

Rafael Microelectronics, Inc. and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report
DECEMBER 31, 2024 and 2023
(Stock code: 6568)

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

Rafael Microelectronics, Inc. and Subsidiaries

2024 and 2023 Consolidated Financial Statements and Independent Auditors' Report

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Rafael Microelectronics, Inc.

Declaration of Consolidation of Financial Statements of Affiliates

Companies to be included in the consolidated financial statements of affiliates according to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” and companies to be included in the consolidated financial statements of the parent company and subsidiaries according to IFRS 10 for 2024 (from January 1 to December 31, 2024) are the same, and the information to be disclosed in the consolidated financial statements of affiliates is disclosed in the consolidated financial statements of the parent company and subsidiaries; therefore, the consolidated financial statements of affiliates are not otherwise prepared.

Declared by

Rafael Microelectronics, Inc.

Cheng David, Chairman

February 14, 2025

Independent Auditors' Report

(2025) Financial Audit Report No. 24002418

Rafael Microelectronics, Inc.:

Auditors' opinion

We have audited the accompanying consolidated balance sheets of Rafael Microelectronics, Inc. (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) as of December 31, 2024, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other independent auditors (please refer to other matters), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis of the audit opinion

We conducted our audits in accordance with the Regulations Governing Financial Statements Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibility under these standards is further explained in the section of Auditor's Responsibilities for the audit of the Consolidated Financial Statements. We are independent of the Group in accordance with the Code of Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit reports of other accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the year ended December 31, 2024. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

Key audit matters of the 2024 consolidated financial statements of the Group were as follows:

Inventory valuation

Description of matters

For the accounting policies related to the evaluation of inventory, please refer to note 4 (13) of the consolidated financial statements; for the uncertainty of accounting estimates and assumptions in inventory valuation, please refer to note 5 of the consolidated financial statements; for the accounting items of inventory, please refer to Note 6 (6) of the consolidated financial statements.

The Group primarily manufactures and sells products such as radio frequency integrated circuits, and the technology of the industry is changing rapidly, resulting in a higher risk of inventory valuation loss or obsolescence. Due to the significant amount of inventories and the fact that the estimated amount of net realizable value of inventories involves subjective judgment by the management, we have listed the inventory valuation as a key audit matter in this year's audit.

Corresponding audit procedures

The main countermeasures for the above key audit matter that we have implemented were as follows:

1. Based on the understanding of the nature of the operation and industry of the Group, assess the reasonableness of the inventory allowance policy and procedures adopted for inventory valuation and the reasonableness of the management's judgment of the outdated and obsolete items.
2. Understanding the inventory management process, evaluate the inventory status and the effectiveness of management in differentiating and controlling obsolete inventory by participating in the annual inventory count.
3. Check the accuracy of the calculation of the inventory aging and confirm the reasonableness of the identification of slow-moving and obsolete inventory; verify the reasonableness of the net realizable value evaluation basis, and evaluate the reasonableness of the provision for inventory valuation loss and the consistency of the evaluation policy.

Other matters - Audited by other CPAs

The financial statements of some subsidiaries included in the consolidated financial statements of the Group and the investees under the equity method in 2024 were not audited by us but by other auditors. Therefore, in our opinion on the aforementioned consolidated financial statements, the amounts listed in the financial statements of these companies were based on the audit reports of other auditors. The total assets of the aforementioned companies (including investments under the equity method) as of December 31, 2024, were NT\$9,303 thousand, accounting for 0.56% of the consolidated total assets. The operating revenue from January 1 to December 31, 2024 was NT\$0, accounting for 0% of the consolidated net operating revenue. The loss recognized under the equity method from January 1 to December 31, 2024 was NT\$493 thousand, accounting for (0.43)% of the consolidated total comprehensive income before tax.

Other matters - Previously audited by other CPAs

The consolidated financial statements of the Group for the year ended December 31, 2023 were audited by other auditors, and an unqualified opinion was issued on February 7, 2024.

Other matters - Parent company only financial statements

We have audited the parent company only financial statements of the Company for the year ended December 31, 2024, and issued an auditors' report with an unqualified opinion with other matters paragraph, for reference.

Responsibilities of the management and the governing body for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the financial reporting process of the Group.

Responsibilities of CPAs to audit the consolidated financial statements

The purpose of our audit of the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards of the Republic of China will always detect a material misstatement when it exists in the consolidated financial statements. Misstatements can arise from fraud or error. The misrepresentation of an amount, either individually or in the aggregate, is considered material if it could reasonably be expected to influence the economic decisions of users of the consolidated financial statements.

We exercised professional judgment and maintain professional skepticism when conducting audits in accordance with the Auditing Standards of the Republic of China. We also perform the following tasks:

1. Identify and assess the risk of material misstatement arising from fraud or error in the consolidated financial statements; design and execute appropriate countermeasures for the risks assessed; and obtain sufficient and appropriate audit evidence to serve as the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. The Company shall obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Assess the appropriateness of the accounting policies adopted by the management, and the reasonableness of the accounting estimates and related disclosures.
4. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we believe that there is a major uncertainty of such event or circumstance, we must remind the user of the consolidated financial statements to pay attention to relevant disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained as of the date of the auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Assess the overall presentation, structure and content of the consolidated financial statements (including the disclosures), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group, in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit, and we are responsible for our audit opinion.

The matters communicated between us and the governing body include the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control identified during our audit).

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence (and where applicable, related safeguards).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the Group in 2024 and are therefore the key audit matters. We describe these matters in our auditor's report unless the law or regulation does not allow us to disclose such matters, or under extremely rare circumstances we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Liao A-Shen

CPAs

Li Tien-Yi

Approval reference number of the Former Financial Supervisory Commission, Executive Yuan: Jin-Guan-Zheng-Shen-Zi No. 1010015969
Approval reference number of the Financial Supervisory Commission: Jin-Guan-Zheng-Shen-Zi No. 1020028992

February 14, 2025

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

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

(English Translation of a Report Originally Issued in Chinese)

Rafael Microelectronics, Inc. and Subsidiaries

Consolidated Balance Sheet

December 31, 2024 and 2023

(Amounts in thousands of New Taiwan Dollars)

Assets		Note	December 31, 2024		December 31, 2023	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 378,812	23	\$ 435,827	28
1110	Financial assets at fair value through profit or loss - current	6(2)	207,116	12	339,452	21
1136	Financial assets measured at amortized cost - current	6(4)	179,700	11	17,769	1
1170	Net accounts receivable	6(5) and 7	119,228	7	66,872	4
1200	Other receivables		24,508	2	23,741	2
130X	Inventory	6(6)	388,507	23	401,835	25
1410	Prepayment		6,444	-	4,962	-
1479	Other current assets - others		178	-	-	-
1482	Net contract performance cost - current	6(18)	1,588	-	2,574	-
11XX	Total current assets		1,306,081	78	1,293,032	81
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	1,152	-	3,529	-
1550	Investments accounted for using the equity method	6(7)	5,666	-	6,239	-
1600	Property, plant and equipment	6(8)	291,221	18	212,244	13
1755	Right-of-use assets	6(9)	2,580	-	6,478	1
1780	Intangible assets	6(10)	33,266	2	54,280	4
1840	Deferred income tax assets	6(25)	23,420	2	15,140	1
1990	Other non-current assets - others		2,555	-	2,724	-
15XX	Total non-current assets		359,860	22	300,634	19
1XXX	Total assets		\$ 1,665,941	100	\$ 1,593,666	100

(Continued)

(English Translation of a Report Originally Issued in Chinese)

Rafael Microelectronics, Inc. and Subsidiaries

Consolidated Balance Sheet

December 31, 2024 and 2023

(Amounts in thousands of New Taiwan Dollars)

Liabilities and equity			December 31, 2024		December 31, 2023	
			Amount	%	Amount	%
Current liabilities						
2130	Contract liabilities - current	6(18) and 7	\$ 18,296	1	\$ 8,125	1
2170	Accounts payable		72,223	4	73,676	5
2200	Other payables	6(11)(13) and 7	73,886	4	81,954	5
2230	Income tax liabilities of the period		30,059	2	19,106	1
2280	Lease liabilities - current		2,648	-	3,959	-
2399	Other current liabilities - others		426	-	522	-
21XX	Total current liabilities		197,538	11	187,342	12
Non-current liabilities						
2570	Deferred income tax liabilities	6(25)	1,990	-	611	-
2580	Lease liabilities - non-current		-	-	2,593	-
25XX	Total non-current liabilities		1,990	-	3,204	-
2XXX	Total liabilities		199,528	11	190,546	12
Equity						
	Share capital	6(14)				
3110	Ordinary share capital		310,120	19	307,315	19
3170	Share capital to be written off		(40)	-	(1,015)	-
	Capital reserve	6 (15)				
3200	Capital reserve		423,704	25	393,163	24
	Retained earnings	6(16)				
3310	Legal reserve		179,065	11	174,887	11
3320	Special reserve		15,558	1	13,373	1
3350	Unappropriated earnings		609,984	37	554,555	35
	Other equity	6(17)				
3400	Other equity		(50,848)	(3)	(18,028)	(1)
3500	Treasury shares	6(14)	(21,130)	(1)	(21,130)	(1)
3XXX	Total equity		1,466,413	89	1,403,120	88
	Major events after the reporting period	11				
3X2X	Total liabilities and equity		\$ 1,665,941	100	\$ 1,593,666	100

The enclosed notes to the consolidated financial statements are an integral part of the consolidated financial statements. Please also refer to the enclosed notes.

Chairman: Cheng David

Manager: JJ Chen

Chief Accountant: Su, Chin-Ya

(English Translation of a Report Originally Issued in Chinese)
Rafael Microelectronics, Inc. and Subsidiaries
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2024 and 2023
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

	Item	Note	2024		2023	
			Amount	%	Amount	%
4000	Operating income	6(18) and 7	\$ 1,065,491	100	\$ 996,020	100
5000	Operating cost	6(6)(18)	(651,353)	(61)	(659,602)	(66)
5900	Gross profit		414,138	39	336,418	34
5910	Unrealized loss (gain) from sales		(416)	-	390	-
5950	Net income		413,722	39	336,808	34
	Operating expenses	6(13) (23) (24)				
6100	Selling expenses		(35,942)	(4)	(39,944)	(4)
6200	Management expenses		(74,045)	(7)	(44,004)	(4)
6300	R&D expenses		(200,504)	(19)	(233,476)	(23)
6450	Expected credit impairment loss	12(2)	(2,365)	-	(15)	-
6000	Total operating expenses		(312,856)	(30)	(317,439)	(31)
6900	Operating gains		100,866	9	19,369	3
	Non-operating income and expenses					
7100	Interest income	6(4)(19)	4,911	1	5,731	1
7010	Other income	6(20)	12,509	1	10,702	1
7020	Other gains and losses	6(2)(21)	14,959	1	4,480	-
7050	Financial cost	6(9)(22)	(156)	-	(204)	-
7060	Share of profit or loss of affiliates and joint ventures accounted for using the equity method	6(7)	(493)	-	(1,482)	-
7000	Total non-operating income and expenses		31,730	3	19,227	2
7900	Net profit before tax		132,596	12	38,596	5
7950	Income tax (expenses) gains	6(25)	(15,491)	(1)	3,186	-
8200	Net profit of the period		\$ 117,105	11	\$ 41,782	5
	Other comprehensive income					
	Items not reclassified to profit or loss					
8316	Unrealized gain or loss on investments in equity instruments measured at fair value through other comprehensive income		(\$ 2,377)	-	(\$ 2,677)	-
	Items that may be reclassified to profit or loss subsequently					
8361	Exchange differences arising from the translation of financial statements of foreign operations		490	-	491	-
8300	Other comprehensive income (net)		(\$ 1,887)	-	(\$ 2,186)	-
8500	Total comprehensive income of the period		\$ 115,218	11	\$ 39,596	5
	Net profit attributable to:					
8610	Owners of the parent company		\$ 117,105	11	\$ 41,782	5
	Total comprehensive income attributable to:					
8710	Owners of the parent company		\$ 115,218	11	\$ 39,596	5
	Earnings per share	6(26)				
9750	Basic		\$ 3.85		\$ 1.38	
9850	Diluted		\$ 3.80		\$ 1.37	

The enclosed notes to the consolidated financial statements are an integral part of the consolidated financial statements. Please also refer to the enclosed notes.

Chairman: Cheng David

Manager: JJ Chen

Chief Accountant: Su, Chin-Ya

(English Translation of a Report Originally Issued in Chinese)
Rafael Microelectronics, Inc. and Subsidiaries
Consolidated Statement of Changes in Equity
For the years ended December 31, 2024 and 2023
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Equity attributable to owners of the parent company												
		Share capital		Retained earnings				Other equity				
								Exchange differences arising from the translation of financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Unearned remuneration of employees	Treasury shares	Total equity
	Note	Ordinary share capital	Share capital to be written off	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings					
<u>2023</u>												
Balance on January 1, 2023		\$ 307,791	(\$ 140)	\$ 410,425	\$ 162,722	\$ 891	\$ 659,792	(\$ 436)	(\$ 12,936)	(\$ 16,649)	(\$ 21,130)	\$ 1,490,330
Net profit of the period		-	-	-	-	-	41,782	-	-	-	-	41,782
Other comprehensive income of the period	6(3)(17)	-	-	-	-	-	-	491	(2,677)	-	-	(2,186)
Total comprehensive income of the period		-	-	-	-	-	41,782	491	(2,677)	-	-	39,596
Earning distribution and allocation for 2022:												
Legal reserve		-	-	-	12,165	-	(12,165)	-	-	-	-	-
Special reserve		-	-	-	-	12,482	(12,482)	-	-	-	-	-
Cash dividends	6(16)	-	-	-	-	-	(122,372)	-	-	-	-	(122,372)
Transactions with share-based payment	6(13)(14)(15)	(476)	(875)	(17,262)	-	-	-	-	-	14,179	-	(4,434)
Balance on December 31, 2023		\$ 307,315	(\$ 1,015)	\$ 393,163	\$ 174,887	\$ 13,373	\$ 554,555	\$ 55	(\$ 15,613)	(\$ 2,470)	(\$ 21,130)	\$ 1,403,120
<u>2024</u>												
Balance on January 1, 2024		\$ 307,315	(\$ 1,015)	\$ 393,163	\$ 174,887	\$ 13,373	\$ 554,555	\$ 55	(\$ 15,613)	(\$ 2,470)	(\$ 21,130)	\$ 1,403,120
Net profit of the period		-	-	-	-	-	117,105	-	-	-	-	117,105
Other comprehensive income of the period	6(3)(17)	-	-	-	-	-	-	490	(2,377)	-	-	(1,887)
Total comprehensive income of the period		-	-	-	-	-	117,105	490	(2,377)	-	-	115,218
Earning distribution and allocation for 2023:												
Legal reserve		-	-	-	4,178	-	(4,178)	-	-	-	-	-
Special reserve		-	-	-	-	2,185	(2,185)	-	-	-	-	-
Cash dividends	6(16)	-	-	-	-	-	(55,313)	-	-	-	-	(55,313)
Transactions with share-based payment	6(13)(14)(15)	2,805	975	30,541	-	-	-	-	-	(30,933)	-	3,388
Balance on December 31, 2024		\$ 310,120	(\$ 40)	\$ 423,704	\$ 179,065	\$ 15,558	\$ 609,984	\$ 545	(\$ 17,990)	(\$ 33,403)	(\$ 21,130)	\$ 1,466,413

The enclosed notes to the consolidated financial statements are an integral part of the consolidated financial statements. Please also refer to the enclosed notes.

