$ 7,380	11,296	27,095	33,030
Post-employment benefits	19	79	238	238
	<u>\$ 7,399</u>	<u>11,375</u>	<u>27,333</u>	<u>33,268</u>

8 、Pledged assets

The carrying values of pledged assets were as follows:

Asset name	Purpose of pledge	September 30, 2024	December 31, 2023	September 30, 2023
Time deposits/ refundable deposits (recognized in other assets- noncurrent)	Guarantee payment for the import VAT	\$ 1,000	1,00	1,000
Time deposits/ refundable deposits (recognized in other assets- noncurrent)	Guarantee for land lease contract	1,000	1,00	1,000
		<u>\$ 2,000</u>	<u>2,00</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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Notes to the Consolidated Financial Statements

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 September 30, 2024			For the three months ended September 30, 2023		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	1,024	32,711	33,735	993	36,819	37,812
Labor and health insurance	100	2,663	2,763	97	3,931	4,028
Pension	56	987	1,043	54	935	989
Others	65	885	950	59	784	843
Depreciation	2,660	1,792	4,452	3,193	1,680	4,873
Amortization	11	3,765	3,776	11	3,833	3,844

By Function By Item	For the nine months ended September 30, 2024			For the nine months ended September 30, 2023		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	3,081	108,628	111,709	2,944	109,805	112,749
Labor and health insurance	300	6,223	6,523	290	7,178	7,468
Pension	167	2,942	3,109	161	2,790	2,951
Others	201	2,696	2,897	176	2,313	2,489
Depreciation	8,017	5,322	13,339	9,708	4,971	14,679
Amortization	31	10,455	10,486	33	11,373	11,406

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Notes to the Consolidated Financial Statements

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 September 30, 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 %	6,296	Note
The Company	Nextw Technology Co., LTD.	None	Non-current financial assets at fair value through other comprehensive income	214	2,680	18.14 %	2,413	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>8,709</u>	

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

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.

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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	1,065	Note2	-%
0	The Company	Zywyn	Parent company to its subsidiaries	Other payables-related parties	1,386	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 to September 30, 2024:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2024			Net Income Of the investee	Investment income (Note)	Note
				September 30, 2024	December 31, 2023	of the investee	% of the investee	Carry amount			
The Company	Zywyn	USA	R&D center	255,143	255,14	15,663	100.00%	218,502	4,414	4,414	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	19.69%

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.