Chairman: Cheng David

Manager: JJ Chen

Chief Accountant: Su, Chin-Ya

(English Translation of a Report Originally Issued in Chinese)

Rafael Microelectronics, Inc. and Subsidiaries

Consolidated Statement of Cash Flow

For the years ended December 31, 2024 and 2023

(Amounts in thousands of New Taiwan Dollars)

	Note	2024	2023
<u>Cash flow from operating activities</u>			
Net profit before tax of the period		\$ 132,596	\$ 38,596
Adjustment items			
Income and expense items			
Depreciation expenses	6(8)(9)(23)	12,731	15,792
Amortization expenses	6(10)(23)	39,050	52,283
Expected credit impairment loss	12(2)	2,365	15
Net gain on financial assets at fair value through profit or loss	6(2)(21)		
		(2,978)	(2,184)
Interest expenses	6(9)(22)	156	204
Interest income	6(19)	(4,911)	(5,731)
Dividend income	6(20)	(12,350)	(10,547)
Cost of remuneration with share-based payment	6(13)	3,388	(5,937)
Share of profit or loss of affiliates and joint ventures accounted for using the equity method	6(7)	493	1,482
Gain on disposal and scrap of property, plant and equipment	6(21)		
		(364)	-
Unrealized gain (loss) from sales		416	(390)
Changes in assets/liabilities related to operating activities			
Net changes in assets related to operating activities			
Accounts receivable		(54,721)	25,075
Other receivables		(838)	829
Inventory		13,328	73,444
Prepayment		(1,482)	(976)
Other current assets - others		(178)	592
Net contract performance cost - current		986	3,767
Net changes in liabilities related to operating activities			
Contract liabilities - current		10,171	(138,368)
Accounts payable		(1,453)	(28,495)
Other payables		(8,068)	(30,997)
Other current liabilities - others		(96)	(85)
Cash inflow (outflow) from operations		128,241	(11,631)
Interest received		2,367	5,717
Dividends received		12,350	10,547
Interest paid		(156)	(204)
Income tax paid		(11,439)	(4,103)
Net cash inflow from operating activities		131,363	326
<u>Cash flow from investing activities</u>			
Increase in financial assets measured at amortized cost - current		(161,931)	(3,069)
Disposal of financial assets at fair value through profit or loss		135,314	-
Acquisition of property, plant and equipment	6(8)	(87,736)	(769)
Consideration from the disposal of property, plant and equipment		517	-
Increase in refundable deposits		(474)	(2)
Decrease in refundable deposits		639	84
Acquisition of intangible assets	6(10)	(18,036)	(20,598)
Interest received		2,615	-
Net cash outflow from investing activities		(129,092)	(24,354)
<u>Cash flow from financing activities</u>			
Repayment of lease principal	6(27)	(4,057)	(5,313)
Distribution of cash dividends		(55,313)	(122,372)
Net cash outflow from financing activities		(59,370)	(127,685)
Impact of changes in exchange rate on cash and cash equivalents		84	615
Decrease in cash and cash equivalents		(57,015)	(151,098)
Balance of cash and cash equivalents at the beginning of the period		435,827	586,925
Balance of cash and cash equivalents at the end of the period		\$ 378,812	\$ 435,827

The enclosed notes to the consolidated financial statements are an integral part of the consolidated financial statements. Please also refer to the enclosed notes.

Chairman: Cheng David

Manager: JJ Chen

Chief Accountant: Su, Chin-Ya

Rafael Microelectronics, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
Year ended December 31, 2024 and 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

I. Company history

Rafael Microelectronics, Inc. (the “Company”) was approved for establishment on November 6, 2006. The main scope of business of the Company and its subsidiaries (collectively, the “Group”) is the research, design, manufacture and sales of products related to RFIC and integrated RF systems. Flexium Interconnect, Inc. holds 29.73% of the Company's equity, and it is the ultimate parent company of the Group. The Company's shares have been traded on the Taipei Exchange since December 2016.

II. Date and procedure for the approval of financial statements

The consolidated financial statements were released after being approved by the board of directors (the “Board”) on February 14, 2025.

III. Application of new and amended standards and interpretations

(I) Impacts of the adoption of new or amended International Financial Reporting Standards (“IFRS”) and International Auditing Standards (“IAS”) as endorsed and issued into effect by the Financial Supervisory Commission (“FSC”)

New standards, revisions, amendments, and interpretations of IFRSs and IASs endorsed and issued into effect by the FSC from 2024 are as follows:

<u>New standards, revisions, amendments, and interpretations</u>	<u>Effective date announced by the International Accounting Standards Board (the “IASB”)</u>
Amendment to IFRS 16 “Lease Liabilities in a Sale and Leaseback”	January 1, 2024
Amendment to IAS 1 “Classification of Current or Non-current Liabilities”	January 1, 2024
Amendment to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendment to IAS 7 and IFRS 7 “Supplier Financing Arrangement”	January 1, 2024

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

(II) Impacts of not adopting the new and amended IFRSs and IASs endorsed by the FSC

New standards, revisions, amendments, and interpretations of IFRSs and IASs endorsed effect by the FSC from 2025 are as follows:

<u>New standards, revisions, amendments, and interpretations</u>	<u>Effective date announced by the International Accounting Standards Board (the “IASB”)</u>
Amendment to IAS 21 “Lack of Exchangeability”	January 1, 2025

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

(III) Impacts of IFRSs and IASs issued by the IASB but not yet endorsed by the FSC

New standards, revisions, amendments, and interpretations of IFRSs and IASs issued by the IASB but not yet endorsed by the FSC are as follows:

<u>New standards, revisions, amendments, and interpretations</u>	<u>Effective date announced by the International Accounting Standards Board (the "IASB")</u>
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"	January 1, 2026
Amendment to IFRS 9 and IFRS 7 "Nature-dependent Electricity Contracts"	January 1, 2026
Amendment to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by the IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
IFRS 18 "Expression and Disclosure of Financial Statements"	January 1, 2027
IFRS 19 "Subsidiaries without Public Accountability: Disclosure"	January 1, 2027
Annual improvements to IFRSs and IASs - Volume 11	January 1, 2026

Except for those described below, the above standards and interpretations have no significant impact on the Group's financial condition and financial performance based on the Group's assessment. The relevant amount of impacts is to be disclosed after the evaluation is completed:

1. Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"

The amendments are described as follows:

It is updated that the fair value shall be disclosed for equity instruments measured at fair value through other comprehensive income (FVOCI) based on the respective categories, and it is no longer necessary to disclose the fair value information based on each target. In addition, the amount of gain or loss on fair value recognized in other comprehensive income during the reporting period shall be otherwise disclosed. The amount of gain or loss on fair value related to investments derecognized during the reporting period, the amount of gain or loss on fair value related to investments held after the end of the reporting period, and accumulated gain or loss transferred to equity during the reporting period due to the derecognition of investments during the reporting period shall be listed separately.

2. IFRS 18 "Expression and Disclosure of Financial Statements"

IFRS 18, "Expression and Disclosure of Financial Statements," superseded IAS 1, updated the structure of the statement of comprehensive income, added the disclosure of management performance measurement, and strengthened the summary and division principles used in the main financial statements and notes.

IV. Summary of significant accounting policies

The main accounting policies adopted for the preparation of the consolidated financial statements are as follows. These policies have been consistently applied to all the periods presented unless otherwise stated.

(I) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the FSC (collectively, the “IFRSs”).

(II) Basis of preparation

1. Except for the following items, consolidated financial statements have been prepared based on historical cost:
 - (1) Financial assets at fair value through profit or loss (including derivatives).
 - (2) Financial assets at fair value through other comprehensive income.
2. The preparation of financial statements in conformity with the IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. The preparation principle of consolidated financial statements:
 - (1) The Group includes all subsidiaries as entities for the preparation of the consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed to variable returns from its involvement with the entity or entitled to such variable returns and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (2) Inter-company transactions, balances and unrealized gains or losses on transactions within the Group are eliminated. The accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (3) The components of profit or loss and other comprehensive income are attributed to the owners of the parent company and non-controlling interests. Total comprehensive income is attributed to owners of the parent company and non-controlling interests, even if these result in a deficit balance of non-controlling interests.
 - (4) Changes in shareholding in a subsidiary that do not result in the loss of control over the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions; that is, they are deemed transactions with owners. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are recognized directly in equity.
 - (5) When the Group loses control of a subsidiary, the Group remeasures any remaining investment in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the association or joint venture. Any difference between fair value and the carrying amount is recognized as current profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified as profit or loss on the same basis as would be required if the related assets or liabilities were directly disposed of by the Group. That is, gains or losses previously recognized as other comprehensive income would be reclassified as profit or loss upon the disposal of relevant assets or liabilities; when the Group loses control over a subsidiary, such gains or losses shall be reclassified as profit or loss from equity.

2. Subsidiaries included in the consolidated financial statements:

Investor	Name of subsidiary	Business nature	Shareholding percentage	
			December 31, 2024	December 31, 2023
Rafael Microelectronics, Inc.	Han Tang Co., Ltd.	General investment	100%	100%
Rafael Microelectronics, Inc.	Rafael Microelectronics Korea	Promotion of RFIC products	100%	100%
Han Tang Co., Ltd.	Hong Yu Co., Ltd.	General investment	100%	100%
Hong Yu Co., Ltd.	ShenZhen Rafael Microsystems, Inc.	Technical consulting and services for RFIC products	100%	100%
ShenZhen Rafael Microsystems, Inc.	Rafael Semiconductors, Inc.	Design and sales of RFIC products	100%	100%

3. Subsidiaries not included in the consolidated financial statements: None.
4. Different adjustments and treating methods of subsidiaries during the fiscal period: Not applicable.
5. Material restrictions: None
6. Subsidiaries that have non-controlling interests that are material to the Group: None.

(IV) Foreign currency translation

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company, the "New Taiwan Dollar (NTD)," is used in the consolidated financial statements as the presentation currency.

1. Foreign currency transactions and balances
 - (1) Foreign currency transactions are translated to the functional currency by using exchange rates on the trade date or measurement date. Any translation differences that occur are to be recognized in the current profit or loss.
 - (2) Monetary assets and liabilities denominated in foreign currencies at the end of the period are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
 - (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing on the balance sheet date; exchange differences generated from the adjustments are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are measured using the historical exchange rates on the date of the initial transaction.
 - (4) All foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses."
2. Translation of foreign operations
 - (1) The operating results and financial position of all the subsidiaries, affiliates, and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency by applying the following approaches:
 - A. Assets and liabilities presented in each balance sheet are translated at the closing exchange rate on the balance sheet date;
 - B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - C. All exchange differences arising from the translation are recognized in other comprehensive income.
 - (2) When the foreign operation partially disposed of or sold is an affiliate or joint arrangement, exchange

differences that were recorded under other comprehensive income are proportionately reclassified to current profit or loss as a part of disposal gain or loss. However, if the Group still retains a partial interest in a former affiliate or joint arrangement after losing significant impact on the foreign affiliate or losing joint control over the foreign joint arrangement, such transactions should be accounted for as the disposal of all equity in the foreign operation.

- (3) When a foreign operation that is partially disposed of or sold is a subsidiary, accumulated exchange differences that were recorded in other comprehensive income are proportionately re-attributed to the non-controlling interest of the foreign operation. However, if the Group still retains a partial interest in the abovementioned subsidiary after losing control over the foreign operation, which is a subsidiary, such transactions should be accounted for as the disposal of all equity in the foreign operation.

(V) Classification of current and non-current assets and liabilities

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets that are expected to be realized or are intended to be sold or consumed within the normal operating cycle.
- (2) Those held primarily for trading purposes.
- (3) Assets that are expected to be realized within 12 months after the balance sheet date.
- (4) Cash or cash equivalents unless the assets are restricted for the purpose of use in exchange or to settle liabilities at least 12 months after the balance sheet date.

All assets that do not meet the above-mentioned criteria will be classified as non-current by the Group.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be settled in the normal operating cycle.
- (2) Those held primarily for trading purposes.
- (3) Liabilities that are expected to be settled within 12 months after the balance sheet date.
- (4) Liabilities for which the repayment date cannot be unconditionally deferred to at least 12 months after the balance sheet date.

All liabilities that do not meet the above-mentioned criteria will be classified as non-current by the Group.

(VI) Cash equivalents

Cash equivalents refer to investments that are short-term, highly liquid, subject to a low risk of changes in value, and readily convertible to a known amount in cash. Time deposits that meet the above definition and are held for the operational purpose of meeting short-term cash commitments should be recognized as cash equivalents.

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

1. Refer to financial assets not measured at amortized cost or at fair value through other comprehensive income.
2. The Group adopts the trade date accounting for financial assets at fair value through profit or loss under regular way purchase or sale.
3. Financial assets are measured at fair value at initial recognition by the Group. Associated transaction costs are recognized in profit or loss. These financial assets are subsequently measured at fair value, and their gain or loss is recognized in profit or loss.
4. Dividends income is recognized in profit or loss by the Group when the right to receive dividends is established and it is probable that the economic benefits associated with the dividends will flow in and the amount of the dividends can be measured reliably.

(VIII) Financial assets at fair value through other comprehensive income

1. Refer to the irrevocable choice made upon initial recognition to present the changes in fair value of investments in equity instruments held not for trading in other comprehensive income.
2. The Group adopts the trade date accounting for financial assets at fair value through other comprehensive income under regular way purchase or sale.
3. The Group measures the fair value of financial assets plus transaction cost upon initial recognition and subsequently measures them at fair value:
Changes in the fair value of equity instruments are recognized in other comprehensive income. At the time of derecognition, the accumulated gain or loss previously recognized in other comprehensive income may be reclassified to profit or loss and transferred to retained earnings. Dividend income is recognized in profit or loss by the Group when the right to receive dividends is established, and it is probable that the economic benefits associated with the dividends will flow in and the amount of the dividends can be measured reliably.

(IX) Financial assets measured at amortized cost

1. Financial assets measured at amortized cost are those that meet all of the following criteria:
 - (1) Financial assets held under the business model whose objective is to collect the contractual cash flows.
 - (2) The contractual terms of the financial asset generate cash flows at a specific date that are solely for the purpose of paying the principal and the interest on the outstanding principal amount.
2. The Group adopts the trade date accounting for financial assets measured at amortized cost under regular way purchase or sale.
3. Financial assets are measured at their fair value plus transaction costs on initial recognition. Interest income and impairment losses are subsequently recognized over the circulation period using the effective interest method in accordance with the amortization procedure, and the gains or losses are recognized in profit or loss upon derecognition.
4. The Group holds time deposits that do not meet the definition of cash equivalents. With the short-term nature, the effect of discounting is immaterial; therefore, they are measured as an investment.

(X) Accounts receivable

1. Refer to accounts with unconditional rights to receive consideration for the transfer of goods or services in accordance with contractual agreements.
2. Short-term accounts receivable without bearing interest are measured at their initial invoice amount, as the effect of discounting is immaterial.

(XI) Impairment of financial assets

On each balance sheet date, the Group considers all reasonable and supportive information (including forward-looking information) regarding financial assets measured at amortized cost to measure their loss allowance based on the amount of 12-month expected credit loss (ECL) for those without a significant increase in credit risks since the initial recognition. For those with a significant increase in credit risks since the initial recognition, the Group measures their loss allowance based on the amount of lifetime ECL. For accounts receivable or contract assets that do not contain any significant financial component, the Group measures their loss allowance based on the amount of lifetime ECL.

(XII) Derecognition of financial assets

The Group derecognizes an asset when its contractual rights to receive cash flows from the financial asset expire.

(XIII) Inventory

Inventories are measured at cost and net realizable value, whichever is lower, and the cost is determined based on the weighted average approach. The cost of finished goods and work in process includes raw materials, other direct costs and production-related manufacturing expenses (allocated based on normal production); however, borrowing costs are excluded. The item-by-item approach is adopted when evaluating the lower of costs and net realizable value. Net realizable value is the balance of the estimated selling price in the normal operating course less the estimated cost of completion and the estimated cost of the sale.

(XIV) Investment accounted for using the equity method - affiliates

1. Affiliates are entities in which the Group has significant influence but has no control; the Group normally holds, directly or indirectly, more than 20% of voting shares. The Group adopts the equity method to account for its investments in affiliates, which are recognized based on the cost upon the acquisition.
2. The Group recognizes the share of profit or loss after the acquisition of an affiliate as current profit or loss and recognizes the share of other comprehensive income after the acquisition as other comprehensive income. When the Group's share of losses exceeds its interests (including any other unsecured receivables) in an affiliate, the recognition of further losses is discontinued except to the extent the Group has legal or constructive obligation or has made payments on behalf of the affiliate.
3. When changes in an affiliate's equity do not arise from profit or loss or other comprehensive income of the affiliate and such changes do not affect the Group's ownership percentage in the affiliate, the Group recognizes the Group's share of change in equity of the affiliate in "capital reserve" in proportion to its ownership.
4. Unrealized gains on transactions between the Group and its affiliates are eliminated to the extent of the Group's interest in the affiliates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of affiliates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

5. If the Group loses its significant influence on an affiliate when disposing of the affiliate, all amounts previously recognized in other comprehensive income in relation to the affiliate are reclassified as profit or loss on the same basis as would be required if the related assets or liabilities were directly disposed of by the Group. That is, gains or losses previously recognized as other comprehensive income would be reclassified as profit or loss upon the disposal of relevant assets or liabilities; when the Group loses its significant influence on an affiliate, such gains or losses shall be reclassified as profit or loss from equity. If there is a significant influence on the affiliate, transfer the amount previously recognized in the other comprehensive income proportionately according to the above-mentioned method.

(XV) Property, plant and equipment

1. Acquisition cost is the recording basis for property, plant, and equipment, and the relevant interests are capitalized during the period.
2. The subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow into the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance expenses are recognized as profit or loss during the period in which they are incurred.
3. Property, plant, and equipment are measured at cost subsequently. The land is not depreciated. Other property, plant, and equipment are depreciated using the straight-line method over their estimated useful life. If the property, plant, and equipment comprise any significant components, their depreciation is calculated separately.
4. The Group examines the residual value, useful life, and depreciation method of various assets at the end of each fiscal year. If the estimated residual value and useful life are different from the previous estimations, or there are significant changes in the expected consuming pattern of the future economic benefits embodied in assets, such changes are accounted for based on the requirements of changes in accounting estimates in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors." The useful lives of various assets are as follows:

Houses and buildings	50 years
Machinery and equipment	3 to 5 years
Transportation equipment	5 years
Office equipment	3 years

(XVI) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

1. On the day the lease assets become available for use by the Group, these assets are recognized as right-of-use assets and lease liabilities. When the lease contracts are short-term leases or leases of low-value assets, the lease payments are recognized as an expense during the lease period using the straight-line method.
2. For lease liabilities, unpaid lease payments are recognized based on the present value, which is discounted based on the Company's incremental borrowing rate of interest on the commencement date of leases. Lease payments include fixed payments less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and provides interest expenses over the lease term. The lease liability is re-evaluated and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments that are not arising from contract modifications.

3. Right-of-use assets are recognized at cost at the on the lease commencement date and the cost is the initial measurement of lease liabilities.

The right-of-use asset is measured subsequently using the cost model and the depreciation expenses are provided for from the commencement date to the earlier of the expiry of the asset's useful life or the lease term. When a lease liability is remeasured, the amount of remeasurement of the lease liability is adjusted for the right-of-use asset.

(XVII) Intangible assets

1. Patent rights

Patent rights are recognized based on the acquisition cost and amortized on a straight-line basis over the estimated useful lives of 5 years.

2. Computer software

Computer software is recognized based on the acquisition cost and amortized on a straight-line basis over the estimated useful lives of 2 to 5 years.

3. Mask

Patent rights are recognized based on the acquisition cost and amortized on a straight-line basis over the estimated useful lives of 3 years.

(XVIII) Impairment of non-financial assets

The Group estimates the recoverable amount of assets with indications of impairment on the balance sheet date. When the recoverable amount falls below the carrying amount, the Group recognizes impairment losses. The recoverable amount is fair value less the disposal cost or its value-in-use, whichever is higher. When circumstances of asset impairment recognized in prior years no longer exist or are reduced, the Group reverses impairment losses; however, the increase in the carrying amount of assets due to the reversal of impairment losses shall not exceed the carrying amount of assets after deducting depreciation or amortization if the assets have no impairment losses recognized.

(XIX) Accounts payable

1. Refer to liabilities for purchases of raw materials, goods or services.
2. Short-term accounts payable without bearing interest are measured at their initial invoice amount as the effect of discounting is immaterial.

(XX) derecognition of financial liabilities

The Group derecognizes financial liabilities when contractual obligations are fulfilled, canceled or expired.

(XXI) Employee benefit

1. Short-term employee benefit

Short-term employee benefits are measured at the undiscounted amount expected to be paid, and they are recognized as expenses when relevant services are provided.

2. Pension

Defined contribution plan

For the defined contribution plans, the pension amount to be appropriated is recognized as the pension cost of the period on an accrual basis. Prepaid contributions are recognized as assets to the extent that cash may be refundable or that the future payment is reduced.

3. Remuneration of employees and remuneration of Directors

The remuneration of employees and remuneration of Directors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation, and

those amounts can be reliably estimated. Subsequently, if the actual distributed amount resolved by the shareholders' meeting differs from the estimated amount, it shall be treated as a change in accounting estimates. In addition, if the remuneration is distributed in shares, the basis for the calculation of the number of shares shall be the closing price on the day prior to the resolution of the Board.

(XXII) Share-based payment to employees

1. The share-based payment arrangement settled by equity refers to measuring employees' services that are obtained based on the fair value of equity instruments granted on the grant date, recognizing them as the remuneration cost and adjusting equity relatively during the vesting period. The fair value of equity products should reflect the effects of vesting and non-vesting conditions related to market prices. The remuneration costs recognized are adjusted as per the amount of remuneration expected to meet the service conditions and non-vesting conditions related to market prices, and the final amount recognized is based on the vested amount on the grant date.
2. The share-based payment arrangement settled in cash recognizes the fair value of liabilities assumed as remuneration cost and liabilities during the vesting period and measures the fair value of equity instruments granted on each balance sheet date and settlement date. Any changes are recognized as current profit or loss.
3. Restricted stock awards (RSA)
 - (1) The remuneration cost is recognized based on the fair value of the equity instruments granted on the grant date during the vested period.
 - (2) The right to participate in dividend distribution is not restricted. Also, employees are not required to return the dividends obtained if they resign during the vesting period. The Group recognizes remuneration costs based on the fair value of dividends on the dividend announcement day for the dividends of employees who are estimated to resign during the vesting period.
 - (3) When employees are required to obtain RSA by paying considerations, if employees resign during the vesting period, the Company may repurchase the RSA at the issuance price. For paid RSAs issued with a grant date after October 11, 2024, considerations paid by employees on the grant date are recognized as liabilities on the grant date. For paid RSAs issued with a grant date before October 10, 2024, considerations paid by employees who are estimated to resign during the vesting period are recognized as liabilities on the grant date, and the estimated ultimate considerations paid by employees who are estimated to resign during the vesting period are recognized as "capital reserve - others." If employees resign during the vesting period, the Company will retrieve and cancel the RSA without any compensation.

(XXIII) Income tax

1. Income tax expenses for the period comprises current and deferred tax. Except for income tax related to items included in other comprehensive income or directly included in equity that is included in other comprehensive income or directly included in equity, respectively, income tax is recognized in profit or loss.
2. The Group has computed the income tax for the current period in compliance with tax rates that have been enacted or substantively enacted on the balance sheet date in the countries where the Company operates and where taxable income has incurred. The management regularly evaluates the status of income tax returns with respect to applicable income tax regulations and, where applicable, estimates income tax liabilities based on the expected tax payments to be made to the

tax authorities. Additional income tax is levied on undistributed earnings in accordance with the Income Tax Act. Subsequently, after the proposal for earning distribution at the shareholders' meeting in the year following the year in which earnings are generated, income tax expenses on undistributed earnings are recognized based on the status of earning distribution.

3. Deferred income tax is recognized using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts on the balance sheet. Deferred income tax liabilities generated from the initial recognition of goodwill are not recognized. If the deferred income tax is generated from the initial recognition of assets or liabilities in transactions (excluding M&A) and does not affect accounting benefits or taxable income (taxable losses) or generate equivalent taxable and deductible temporary differences, no recognition will be made. Deferred income tax is provided on temporary differences incurred from investments in subsidiaries and affiliated enterprises, except where the timing of the reversal of the temporary difference can be controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is calculated using the tax rates (and tax laws) enacted or substantively enacted by the end of each balance sheet date that is expected to apply when the deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized to the extent that temporary differences are likely to be used in offsetting future taxable income. Unrecognized and recognized deferred income tax assets are re-evaluated on each balance sheet date.
5. The unused income tax carried forward generated from the purchase of equipment or technologies, R&D expenditures, and investments in equity is recognized as deferred income tax assets to the extent that it is probable that future taxable income is available for deducting unused income tax.

(XXIV) Share capital

1. Ordinary shares are classified as equity. The incremental cost directly attributable to the issuance of new shares or stock options is presented as a reduction item to the consideration in equity based on the net amount after deducting income tax.
2. When the Company repurchases issued shares, it recognizes the consideration paid, including any directly attributable incremental cost as a reduction item to shareholders' equity based on the net amount after tax. Upon the subsequent re-issuance of the repurchased shares, differences between the consideration received less the impacts of any directly attributable incremental cost and income tax and the carrying amount are recognized as adjustments to shareholders' equity.

(XXV) Dividend distribution

Dividends to the Company's shareholders are recognized in the financial statements when the Company's Board resolves to distribute cash dividends, and when the distribution is in the form of shares, such dividends are recognized as share dividends to be distributed after the resolution at the shareholders' meeting and are transferred to ordinary shares on the base day for the issuance of new shares.

(XXVI) Income recognition

1. Sales of products
 - (1) The Group manufactures and sells products related to RFIC. Sales income is recognized when the control of the products is transferred to customers; that is, when products are delivered to the customers, the customers have discretion over the sales channels and prices of the products, and the Group has no unperformed obligation that may affect the customers' acceptance of the products. When the product is delivered to the designated location, the risk

of obsolescence and loss has been transferred to the customers, and the customers accept the product according to the sales contract, or if there is objective evidence to prove that all acceptance criteria have been met, product delivery has occurred.

- (2) Sales income is recognized at the contract price, net of the estimated quantity discount and the sales discount price.
- (3) Accounts receivable are recognized when products are delivered to the customer as the Group has unconditional rights to the contract consideration since the point of time, and the consideration can be received from the customer after the passage of time.

2. Service income

The Group provides commissioned design services. Service income is recognized as income during the service period in accordance with the contract to measure the degree of completion of the performance obligation. The customer pays the contract consideration in accordance with the payment time table agreed upon. When the services provided by the Group exceed the amount payable from the customer, they are recognized as contract assets; if the amount payable from the customer exceeds the services provided by the Group, it is recognized as contract liabilities.

(XXVII) Operating segment

Information on the Group's operating segments and the internal management report provided to the key operation decision-maker adopts a consistent method of reporting. The chief operating decision-maker is responsible for allocating resources and assessing the performance of the operating segments.

V. Major sources of uncertainty over significant accounting judgments, estimations, and assumptions

When the Group prepares the consolidated financial statements, the management has exercised its judgments to decide the accounting policies adopted and make accounting estimates and assumptions based on reasonable expectations of future events under the circumstances on the balance sheet date. Significant accounting estimates and assumptions made may differ from actual results, and the Group will continue to evaluate and adjust with reference to historical experience and other factors. These estimates and assumptions may result in the risk of material adjustments to the carrying amount of assets and liabilities in the following fiscal year. Please refer to the description of uncertainty over significant accounting judgments, estimations, and assumptions below for details:

Inventory valuation

Inventories are stated at the lower of cost or net realizable value. The Group uses judgment and estimates to determine the realizable value of inventory on the balance sheet date. Due to the rapid change in technology, the Group evaluates the amount of the inventory's normal losses, obsolescence or no market sales value and writes down the inventory cost to net realizable value. The net realizable value of the inventory is determined mainly based on assumptions about future demand within a specific time horizon. Thus, there may be significant changes in the net realizable of inventories.

VI. Description of significant accounting items

(I) Cash and cash equivalents

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash on hand	\$ 612	\$ 816
Check deposits and demand deposits	378,200	182,511
Time deposits	-	252,500
	<u>\$ 378,812</u>	<u>\$ 435,827</u>

1. Financial institutions that deal with the Group have favorable credit quality, and the Group deals with multiple financial institutions to spread credit risks. It is expected that the possibility of a default is low.
2. The Group does not pledge cash and cash equivalents.

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

<u>Item</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed shares	\$ 221,303	\$ 368,532
Valuation adjustment	(14,187)	(29,080)
	<u>\$ 207,116</u>	<u>\$ 339,452</u>

1. The Group recognized net gains of NT\$2,978 and NT\$2,184 in 2024 and 2023, respectively, on its financial assets at fair value through profit or loss.
2. The Group does not pledge financial assets at fair value through profit or loss.

(III) Financial assets at fair value through other comprehensive income

<u>Item</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Non-current items:		
Equity instruments		
Non-listed shares	\$ 19,142	\$ 19,142
Valuation adjustment	(17,990)	(15,613)
	<u>\$ 1,152</u>	<u>\$ 3,529</u>

1. The Group has selected to classify strategic investments in equity as financial assets at fair value through other comprehensive income. The fair value of such investments is NT\$1,152 and NT\$3,529 on December 31, 2024 and 2023, respectively.
2. The amounts of financial assets at fair value through other comprehensive income recognized in comprehensive income in 2024 and 2023 were NT\$(2,377) and NT\$(2,677), respectively.
3. The Group does not pledge financial assets at fair value through other comprehensive income.

(IV) Financial assets measured at amortized cost

<u>Item</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Current items:		
Time deposits with a maturity of more than three months	\$ 179,700	\$ 17,769

1. The breakdown of the financial assets measured at amortized cost recognized in profit or loss is as follows:

<u>Item</u>	<u>2024</u>	<u>2023</u>
Interest income	\$ 2,648	\$ 197

2. Without considering the collateral or other credit enhancements held, the maximum amount of exposure that best represents the credit risk of the financial assets measured at amortized cost held by the Group as of December 31, 2024 and 2023 was NT\$179,700 and NT\$17,769, respectively.
3. For information on the credit risks of financial assets measured at amortized cost, please refer to Note 12(2) for details. The counterparties of the Group's investment in negotiable certificates of deposit are financial institutions with good credit quality. It is expected that the possibility of a default is low.
4. The Group does not pledge financial assets measured at amortized cost.

(V) Net accounts receivable

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Accounts receivable	\$ 143,475	\$ 88,754
Less: Loss allowance	(24,247)	(21,882)
	<u>\$ 119,228</u>	<u>\$ 66,872</u>

1. The aging analysis of accounts receivable is as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
0 - 90 days	\$ 119,228	\$ 66,888
91 - 180 days	-	-
181 - 365 days	940	-
More than 1 year	<u>23,307</u>	<u>21,866</u>
	<u>\$ 143,475</u>	<u>\$ 88,754</u>

The above aging analysis is based on the number of overdue days.

2. The balance of accounts receivable on December 31, 2024 and 2023 were generated from customer contracts. In addition, the balance of accounts receivable from customer contracts on January 1, 2023 was NT\$113,829.
3. The Group does not pledge its accounts receivable as collateral.
4. Without considering the collateral or other credit enhancements held, the maximum amount of exposure that best represents the credit risk of accounts receivable of the Group as of December 31, 2024 and 2023 was NT\$119,228 and NT\$66,872, respectively.
5. For the credit risk information of accounts receivable, please refer to Note 12(2).

(VI) Inventory

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Raw materials	\$ 68,412	\$ 123,781
Work-in-progress and semi-finished goods	121,151	127,466
Finished goods	<u>198,944</u>	<u>150,588</u>
	<u>\$ 388,507</u>	<u>\$ 401,835</u>

The Group's inventory cost recognized as expenses and losses in 2024 and 2023 were NT\$651,353 and NT\$659,602, respectively, including the write-down of inventories from cost to net realizable value in 2024 and 2023, resulting in a decrease in net realizable value of inventories and an increase in the amount of cost of goods sold of NT\$41,417 and NT\$58,690, respectively.

(VII) Investments accounted for using the equity method

	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
Affiliates:	<u>Amount</u>	<u>Shareholding ratio</u>	<u>Amount</u>	<u>Shareholding ratio</u>
Shenzhen Aluksen Hongxin Technology Co.,Ltd. (Note)	<u>\$ 5,666</u>	49%	<u>\$ 6,239</u>	49%

Note: Based on the valuation in the financial statements that are audited by other CPAs who are engaged by the company.

The share of operating results of the company is as follows:

	<u>2024</u>	<u>2023</u>
Net loss of continuing operations of the period (i.e., total comprehensive income of the period)	(\$ <u>493</u>)	(\$ <u>1,482</u>)

(VIII) Property, plant and equipment

1. The information on the carrying amount of property, plant and equipment is as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Land	\$ 192,981	\$ 128,490
Houses and buildings	89,324	71,909
Machinery and equipment	7,950	9,938
Transportation equipment	-	125
Office equipment	<u>966</u>	<u>1,782</u>
	<u>\$ 291,221</u>	<u>\$ 212,244</u>

2. Changes in property, plant and equipment during the period are as follows:

<u>2024</u>					
<u>Cost</u>	<u>Opening balance</u>	<u>Amount increased and transferred during the period</u>	<u>Amount decreased during the period</u>	<u>Impact of exchange rate</u>	<u>Closing balance</u>
Land	\$ 128,490	\$ 64,491	\$ -	\$ -	\$ 192,981
Houses and buildings	84,968	19,308	-	-	104,276
Machinery and equipment	25,482	3,510	(3,355)	151	25,788
Transportation equipment	2,500	-	(2,500)	-	-
Office equipment	<u>7,680</u>	<u>427</u>	<u>(3,328)</u>	<u>140</u>	<u>4,919</u>
	<u>\$ 249,120</u>	<u>\$ 87,736</u>	<u>(\$ 9,183)</u>	<u>\$ 291</u>	<u>\$ 327,964</u>

<u>2023</u>					
<u>Cost</u>	<u>Opening balance</u>	<u>Amount increased and transferred during the period</u>	<u>Amount decreased during the period</u>	<u>Impact of exchange rate</u>	<u>Closing balance</u>
Land	\$ 128,490	\$ -	\$ -	\$ -	\$ 128,490
Houses and buildings	84,968	-	-	-	84,968
Machinery and equipment	36,344	53	(10,862)	(53)	25,482
Transportation equipment	2,500	-	-	-	2,500
Office equipment	<u>8,035</u>	<u>716</u>	<u>(1,023)</u>	<u>(48)</u>	<u>7,680</u>
	<u>\$ 260,337</u>	<u>\$ 769</u>	<u>(\$ 11,885)</u>	<u>(\$ 101)</u>	<u>\$ 249,120</u>

2024					
<u>Accumulated depreciation and impairment</u>	<u>Opening balance</u>	<u>Increase during the period</u>	<u>Amount decreased during the period</u>	<u>Impact of exchange rate</u>	<u>Closing balance</u>
Houses and buildings	\$ 13,059	\$ 1,893	\$ -	\$ -	\$ 14,952
Machinery and equipment	15,544	5,557	(3,355)	92	17,838
Transportation equipment	2,375	42	(2,417)	-	-
Office equipment	5,898	1,190	(3,258)	123	3,953
	<u>\$ 36,876</u>	<u>\$ 8,682</u>	<u>(\$ 9,030)</u>	<u>\$ 215</u>	<u>\$ 36,743</u>

2023					
<u>Accumulated depreciation and impairment</u>	<u>Opening balance</u>	<u>Increase during the period</u>	<u>Amount decreased during the period</u>	<u>Impact of exchange rate</u>	<u>Closing balance</u>
Houses and buildings	\$ 11,359	\$ 1,700	\$ -	\$ -	\$ 13,059
Machinery and equipment	20,418	6,014	(10,862)	(26)	15,544
Transportation equipment	1,875	500	-	-	2,375
Office equipment	4,957	2,008	(1,023)	(44)	5,898
	<u>\$ 38,609</u>	<u>\$ 10,222</u>	<u>(\$ 11,885)</u>	<u>(\$ 70)</u>	<u>\$ 36,876</u>

3. In 2024 and 2023, there was no capitalization of borrowing costs for property, plant and equipment.
4. The Group does not pledge property, plant and equipment as collateral.

(IX) Lease transaction - Lessee

1. The underlying assets leased by the Group are buildings, and the period of the lease contracts is between 2 to 3 years. Lease contracts are negotiated individually and contain various terms and conditions. Except that the assets leased to others cannot be used for leasing, sublet, or any other acts affecting the ownership of the lessor, there are no other restrictions.
2. The lease period of some of the offices and parking spaces rented by the Group does not exceed 12 months.
3. The information on the carrying amount of right-of-use assets and the depreciation expenses recognized is as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Houses	<u>\$ 2,580</u>	<u>\$ 6,478</u>

	<u>2024</u>	<u>2023</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Houses	<u>\$ 4,049</u>	<u>\$ 5,570</u>

4. The increase in the Group's right-of-use assets in 2024 and 2023 was NT\$0 and NT\$4,880, respectively.
5. The information on profit and loss items related to lease contracts is as follows:

	2024	2023
<u>Items affecting current profit or loss</u>		
Interest expenses on lease liabilities	\$ 154	\$ 204
Expenses on short-term lease contracts	647	540
Expenses on low-value asset leases	53	50

6. The total cash outflow from the leases of the Group in 2024 and 2023 was NT\$4,911 and NT\$6,107, respectively.
7. Extension and termination options for leases
- (1) The lease targets among buildings in the Group's lease contract contain the extension option that is exercisable by the Group.
 - (2) When deciding the lease period, the Group takes into account all facts and circumstances that give rise to economic incentives for exercising the extension option. When any material event that may give rise to the evaluation of exercising the extension option occurs, the lease period shall be re-estimate.

(X) Intangible assets

	2024			
	<u>Patent rights</u>	<u>Computer software</u>	<u>Mask</u>	<u>Total</u>
January 1				
Cost	\$ 4,703	\$ 45,756	\$ 103,130	\$ 153,589
Accumulated amortization	(2,849)	(16,495)	(79,965)	(99,309)
	<u>\$ 1,854</u>	<u>\$ 29,261</u>	<u>\$ 23,165</u>	<u>\$ 54,280</u>
January 1	\$ 1,854	\$ 29,261	\$ 23,165	\$ 54,280
Increase during the period - acquired separately	137	407	17,492	18,036
Derecognize upon expiry - cost	(1,377)	(1,361)	(74,573)	(77,311)
Derecognize upon expiry - accumulated amortization	1,377	1,361	74,573	77,311
Amortization of the period	(792)	(15,085)	(23,173)	(39,050)
December 31	<u>\$ 1,199</u>	<u>\$ 14,583</u>	<u>\$ 17,484</u>	<u>\$ 33,266</u>
December 31				
Cost	\$ 3,463	\$ 44,802	\$ 46,049	\$ 94,314
Accumulated amortization	(2,264)	(30,219)	(28,565)	(61,048)
	<u>\$ 1,199</u>	<u>\$ 14,583</u>	<u>\$ 17,484</u>	<u>\$ 33,266</u>

	2023			
	<u>Patent rights</u>	<u>Computer software</u>	<u>Mask</u>	<u>Total</u>
January 1				
Cost	\$ 10,732	\$ 43,750	\$ 117,306	\$ 171,788
Accumulated amortization	(7,980)	(20,188)	(57,655)	(85,823)
	<u>\$ 2,752</u>	<u>\$ 23,562</u>	<u>\$ 59,651</u>	<u>\$ 85,965</u>
January 1	\$ 2,752	\$ 23,562	\$ 59,651	\$ 85,965
Increase during the period - acquired separately	187	19,527	884	20,598
Derecognize upon expiry - cost	(6,216)	(17,521)	(15,060)	(38,797)
Derecognize upon expiry - accumulated amortization	6,216	17,521	15,060	38,797
Amortization of the period	(1,085)	(13,828)	(37,370)	(52,283)
December 31	<u>\$ 1,854</u>	<u>\$ 29,261</u>	<u>\$ 23,165</u>	<u>\$ 54,280</u>
December 31				
Cost	\$ 4,703	\$ 45,756	\$ 103,130	\$ 153,589
Accumulated amortization	(2,849)	(16,495)	(79,965)	(99,309)
	<u>\$ 1,854</u>	<u>\$ 29,261</u>	<u>\$ 23,165</u>	<u>\$ 54,280</u>

The breakdown of the amortization of intangible assets is as follows:

	2024	2023
Management expenses	\$ 516	\$ -
R&D expenses	38,534	52,28
	<u>\$ 39,050</u>	<u>\$ 52,283</u>

(XI) Other payables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Employee remuneration and Director remuneration payable	\$ 33,829	\$ 30,288
Salaries and bonuses payable	28,894	28,668
Others	11,163	22,998
	<u>\$ 73,886</u>	<u>\$ 81,954</u>

(XII) Pension

1. The Company has established the regulations for the defined contribution of pension in accordance with the "Labor Pension Act" that applies to employees in the Republic of China. For the employees of the Group's companies in Taiwan who choose to apply the labor pension system under the "Labor Pension Act," the Company contributes 6% of the monthly salary to the individual account of the employees at the Bureau of Labor Insurance. The monthly pension or one-off pension is adopted for the collection of the payment of employees' pensions based on the

- amount in the individual pension accounts and accumulated gains of the employees.
- The subsidiaries in China adopt a pension system under the requirements of the government of the People's Republic of China and make monthly contributions based on a certain percentage of employees' total monthly salaries. The pension of each employee shall be managed and arranged by the government.
 - Other foreign subsidiaries appropriate pension to relevant pension management businesses according to local laws and regulations.
 - In 2024 and 2023, the Group recognized pension costs of NT\$7,441 and NT\$7,194, respectively, in accordance with the above-mentioned regulations for pension.

(XIII) Share-based payment

- The Group's share-based payment arrangement is as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee share option plan	2017.08.10	167 thousand shares	6 years	50% of shares in accumulation are available for subscription upon the second year; 75% of shares in accumulation are available for subscription upon the third year; 100% of shares in accumulation are available for subscription upon the fourth year
Transfer of treasury shares to employees	2022.05.04 2022.11.09	168 thousand shares 4 thousand shares	-	Vested immediately
Stock appreciation rights plan	Implemented in May 2021	54 thousand shares	3 years	Service period and performance conditions
RSA plan	2019.10.25 - 2020.07.30	400 thousand shares	3 years	Service period and performance conditions
RSA plan	2020.11.11 - 2021.08.11	311 thousand shares	3 years	Service period and performance conditions
RSA plan	2024.10.28	400 thousand shares	3 years	Service period and performance conditions

Except that the stock appreciation rights plan is settled in cash, the remaining share-based payment arrangements above are settled in equity.

- The information on the employee stock option plan is as follows:

December 31, 2024: None.

	2023	
	<u>Number of stock options (thousand units)</u>	<u>Weighted average performance price (NT\$)</u>
Outstanding stock options at the beginning of the period on January 1	50	129.9
Overdue and invalid stock options during the period	(50)	126.4
Stock options exercisable at the end of the period on December 31 (i.e., outstanding stock options at the end of the period on December 31)	-	

- (1) There was no outstanding stock option as of December 31, 2023.
- (2) The Group uses the binomial options pricing model to estimate the fair value of stock options for transactions of share-based payment granted on the grant date; relevant information is as follows:

Type of arrangement	Grant date	Share price	Performance price	Expected volatility	Expected lifetime	Expected dividends	Risk-free interest rate	Fair value per unit
Employee share option plan	2017.08.10	NT\$191.50	NT\$191.50	21.23%~ 21.83% (Note)	4 to 5 years	-	0.6924%~ 0.7594%	NT\$35.32 to NT\$38.95

Note: The expected volatility is the historical volatility of stock options with similar lifetime, representing the future trend.

3. The detailed information on the transfer of treasury shares to employees is as follows:

To encourage employees, the Board resolved to repurchase the Company's shares for transferring to employees on April 6, 2020. Subsequently, we repurchased a total of 340 thousand shares.

On May 4, 2022 and November 9, 2022, the Board resolved to transfer 168 thousand shares and 4 thousand shares to employees, respectively, with a subscription price per share at NT\$93 and NT\$75. The share price on the grant date was NT\$154 and NT\$138, respectively. The receivers are employees of the Group who fulfilled special conditions.

4. The detailed information of the RSA plan is as follows: (Unit: thousand shares)

	2024	2023
RSAs on January 1	42	383
Issued during the period	400	-
Released from restrictions during the period	(17)	(206)
Recovered during the period	(22)	(135)
RSAs on December 31	<u>403</u>	<u>42</u>

- (1) The restricted rights and interests of RSAs issued by the Group before fulfilling the vesting conditions are as follows:

The Group granted RSAs on October 25, 2019, April 30, 2020, and July 30, 2020. The duration of the plan is three years. Two years after receiving the rights, employees may have shares of a certain percentage vested when fulfilling certain service conditions. Restricted rights and interests of employees after receiving new shares but without fulfilling the vesting conditions:

- A. Employees shall not engage in the disposal, pledge, transfer, gift to others, creation of rights, or disposal via other means of RSAs.
- B. Employees can participate in share dividends and cash dividends; however, they are not entitled to the rights to subscribe shares under capital increase in cash.
- C. Once the RSAs are issued, they shall be trusted immediately. Before the vesting conditions are met, employees may not request to return the RSAs with any excuse or in any manner.

In case of the voluntary resignation, retirement, and lay-offs of employees, unvested RSAs

are deemed failing to meet the vesting conditions on the effective date; the Company will retrieve and cancel their shares without any compensation according to the law.

The Group granted RSAs on November 11, 2020, May 5, 2021, and August 11, 2021. The duration of the plan is three years. Two years after receiving the rights, employees may have shares of a certain percentage vested when fulfilling certain service conditions and achieving the performance conditions set by the Company. Restricted rights and interests of employees after receiving new shares but without fulfilling the vesting conditions:

- A. Employees shall not engage in the disposal, pledge, transfer, gift to others, creation of rights, or disposal via other means of RSAs.
- B. The trust institution or custodian bank is engaged to exercise the attendance, proposal, speech, voting and voting rights at the shareholders' meeting on employees' behalf according to the agreement.
- C. Employees cannot participate in share dividends and cash dividends; however, they are not entitled to the rights to subscribe shares under capital increase in cash.

In case of the voluntary resignation, retirement, and lay-offs of employees, unvested RSAs are deemed failing to meet the vesting conditions on the effective date; the Company will retrieve and cancel their shares without any compensation according to the law.

The Group granted RSAs on October 28, 2024. The duration of the plan is three years. One year after receiving the rights, employees may have shares of a certain percentage vested when fulfilling certain service conditions and achieving the performance conditions set by the Company. Restricted rights and interests of employees after receiving new shares but without fulfilling the vesting conditions:

- A. Employees shall not engage in the disposal, pledge, transfer, gift to others, creation of rights, or disposal via other means of RSAs.
- B. The trust institution or custodian bank is engaged to exercise the attendance, proposal, speech, voting and voting rights at the shareholders' meeting on employees' behalf according to the agreement.
- C. Employees cannot participate in share dividends and cash dividends; however, they are not entitled to the rights to subscribe shares under capital increase in cash.

In case of the voluntary resignation, retirement, and lay-offs of employees, unvested RSAs are deemed failing to meet the vesting conditions on the effective date; the Company will retrieve and cancel their shares without any compensation according to the law.

(2) As of December 31, 2024, the outstanding RSAs of the Group are summarized as follows:

<u>Grant date</u>	<u>Number of shares issued</u> <u>(thousand shares)</u>	<u>Share subscription</u> <u>price (NT\$)</u>	<u>Fair value per unit</u> <u>(NT\$)</u>	<u>Number of restricted</u> <u>shares at the end of</u> <u>the period</u> <u>(thousand shares)</u>
2021.08.11	38	-	227.5	7
2024.10.28	400	-	120.398 ~127.415	396

As of December 31, 2023, the outstanding RSAs of the Group are summarized as follows:

<u>Grant date</u>	<u>Number of shares issued</u> <u>(thousand shares)</u>	<u>Share subscription</u> <u>price (NT\$)</u>	<u>Fair value per unit</u> <u>(NT\$)</u>	<u>Number of restricted</u> <u>shares at the end of</u> <u>the period</u> <u>(thousand shares)</u>
2021.05.05	30	-	146.5	30
2021.08.11	38	-	227.5	12

- (3) As of December 31, 2024 and 2023, the RSAs accounted for under the capital reserve were NT\$34,564 and NT\$6,705, respectively; the unearned remuneration of employees was NT\$33,403 and NT\$2,470.

5. The information on the stock appreciation rights plan is as follows:

The Company implemented the stock appreciation rights plan that was settled in cash in May 2021 with a granted quantity of 54 thousand units. One unit of stock appreciation rights represents the rights to the value contained in 1 ordinary share of the Company. The receivers are employees of the Company who fulfilled special conditions. The duration of the stock appreciation rights plan is 3.92 years. Two years after receiving the rights, employees may exercise a certain percentage of stock appreciation rights when fulfilling certain service conditions and achieving the performance conditions set by the Company. For those who fail to fulfill the vesting conditions, the Company cancels their rights with no compensation. Stock appreciation rights during the vesting period have no rights related to ordinary shares.

The total remuneration cost of the share-based payment settled in cash adopts the Black-Scholes Option Pricing Model to measure the initial fair value and subsequently remeasure at the end of each reporting period until settlement.

- (1) December 31, 2024: None.

The information on the pricing assumptions on December 31, 2023 is as follows:

<u>Type of arrangement</u>	<u>Share price on</u> <u>the measurement</u> <u>date (NT\$/unit)</u>	<u>Expected</u> <u>volatility</u>	<u>Expected</u> <u>lifetime</u>	<u>Expected</u> <u>dividend yield</u>	<u>Risk-free</u> <u>interest rate</u>
Stock appreciation rights plan	159.5	39.91%	0.33 years	2.94%	1.07%

- (2) As of December 31, 2023, the Group's stock appreciation rights plan has recognized a liability of nil, which was accounted for as other payables, and the total included value fulfilling the vesting conditions was nil.

6. Expenses arising from transactions with share-based payment are as follows:

	<u>2024</u>	<u>2023</u>
Settle in equity - RSAs	\$ 1,575	(\$ 9,684)
Settle in equity - transfer of treasury shares to employees	1,813	5,250
Settle in cash - stock appreciation rights plan	-	(1,503)
	<u>\$ 3,388</u>	<u>(\$ 5,937)</u>

(XIV) Share capital

1. As of December 31, 2024, the Company's authorized capital was NT\$500,000, divided into 50,000 thousand shares, and the paid-in capital was NT\$310,120, with a par value of NT\$10 per share. The payment for the issued shares of the Company has been fully collected. The reconciliation of the number of outstanding ordinary shares of the Company at the beginning and the end of the period is as follows: (Unit: thousand shares)

	<u>2024</u>	<u>2023</u>
January 1	30,563	30,611
RSAs	400	-
Cancellation of RSAs	(<u>119</u>)	(<u>48</u>)
December 31	<u>30,844</u>	<u>30,563</u>

2. The Board of the Company resolved to issue RSAs on October 28, 2024; please refer to the description in Note 6(13). The base date for the issuance of new shares is November 15, 2024, with a subscription price of nil per share. Regarding the new shares issued under the capital increase, the rights of shares are restricted before employees fulfill the vesting conditions. After employees fulfill the vesting conditions, the rights and obligations of their shares are equivalent to those of the issued ordinary shares of the Company.
3. In 2024, the Company retrieved 22 thousand RSAs that have been issued. As of December 31, 2024, 4 thousand shares are accounted for as share capital to be canceled in the amount of NT\$40 due to the non-completion of the alteration registration, and the alteration registration has been completed for the cancelation of the remaining shares.
- In 2023, the Company retrieved 135 thousand RSAs that have been issued. As of December 31, 2023, 102 thousand shares are accounted for as share capital to be canceled in the amount of NT\$1,015 due to the non-completion of the alteration registration, and the alteration registration had been completed for the cancelation of the remaining shares.
4. Treasury share
- (1) Reasons for the retrieval of shares and the quantity:

		<u>December 31, 2024</u>	
<u>Name of the company with shareholding</u>	<u>Reason for recovery</u>	<u>Thousand shares</u>	<u>Carrying amount</u>
The Company	For the transfer of shares to employees	<u>168</u>	<u>\$ 21,130</u>

		<u>December 31, 2023</u>	
<u>Name of the company with shareholding</u>	<u>Reason for recovery</u>	<u>Thousand shares</u>	<u>Carrying amount</u>
The Company	For the transfer of shares to employees	<u>168</u>	<u>\$ 21,130</u>

- (2) According to the Securities and Exchange Act, the quantity and percentage of outstanding shares repurchased by the Company shall not exceed 10% of the total issued shares of the Company, and the total amount for purchasing the shares shall not exceed the amount of retained earnings plus the premium of issued shares and the realized capital reserve.
- (3) According to the Securities and Exchange Act, treasury shares held by the Company may not

be pledged, and the Company shall not be entitled to any shareholders' rights and interests before the transfer.

- (4) According to the Securities and Exchange Act, the shares repurchased for transferring to employees shall be transferred within five years from the date of repurchase. Those that are not transferred past due are deemed unissued shares of the Company, and the alteration registration to cancel such shares shall be performed. The shares repurchased for the protection of the credit of the Company and shareholders' rights and interests shall be canceled within six months from the date of the repurchase.

(XV) Capital reserve

1. According to the Company Act, the premium from the issuance of shares at a price higher than the par value and the capital reserve from the receipt of gifts may be used to offset a deficit. When the Company has no accumulated deficit, new shares or cash may be distributed based on the initial shareholding ratio. In addition, according to relevant requirements of the Securities and Exchange Act, when the abovementioned capital reserve is appropriated to capital, the total shall not exceed 10% of the paid-in capital each year. The Company may not make up the losses with the capital reserve unless the earnings are insufficient to make up the capital losses.

	2024				
	Issuance premium	Trading of treasury shares	RSAs	Others	Total
January 1	\$ 374,203	\$ 4,743	\$ 6,705	\$ 7,512	\$ 393,163
RSAs	2,682	-	27,859	-	30,541
December 31	<u>\$ 376,885</u>	<u>\$ 4,743</u>	<u>\$ 34,564</u>	<u>\$ 7,512</u>	<u>\$ 423,704</u>

	2023					
	Issuance premium	Trading of treasury shares	Employee share options	RSAs	Others	Total
January 1	\$ 349,994	\$ 4,743	\$ 2,173	\$ 48,176	\$ 5,339	\$ 410,425
Overdue and invalid stock options	-	-	(2,173)	-	2,173	-
RSAs	<u>24,209</u>	<u>-</u>	<u>-</u>	<u>(41,471)</u>	<u>-</u>	<u>(17,262)</u>
December 31	<u>\$ 374,203</u>	<u>\$ 4,743</u>	<u>\$ -</u>	<u>\$ 6,705</u>	<u>\$ 7,512</u>	<u>\$ 393,163</u>

2. The Board of the Company resolved to distribute a cash dividend of NT\$31,012 (NT\$1 per share) from the capital reserve on February 14, 2025.

(XVI) Retained earnings

1. According to the Articles of Incorporation, if there are any earnings in the annual final accounts, they shall be distributed in the following order:
 - (1) Pay taxes.
 - (2) Make up losses.
 - (3) Appropriate 10% as the legal reserve; however, this shall not apply when the accumulated legal reserve has reached the paid-in capital of the Company.
 - (4) Appropriate or reserve the special reserve according to laws and regulations or requirements of the competent authority.
 - (5) Regarding the balance in subparagraphs 1 to 4 in paragraph 1 of this article plus the retained

earnings at the beginning of the period, retain them or distribute them as shareholders' bonuses through the resolution of the shareholders' meeting.

According to paragraph 5, Article 240 of the Company Act, the Company authorizes the Board to distribute dividends or bonuses to be distributed or the entire or partial legal reserve and capital reserve as stated in paragraph 1, Article 241 of the Company Act in cash with the resolution approved by more than half of the attending Directors at a meeting attended by more than two-thirds of the Directors and report to the shareholders' meeting.

2. The Company's dividend policy is as follows: The Company is a technology-intensive technology business and is within its period of growth. To accommodate the long-term capital planning and satisfy the shareholders' demand for cash flow, the Company adopts a residual dividend policy to strengthen the growth and sustainable operation of the Company. The expanded operating scale and the demand for cash flow in the future shall be considered upon the distribution of shareholders' bonuses; however, cash dividends each year shall not be less than 10% of the total shareholders' bonuses of the year.
3. Except for offsetting the Company's losses and distributing new shares based on the initial shareholding ratio of shareholders, the legal reserve may not be used; however, the issuance of new shares or cash shall be no more than 25% of the part that the reserve exceeds the paid-in capital.
4. When the Company distributes earnings, it is required by laws and regulations to set aside a special reserve for the debit balance, an other equity item, on the balance sheet date of the year. Subsequently, when the debit balance, an other equity item, is reversed, the amount reversed may be included in earnings available for distribution.
5. The Board of the Company resolved to approve the distribution of a dividend of NT\$4 per ordinary share from earnings with a dividend totaling NT\$122,372 on March 22, 2023, which was reported to the shareholders' meeting on June 13, 2023.

The Board of the Company resolved to approve the distribution of a dividend of NT\$1.8 per ordinary share from earnings with a dividend totaling NT\$55,313 on May 3, 2024, which was reported to the shareholders' meeting on June 18, 2024.

The Board of the Company resolved to approve the distribution of a dividend of NT\$1 per ordinary share from earnings with a dividend totaling NT\$31,012 on February 14, 2025.

(XVII) Other equity items

	2024			
	Foreign currency translation	Unearned remuneration of employees	Unrealized valuation gain or loss	Total
January 1	\$ 55	(\$ 2,470)	(\$ 15,613)	(\$ 18,028)
Difference from foreign currency translation				
- The Group	490	-	-	490
Remuneration cost of share-based payment	-	(30,933)	-	(30,933)
Valuation adjustment	-	-	(2,377)	(2,377)
December 31	<u>\$ 545</u>	<u>(\$ 33,403)</u>	<u>(\$ 17,990)</u>	<u>(\$ 50,848)</u>

	2023			
	Foreign currency translation	Unearned remuneration of employees	Unrealized valuation gain or loss	Total
January 1	(\$ 436)	(\$ 16,649)	(\$ 12,936)	(\$ 30,021)
Difference from foreign currency translation				
- The Group	491	-	-	491
Remuneration cost of share-based payment	-	14,179	-	14,179
Valuation adjustment	-	-	(2,677)	(2,677)
December 31	<u>\$ 55</u>	<u>(\$ 2,470)</u>	<u>(\$ 15,613)</u>	<u>(\$ 18,028)</u>

(XVIII) Operating income

	2024	2023
Income from customer contracts		
Sales of products	\$ 1,056,159	\$ 915,655
Provision of services	<u>9,332</u>	<u>80,365</u>
	<u>\$ 1,065,491</u>	<u>\$ 996,020</u>

1. Breakdown of income from customer contracts

The Group's source of income is from the transfer of products at a certain point in time and the transfer of services gradually over time; income can be divided into the following major geographical areas:

2024	Taiwan	China	Other parts of Asia	Europe and America	Total
Income from contracts with external customers	<u>\$ 26,737</u>	<u>\$ 928,274</u>	<u>\$ 96,860</u>	<u>\$ 13,620</u>	<u>\$ 1,065,491</u>
Point of time of income recognition					
Income recognized at a certain point in time	\$ 26,737	\$ 928,274	\$ 87,528	\$ 13,620	\$ 1,056,159
Income recognized gradually over time	-	-	9,332	-	9,332
	<u>\$ 26,737</u>	<u>\$ 928,274</u>	<u>\$ 96,860</u>	<u>\$ 13,620</u>	<u>\$ 1,065,491</u>
2023	Taiwan	China	Other parts of Asia	Europe and America	Total
Income from contracts with external customers	<u>\$ 24,127</u>	<u>\$ 727,225</u>	<u>\$ 219,192</u>	<u>\$ 25,476</u>	<u>\$ 996,020</u>
Point of time of income recognition					
Income recognized at a certain point in time	\$ 24,127	\$ 728,117	\$ 154,057	\$ 9,354	\$ 915,655
Income recognized gradually over time	-	(892)	65,135	16,122	80,365
	<u>\$ 24,127</u>	<u>\$ 727,225</u>	<u>\$ 219,192</u>	<u>\$ 25,476</u>	<u>\$ 996,020</u>

2. Contract liabilities

- (1) Contract liabilities related to income from customer contracts recognized by the Group are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Contract liabilities:			
- Sales of products	\$ 15,271	\$ 5,100	\$ 132,198
- Provision of services	<u>3,025</u>	<u>3,025</u>	<u>14,295</u>
	<u>\$ 18,296</u>	<u>\$ 8,125</u>	<u>\$ 146,493</u>

- (2) Contract liabilities at the beginning of the period recognized as income during the period

	<u>2024</u>	<u>2023</u>
Balance of contract liabilities at the beginning of the period recognized as income during the period	<u>\$ 2,373</u>	<u>\$ 140,740</u>

- (3) Transaction price allocated to the unperformed performance obligations

As of December 31, 2024 and 2023, the contract transaction price allocated to the part of the contracts of the entrusted design project entered into between the Group and customers that is not fully performed was NT\$36,827 and NT\$26,511, respectively.

3. Assets recognized from the cost of contract performance

The cost generated from the entrusted design projects of the Group will be transferred to operating costs when recognizing income upon fulfilling the performance obligations in the future and presented as the cost of contract performance in the balance sheet. As of December 31, 2024 and 2023, the balances were NT\$1,588 and NT\$2,574, respectively. The amounts amortized and recognized as costs for 2024 and 2023 were NT\$2,642 and NT\$53,506, respectively.

(XIX) Interest income

	<u>2024</u>	<u>2023</u>
Interests on bank deposits	\$ 4,907	\$ 5,727
Others	<u>4</u>	<u>4</u>
	<u>\$ 4,911</u>	<u>\$ 5,731</u>

(XX) Other income

	<u>2024</u>	<u>2023</u>
Dividend income	\$ 12,350	\$ 10,547
Other income - others	<u>159</u>	<u>155</u>
	<u>\$ 12,509</u>	<u>\$ 10,702</u>

(XXI) Other gains and losses

	2024	2023
Gain on the disposal of property, plant and equipment	\$ 364	\$ -
Net gain on foreign currency exchange	13,029	3,973
Net gain on financial assets at fair value through profit or loss	2,978	2,184
Others	(1,412)	(1,677)
	<u>\$ 14,959</u>	<u>\$ 4,480</u>

(XXII) Financial cost

	2024	2023
Interest expenses:		
Interest on lease liabilities	\$ 154	\$ 204
Others	<u>2</u>	<u>-</u>
	<u>\$ 156</u>	<u>\$ 204</u>

(XXIII) Additional information on the nature of expenses

	2024	2023
Employee benefit expenses	\$ 207,309	\$ 186,982
Depreciation expenses on property, plant and equipment	8,682	10,222
Depreciation expenses on right-of-use assets	4,049	5,570
Amortization expenses of intangible assets	39,050	52,283

(XXIV) Employee benefit expenses

	2024	2023
Salary expenses	\$ 183,067	\$ 163,780
Labor and insurance health expenses	13,092	13,298
Pension expenses	7,441	7,194
Other personnel expenses	<u>3,709</u>	<u>2,710</u>
	<u>\$ 207,309</u>	<u>\$ 186,982</u>

1. According to the Articles of Incorporation, if the Company makes a profit in the year, no less than 4% of the profit shall be distributed as the remuneration of employees and no more than 4% as the remuneration of Directors. However, if the Company has accumulated losses, the accumulated losses shall be compensated first.
2. The estimated amount of employee remuneration of the Company in 2024 and 2023 was NT\$25,000 and NT\$10,000, respectively; the estimated amount of Director remuneration was NT\$2,100 and NT\$2,010, respectively. The aforementioned amount was recorded as salary expenses.
The amount for 2024 is estimated based on the profiting status up to the current period at a certain percentage.

The amount of 2023 remuneration of employees and remuneration of Directors resolved by the Board is consistent with the amount recognized in the 2023 financial statements.

For information on remuneration of employees and remuneration of Directors approved by the Board of the Company, please visit MOPS for inquiries.

(XXV) Income tax

1. Income tax expenses (gains)

Components of income tax expenses (gains):

	<u>2024</u>	<u>2023</u>
Current income tax		
Income tax generated from current income	\$ 25,442	\$ 16,305
Over-estimated income tax in previous years	(3,050)	(8,941)
Total income tax for the period	<u>22,392</u>	<u>7,364</u>
Deferred income tax:		
The initial generation and reversal of temporary differences	(6,901)	(10,550)
Income tax expenses (gains)	<u>\$ 15,491</u>	(<u>\$ 3,186</u>)

2. Relation between income tax expenses (gains) and accounting profit

	<u>2024</u>	<u>2023</u>
Income tax is calculated based on net income before tax at the statutory rate (Note)	\$ 26,568	\$ 7,778
Effects of items adjusted for recognition under the tax laws	(5,557)	86
Income exempted from taxation under the tax laws	(2,470)	(2,109)
Over-estimated income tax in previous years	(3,050)	(8,941)
Income tax expenses (gains)	<u>\$ 15,491</u>	(<u>\$ 3,186</u>)

Note: The basis of the applicable tax rate is calculated based on the tax rate applicable to the income of the country.

3. The amounts of deferred income tax assets or liabilities generated from temporary differences, taxation loss and investment credit are as follows:

2024			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>December 31</u>
Deferred income tax assets:			
- Temporary differences:			
Inventory devaluation	\$ 14,400	\$ 8,284	\$ 22,684
Unrealized exchange losses	663	(481)	182
unrealized gain on sales	77	83	160
Unrealized sales discounts	-	394	394
Subtotal	<u>\$ 15,140</u>	<u>\$ 8,280</u>	<u>\$ 23,420</u>
- Deferred income tax liabilities:			
Unrealized exchange gains	(611)	(1,379)	(1,990)
Total	<u>\$ 14,529</u>	<u>\$ 6,901</u>	<u>\$ 21,430</u>

2023			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>December 31</u>
Deferred income tax assets:			
- Temporary differences:			
Inventory devaluation	\$ 2,662	\$ 11,738	\$ 14,400
Unrealized exchange losses	470	193	663
unrealized gain on sales	154	(77)	77
Unrealized employee stock appreciation rights	1,063	(1,063)	-
Subtotal	<u>\$ 4,349</u>	<u>\$ 10,791</u>	<u>\$ 15,140</u>
- Deferred income tax liabilities:			
Unrealized exchange gains	(370)	(241)	(611)
Total	<u>\$ 3,979</u>	<u>\$ 10,550</u>	<u>\$ 14,529</u>

4. The breakdown of the investment tax credit of the Company and the amount of deferred income tax assets not recognized are as follows:

December 31, 2024			
<u>Credit items</u>	<u>Unused credit balance</u>	<u>Tax amount of unrecognized deferred income tax assets</u>	<u>Last year of credit</u>
R&D expenditures	\$ 10,072	\$ 10,072	2025

December 31, 2023: None.

5. The deductible temporary differences not recognized as deferred income tax assets

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Deductible temporary differences	\$ <u>358</u>	\$ <u>273</u>

6. The Company did not recognize deferred income tax liabilities for taxable temporary differences related to the investments of certain subsidiaries. As of December 31, 2024 and 2023, the amount of unrecognized temporary differences of deferred income tax liabilities was NT\$353 and NT\$227, respectively.

7. The Company's profit-seeking enterprise income tax has been approved by the tax authorities up to 2022.

(XXVI) Earnings per share

	<u>2024</u>		
	<u>Amount after tax</u>	<u>Weighted average number of outstanding shares (thousand shares)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net profit attributable to the ordinary shareholders of the parent company	\$ <u>117,105</u>	<u>30,434</u>	\$ <u>3.85</u>
<u>Diluted earnings per share</u>			
Net profit attributable to the ordinary shareholders of the parent company	\$ 117,105	30,434	
Effects of potential diluted ordinary shares			
Remuneration of employees	-	217	
RSAs	-	<u>152</u>	
Effect of net profit of the period attributable to the ordinary shareholders of the parent company plus potential ordinary shares	\$ <u>117,105</u>	<u>30,803</u>	\$ <u>3.80</u>
	<u>2023</u>		
	<u>Amount after tax</u>	<u>Weighted average number of outstanding shares (thousand shares)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net profit attributable to the ordinary shareholders of the parent company	\$ <u>41,782</u>	<u>30,359</u>	\$ <u>1.38</u>
<u>Diluted earnings per share</u>			
Net profit attributable to the ordinary shareholders of the parent company	\$ 41,782	30,359	
Effects of potential diluted ordinary shares			
Remuneration of employees	-	94	
Employee share options	-	9	
RSAs	-	<u>42</u>	
Effect of net profit of the period attributable to the ordinary shareholders of the parent company plus potential ordinary shares	\$ <u>41,782</u>	<u>30,504</u>	\$ <u>1.37</u>

(XXVII) Changes in liabilities from financing activities

	2024	2023
	<u>Lease liabilities</u>	<u>Lease liabilities</u>
January 1	\$ 6,552	\$ 7,032
Changes in cash flow from financing	(4,057)	(5,313)
Increase in lease liabilities	-	4,880
Effects of changes in the exchange rate	153	(47)
December 31	<u>\$ 2,648</u>	<u>\$ 6,552</u>

VII. Related party transactions

(I) Parent company and ultimate controller

The Company is controlled by Flexium Interconnect, Inc. (registered in the Republic of China), and it owns 29.73% of the Company's shares. The remaining 70.27% is held by the public. The Company's ultimate parent company is Flexium Interconnect, Inc..

(II) Name of and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
Shenzhen Aluksen Hongxin Technology Co., Ltd. (Hongxin)	Affiliate

(III) Major transactions with related parties

1. Operating income

	2024	2023
Hongxin	<u>\$ 18,655</u>	<u>\$ 4,791</u>

There is no significant difference between the transaction price of the sales of the Company's products and the payment terms with non-related parties.

The unrealized gross profit from sales with related parties has been written off in proportion to the equity ratio.

2. Sales returns and discounts

	2024	2023
Hongxin	<u>\$ 1,972</u>	<u>\$ 6,532</u>

3. Amounts receivable from related parties

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Accounts receivable:		
Hongxin	<u>\$ 3,878</u>	<u>\$ -</u>

The amounts receivable from related parties are mainly from sales transactions, with a payment term of a monthly settlement of 30 days. As of December 31, 2024, the Company has provided an allowance loss of NT\$940 according to the Company's policy for the overdue amounts receivable from related parties.

4. Amounts payables to related parties

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Other payables:		
Hongxin	<u>\$ 1,972</u>	<u>\$ -</u>

5. Contract liabilities

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Hongxin	<u>\$ -</u>	<u>\$ 981</u>

(IV) Information on the remuneration of key management personnel

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	<u>\$ 20,687</u>	<u>\$ 27,103</u>
Post-employment benefits	<u>447</u>	<u>659</u>
Share-based payment	<u>756</u>	<u>(2,416)</u>
	<u>\$ 21,890</u>	<u>\$ 25,346</u>

VIII. Pledged assets

None.

IX. Major contingent liabilities and unrecognized contractual commitments

(I) Contingency

None.

(II) Commitment

None.

X. Major disaster losses

None.

XI. Major events after the reporting period

The Board of the Company resolved the proposal for the cash distribution from the capital reserve and the proposal for earning distribution for 2024 on February 14, 2025; please refer to the description in Note 6(15) and (16).

XII. Others

(I) Capital management

The Group's capital management objective is to ensure the Group's continuous operations, maintain the optimal capital structure to reduce the cost of capital, and provide returns to shareholders. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or dispose of assets to reduce liabilities. The Group's strategy is to achieve a balanced capital structure.

(II) Financial instruments

1. Categories of financial instrument

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 207,116</u>	<u>\$ 339,452</u>
Financial assets at fair value through other comprehensive income		
Investments in equity instruments selected and designated	<u>\$ 1,152</u>	<u>\$ 3,529</u>
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 378,812	435,827
Financial assets measured at amortized cost	179,700	17,769
Accounts receivable (including those from related parties)	119,228	66,872
Other receivables	24,508	23,741
Refundable deposits	<u>801</u>	<u>970</u>
	<u>\$ 703,049</u>	<u>\$ 545,179</u>

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Accounts payable	\$ 72,223	\$ 73,676
Other payables (including those to related parties)	<u>73,886</u>	<u>81,954</u>
	<u>\$ 146,109</u>	<u>\$ 155,630</u>
Lease liabilities	<u>\$ 2,648</u>	<u>\$ 6,552</u>

2. Risk management policy

- (1) The Group's daily operations are affected by multiple financial risks, including market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Group identifies, assesses and manages the aforementioned risks based on its policy and risk preferences.
- (2) The Group has established appropriate policies, procedures and internal control for the aforementioned financial risk management in accordance with relevant regulations. Major financial activities shall be reviewed by the Board and the Audit Committee in accordance with relevant regulations and the internal control system. During the execution period of financial management activities, the Group shall strictly comply with the regulations related to financial risk management it established.

3. Nature and severity of significant financial risks

(1) Market risk

Exchange rate risk

- A. The Group's exchange rate risk is mainly related to its main operating activities (when income or expenses are denominated in a currency other than the Group's functional currency) and net investments in foreign operations.
- B. Partial currencies of the Group's payments receivable denominated in foreign currencies and payments payable denominated in foreign currencies are equivalent. As such, equivalent positions generate the natural hedging effects. In addition, net investments in foreign operations are strategic investments; therefore, the Group does not engage in hedging for such investments.
- C. The businesses of the Group involve a number of non-functional currencies (NTD, RMB and KRW are the functional currencies of the Company and partial subsidiaries); therefore, the Group is affected by exchange rate fluctuations. The

information on assets and liabilities denominated in foreign currencies with influences of significant exchange rate fluctuations is as follows:

December 31, 2024			
	<u>Foreign currency</u>		<u>Carrying amount</u>
	<u>(in thousands)</u>	<u>Exchange rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary item</u>			
USD: NTD	\$ 12,122	32.735	\$ 396,814
RMB: NTD	4,995	4.55386	22,747
EUR: NTD	433	33.94	14,696
KRW: NTD	176,345	0.02051	3,617
<u>Non-monetary items</u>			
RMB: NTD	1,244	4.55386	5,666
<u>Financial liabilities</u>			
<u>Monetary item</u>			
USD: NTD	2,196	32.735	71,886
RMB: NTD	769	4.55386	3,502
KRW: NTD	1,291	0.02051	26

December 31, 2023			
	<u>Foreign currency</u>		<u>Carrying amount</u>
	<u>(in thousands)</u>	<u>Exchange rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary item</u>			
USD: NTD	\$ 5,567	30.71	170,948
RMB: NTD	4,188	4.329	18,128
EUR: NTD	1,077	34.01	36,637
KRW: NTD	149,495	0.0238	3,558
<u>Non-monetary items</u>			
RMB: NTD	1,441	4.329	6,239
<u>Financial liabilities</u>			
<u>Monetary item</u>			
USD: NTD	2,948	30.71	90,540
RMB: NTD	261	4.329	1,132
KRW: NTD	2,363	0.0238	56

D. In 2024 and 2023, the aggregate amount of all exchange gains (realized and unrealized) on monetary items of the Group with significant influence due to exchange rate fluctuations was NT\$13,029 and NT\$3,973, respectively.

E. The Group's foreign currency market risk analysis due to influences of significant exchange rate fluctuations is as follows:

December 31, 2024				
Sensitivity analysis				
	Carrying amount (NTD)	Range of change	Effects on profit and loss	Effects on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary item</u>				
USD: NTD	\$ 396,814	1%	\$ 3,968	\$ -
RMB: NTD	22,747	1%	227	-
EUR: NTD	14,696	1%	147	-
KRW: NTD	3,617	1%	36	-
<u>Non-monetary items</u>				
RMB: NTD	5,666	1%	-	57
<u>Financial liabilities</u>				
<u>Monetary item</u>				
USD: NTD	71,886	1%	719	-
RMB: NTD	3,502	1%	35	-
KRW: NTD	26	1%	-	-
December 31, 2023				
Sensitivity analysis				
	Carrying amount (NTD)	Range of change	Effects on profit and loss	Effects on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary item</u>				
USD: NTD	\$ 170,948	1%	\$ 1,709	\$ -
RMB: NTD	18,128	1%	181	-
EUR: NTD	36,637	1%	366	-
KRW: NTD	3,558	1%	36	-
<u>Non-monetary items</u>				
RMB: NTD	6,239	1%	-	62
<u>Financial liabilities</u>				
<u>Monetary item</u>				
USD: NTD	90,540	1%	905	-
RMB: NTD	1,132	1%	11	-
KRW: NTD	56	1%	1	-

Price risk

- A. The Group is exposed to equity instruments with price risks. Such instruments are financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income held and accounted for. The Group set a limit for investments in single and overall preferred shares and equity securities through diversified investments to manage the price risk of preferred shares and equity securities. The information on the portfolio of investments in preferred shares and equity securities shall be provided to the senior management of the Group periodically. The Board shall review and approve all the decisions on the investment in preferred shares and equity securities.
- B. The Group mainly invests in equity instruments issued by domestic companies. The prices of such equity instruments are affected by the uncertainty of the future values of the investment targets. If the prices of such equity instruments rise or drop by 1%, with all other factors remaining unchanged, the net profit before tax for 2024 and 2023 will increase or decrease by NT\$2,071 or NT\$3,395, respectively, due to the gain or loss on equity instruments measured at fair value through profit or loss; the gain or loss on investments in equity at fair value through other comprehensive income will increase or decrease by NT\$12 and NT\$35, respectively.

Cash flow and fair value interest rate risk

Interest rate risks are risks of fair value or future cash flow fluctuations of financial instruments due to changes in the market interest rate. The interest rate risk of the Group mainly arises from time deposits with floating interest rates. The period of the Group's time deposits is generally shorter periods; therefore, cash flow risk arising from changes in interest rate is relatively low.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss incurred when a counterparty of transactions fails to perform its contractual obligations. The Group's credit risk arises from operating activities (mainly accounts receivable) and financing activities (mainly bank deposits and other financial instruments).
- B. Each department of the Group manages credit risk in accordance with credit risk policies, procedures and controls. The credit risk assessment of all counterparties of transactions generally considers the financial position, ratings of the credit rating agencies, historical transaction experience of the counterparties of transactions, current economic situation, the Group's internal assessment standards, and other factors. The Group also adopts certain credit enhancement tools at appropriate times to reduce the credit risk of specific counterparties of transactions.
- C. When the Group's contract payment is overdue for over a certain number of days under the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the initial recognition.
- D. When the debtor experiences major financial difficulties or has gone bankrupt, the Group shall deem it a breach of contract in accordance with the credit risk management procedures.
- E. The indicators used by the Group to determine the credit impairment of financial assets

are as follows:

- (A) The possibility of the issuer having major financial difficulties or entering bankruptcy or other financial restructuring increases significantly;
 - (B) The issuer delays or fails to pay interest or principal.
- F. The Group divides the accounts receivable of customers into groups based on the credit rating, region, industry, and other factors of counterparties of transactions and adopts the simplified approach to estimate ECL based on the allowance matrix.
- G. The Group has adjusted the loss rate established based on historical and current information of a specific period based on future-looking considerations to estimate the loss allowance of accounts receivable. The allowance matrix on December 31, 2024 and 2023 based on customer classification is disclosed as follows:

December 31, 2024							
Group 1	Not past due	Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 121 days	Total
Total Carrying amount	\$119,228	\$ -	\$ -	\$ -	\$ -	\$ 940	\$ 120,168
Loss rate	0%	5%	10%	30%	70%	100%	
Loss allowance	-	-	-	-	-	(940)	(940)
Carrying amount	<u>\$ 119,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,228</u>
Group 2	Not past due	121 to 150 days	151 to 180 days	181 to 270 days	271 to 300 days	More than 301 days	Total
Total Carrying amount	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,307	\$ 23,307
Loss rate	0%	5%	10%	30%	70%	100%	
Loss allowance	-	-	-	-	-	(23,307)	(23,307)
Carrying amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2023							
Group 1	Not past due	Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 121 days	Total
Total Carrying amount	\$ 66,725	\$ -	\$ 163	\$ -	\$ -	\$ -	\$ 66,888
Loss rate	0%	5%	10%	30%	70%	100%	
Loss allowance	-	-	(16)	-	-	-	(16)
Carrying amount	<u>\$ 66,725</u>	<u>\$ -</u>	<u>\$ 147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,872</u>
Group 2	Not past due	121 to 150 days	151 to 180 days	181 to 270 days	271 to 300 days	More than 301 days	Total
Total Carrying amount	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,866	\$ 21,866
Loss rate	0%	5%	10%	30%	70%	100%	
Loss allowance	-	-	-	-	-	(21,866)	(21,866)
Carrying amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- H. The statement of loss allowance of accounts receivables made by adopting the simplified approach is as follows:

	2024	2023
January 1	\$ 21,882	\$ 21,867
Provision of impairment loss	<u>2,365</u>	<u>15</u>
December 31	<u>\$ 24,247</u>	<u>\$ 21,882</u>

The impairment loss recognized for the amounts receivable generated from customer contracts in 2024 and 2023 was NT\$2,365 and NT\$15, respectively.

(3) Liquidity risk

- A. The cash flow forecast is summarized by the Financial Department of the Group based on the implementation of operating entities within the Group. The Group's Finance Department monitors the forecast of the Group's demand for working capital to ensure that it has sufficient funds to meet operational needs and maintains sufficient unspent borrowing commitment limit at all times.
- B. If the remaining cash held by each operating entity exceeds the management requirement for the working capital, the remaining funds will be invested in interest-bearing demand deposits, time deposits, and securities, and the instruments selected shall have appropriate maturity day or sufficient liquidity to respond to the forecast above and provide sufficient liquidity. On December 31, 2024 and 2023, the monetary market positions held by the Group were NT\$765,016 and NT\$792,232. It is expected to instantly generate cash flow to manage liquidity risk.
- C. The Group maintains financial flexibility through contracts of cash and cash equivalents and highly liquid securities. The contractual cash flow disclosed in the table below are non-discounted amounts.

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>More than 2 year</u>
December 31, 2024			
Non-derivative financial liabilities:			
Accounts payable	\$ 72,223	\$ -	\$ -
Other payables	73,886	-	-
Lease liabilities	2,677	-	-
	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>More than 2 year</u>
December 31, 2023			
Non-derivative financial liabilities:			
Accounts payable	\$ 73,676	\$ -	\$ -
Other payables	81,954	-	-
Lease liabilities	4,108	2,622	-

(III) Information on fair value

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the measurement date. An active market refers to a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the listed shares invested by the Group belongs to this level.

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

Level 3: Unobservable inputs for the asset or liability. Equity instruments with no active market invested by the Company belong to this level.

2. Financial instruments not measured at fair value:

The carrying amount of the Group's financial instruments not measured at fair value include cash and cash equivalents, financial assets measured at amortized cost, accounts receivable, other receivables, refundable deposits (presented as "other non-current assets"), accounts payables, other payables, and lease liabilities is a reasonable approximate to the fair value.

3. For financial and non-financial instruments measured at fair value, the Group classifies them according to the nature, characteristics, risks, and fair value of the assets. The relevant information is as follows:

(1) The Group classified assets based on their nature. The relevant information is as follows:

<u>December 31, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repetitive fair value</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 207,116	\$ -	\$ -	\$ 207,116
Financial assets at fair value through other comprehensive income				
Equity securities	<u>-</u>	<u>-</u>	<u>1,152</u>	<u>1,152</u>
	<u>\$ 207,116</u>	<u>\$ -</u>	<u>\$ 1,152</u>	<u>\$ 208,268</u>
<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repetitive fair value</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 339,452	\$ -	\$ -	\$ 339,452
Financial assets at fair value through other comprehensive income				
Equity securities	<u>-</u>	<u>-</u>	<u>3,529</u>	<u>3,529</u>
	<u>\$ 339,452</u>	<u>\$ -</u>	<u>\$ 3,529</u>	<u>\$ 342,981</u>

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

A. If the Group adopts market quotation as the input value of fair value (i.e., Level 1), the characteristics of the instruments are set out as follows:

	<u>Listed shares</u>
Market quotation	Closing price

- B. Except for the financial instruments with an active market, as mentioned above, the fair value of other financial instruments is obtained through valuation techniques or reference to the quotation of counterparties of transactions. The fair value obtained through the valuation techniques can be calculated with reference to the current fair value of other financial instruments with substantially similar conditions and characteristics, the discounted cash flow approach, or other valuation techniques, including the market information utilization model available on the consolidated balance sheet date.
- C. For financial instruments with higher complexity, the Group measures the fair value based on the valuation approaches and techniques extensively used by peers and the valuation models it developed. Such valuation models are usually used in debt instruments of derivatives and embedded derivatives or securitized products. Partial parameters used in such valuation models are not observable information in the market. The Group is required to make appropriate estimates based on the assumptions. For the effects of parameters not observable in the market on the valuation of financial instruments, please refer to the description in Note 12(3)8.

4. There was no transfer between Level 1 and Level 2 in 2024 and 2023.

5. The following table sets out the changes in Level 3 in 2024 and 2023:

	<u>2024</u>	<u>2023</u>
	<u>Non-derivative equity instruments</u>	<u>Non-derivative equity instruments</u>
January 1	\$ 3,529	\$ 6,206
Losses recognized in other comprehensive income	(2,377)	(2,677)
December 31	<u>\$ 1,152</u>	<u>\$ 3,529</u>

6. There was no inward or outward transfer to or from Level 3 in 2024 and 2023.

7. For the valuation procedures of fair value classified in Level 3, the Financial Department of the Group carries out independent fair value verification based on the actuarial report issued by an external expert to align valuation results with the market status based on the data from an independent source to confirm that the data source is independent, reliable, consistent with other resources, and represent an executable price, regularly performs calibration of the valuation models, carries out retrospective tests, updates inputs and data required by valuation models, and makes any other necessary adjustments to fair value to ensure that the valuation results are reasonable.
8. The quantitative information on the significant unobservable inputs used in the valuation models of Level 3 fair value measurement items and the sensitivity analysis of changes in significant unobservable inputs are described as follows:

	December 31, 2024 Fair value	Valuation techniques	Significant unobservable inputs	Interval (weighted average)	Relation between the input and fair value
Non-derivative equity instruments:					
Non-listed shares	\$ 1,152	Market approach	Price-to-sales ratio	1.95	The higher the multiple is, the higher the fair value is.
			Lack of market liquidity discount	25%	The higher the lack of market liquidity discount, the lower the fair value.
	December 31, 2023 Fair value	Valuation techniques	Significant unobservable inputs	Interval (weighted average)	Relation between the input and fair value
Non-derivative equity instruments:					
Non-listed shares	\$ 3,529	Market approach	Price-to-sales ratio	1.33	The higher the multiple is, the higher the fair value is.
			Lack of market liquidity discount	25%	The higher the lack of market liquidity discount, the lower the fair value.

9. The Group carefully selects valuation models and evaluation parameters; however, different valuation models or parameters may lead to different valuation results. Regarding financial assets classified into Level 3, if valuation meters change, the effects on the current profit or loss or other comprehensive income are as follows:

			December 31, 2024			
			<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
	<u>Input</u>	<u>Change</u>	<u>change</u>	<u>change</u>	<u>change</u>	<u>change</u>
Financial assets						
Equity instruments	Price-to-sales ratio	±10%	\$ -	\$ -	\$ 115	(\$ 115)
			December 31, 2023			
			<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
	<u>Input</u>	<u>Change</u>	<u>change</u>	<u>change</u>	<u>change</u>	<u>change</u>
Financial assets						
Equity instruments	Price-to-sales ratio	±10%	\$ -	\$ -	\$ 353	(\$ 353)

XIII. Additional disclosures

(I) Information on significant transactions

1. Loans to others: None.
2. Provision of endorsements and guarantees to others: None.
3. Securities held at the end of the period (excluding investment in subsidiaries, affiliates, and joint ventures): Please refer to Table 1.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of the paid-in capital or more: Please refer to Table 2.
6. Disposal of real estate reaching NT\$300 million or 20% of the paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of the paid-in capital or more: None.
8. Receivables from related parties reaching NT\$100 million or 20% of the paid-in capital or more: None.
9. Engage in trading derivatives: None.
10. Business relationships and significant transactions between the parent company and its subsidiaries and between subsidiaries, and the amounts involved: Please refer to Table 3.

(II) Information on investees

Name and location of investees and other relevant information (excluding investees in Mainland China): Please refer to Table 4.

(III) Information on investments in China

1. Basic data: Please refer to Table 5.
2. Major transactions with investees in China directly or indirectly through a third regional business: None.

(IV) Information on Major Shareholders

List of shareholders holding 5% or more of the Company's shares, shareholding, and ratio: Please refer to Table 6.

XIV. Segment information

(I) General information

The Company and its subsidiaries engage in the research, design, manufacture and sales of products related to RFIC and integrated RF systems. The Company evaluates performance and allocates resources based on the overall Group, and the Group is a single reportable segment as identified.

(II) Measurement of segment information

The Group is a single reportable segment. The Group's operating decision-maker evaluates the performance of the operating segment based on the financial statements. The accounting

policies of the operating department are the same as the description in Note 4 Summary of significant accounting policies of the financial statements.

(III) Information on profit and loss, assets and liabilities of the segment

For the information on the reportable segment provided to the chief operating decision-maker, please refer to the consolidated balance sheet and the consolidated statement of comprehensive income.

(IV) Information on products and services

Please refer to Note 6(18) for details.

(V) Information on region

The regional information of the Group in 2024 and 2023 is as follows:

	2024		2023	
	<u>Income</u>	<u>Non-current assets</u>	<u>Income</u>	<u>Non-current assets</u>
Taiwan	\$ 26,737	\$ 325,212	\$ 24,127	\$ 267,833
China	928,274	1,852	727,225	5,162
Other parts of Asia	96,860	3	219,192	7
Europe and America	<u>13,620</u>	<u>-</u>	<u>25,476</u>	<u>-</u>
	<u>\$ 1,065,491</u>	<u>\$ 327,067</u>	<u>\$ 996,020</u>	<u>\$ 273,002</u>

Income is classified based on the geographical location of customers, while non-current assets are based on the geographical location of assets.

(VI) Information on material customers

The information on the Group's material customers in 2024 and 2023 is as follows:

	2024	2023
	<u>Income</u>	<u>Income</u>
A	\$ 279,162	\$ 207,570
B	179,015	120,936
C	<u>133,095</u>	<u>118,656</u>
	<u>\$ 591,272</u>	<u>\$ 447,162</u>

Rafael Microelectronics, Inc. and Subsidiaries
Securities held at the end of the period (excluding investment in subsidiaries, affiliates, and joint ventures)
December 31, 2024

Table 1

(Amount in thousands of New Taiwan Dollars)
(unless otherwise specified)

Company held	Types and names of securities	Relations with securities issuers	Subject	End of period		Shareholding ratio		Remarks
				Number of shares	Carrying amount	(Note 1)	Fair value	
Rafael Microelectronics, Inc.	Ordinary shares - Fubon Financial Holding Co., Ltd.	None	Financial assets at fair value through profit or loss - current	54,138	\$ 4,889	-	\$ 4,889	
	Class B preferred shares - Fubon Financial Holding Co., Ltd.	None	Financial assets at fair value through profit or loss - current	1,172,000	70,906	-	70,906	
	Class C preferred shares - Fubon Financial Holding Co., Ltd.	None	Financial assets at fair value through profit or loss - current	1,525,262	81,144	-	81,144	
	Class B preferred shares - KGI Financial Holding Co., Ltd.	None	Financial assets at fair value through profit or loss - current	2,898,000	22,865	-	22,865	
	Class B Preferred Shares - CTBC Financial Holding Co., Ltd.	None	Financial assets at fair value through profit or loss - current	437,000	27,312	-	27,312	
	Ordinary shares - BKS TEC Corp.	None	Financial assets at fair value through other comprehensive income - non-current	600,000	1,152	-	1,152	

Note 1: The shareholding ratio is less than 5%; therefore, it is not disclosed.

Table 2

Rafael Microelectronics, Inc. and Subsidiaries
The Amount of Properties Acquired Reaches NT\$300 Million or 20% of the Paid-in Capital or Above
For the year ended December 31, 2024

(Amount in thousands of New Taiwan Dollars)
(unless otherwise specified)

Property acquirer	Name of property	Date of occurrence	Transaction amount	Consideration payment status	Counterparty of the transaction	Relationship	Information on the previous transfer if the counterparty of the transaction is a related party				Reference for price determination	Purpose of acquisition and use	Other agreed matters
							Owner	the issuer	Date of transfer	Amount			
Rafael Microelectronics, Inc.	Land and buildings	2024/06/26	\$ 83,799	Paid in full	Nuro Technology Inc.	Non-related party	-	-	-	\$ -	Discussed and determined by taking into consideration the appraisal reports issued by professional institutions	For business use	None

Rafael Microelectronics, Inc. and Subsidiaries
Business Relationships and Significant Transactions between the Parent Company and its Subsidiaries, and the Amounts Involved
For the year ended December 31, 2024

Table 3

(Amount in thousands of New Taiwan Dollars)
(unless otherwise specified)

No. (Note 1)	Trader	Counterparty of the transaction	Relationship with the trader (Note 2)	Transaction status		Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
				Item	Amount		
0	Rafael Microelectronics, Inc.	ShenZhen Rafael Microsystems, Inc.	1	Commission research expenses	\$ 26,847	Subject to the contract	3%
0	Rafael Microelectronics, Inc.	Rafael Microelectronics Korea	1	Commission service expenses	4,252	Subject to the contract	0%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1). Parent company is "0."
- (2). The subsidiaries are numbered in order starting from "1."

Note 2: There are three types of the relationship with the transaction party as follows. Please indicate the type only (In the case of the same transaction between the parent company and subsidiaries or between its subsidiaries, duplicate disclosure is not required. For example: If the parent company has already disclosed its transactions with the subsidiary, it is not necessary for the subsidiary to duplicate disclosure for some part of the information;

the same goes for transactions between subsidiaries. If one of the subsidiaries has made the disclosure, the other party does not have to do so):

- (1). Parent company to subsidiary.
- (2). Subsidiary to parent company.
- (3). Subsidiary to subsidiary.

Note 3: Regarding the ratio of transaction amount to consolidated total operating income or total assets, it is computed based on the closing balance of transaction to consolidated total assets for balance sheet items and based on the accumulated transaction amount for the period to consolidate total operating income for income statement items.

Rafael Microelectronics, Inc. and Subsidiaries

Name and Location of Investees and Other Relevant Information (excluding investees in Mainland China)

For the year ended December 31, 2024

Table 4

(Amount in thousands of New Taiwan Dollars)

(unless otherwise specified)

Investor	Investee	Location	Main scope of business	Initial investment amount		Held at the end of the period			Profit or loss of the investee for the period	Investment gain or loss recognized for the period		Remarks
				End of the period	End of last year	Number of shares	Ratio	Carrying amount				
Rafael Microelectronics, Inc.	Han Tang Co., Ltd.	Seychelles	Investee	\$ 23,144	\$ 23,144	707,000	100	\$ 20,086	(\$ 423)	(\$ 423)		Note 1
Rafael Microelectronics, Inc.	Rafael Microelectronics Korea	South Korea	Promotion of RFIC products	2,913	2,913	200,000	100	3,543	628	628		Note 2
Han Tang Co., Ltd.	Hong Yu Co., Ltd.	Seychelles	Investee	23,078	23,078	704,500	100	20,807	(425)	-		Notes 3 and 4

Note 1: The original investment amount is converted in accordance with the exchange rate of December 31, 2024, which is 32.735, of the investment amount (US\$707 thousand).

Note 2: The original investment amount is converted in accordance with the exchange rate of December 31, 2024, which is 32.735, of the investment amount (US\$89 thousand).

Note 3: The original investment amount is converted at the exchange rate of 32.735 on December 31, 2024, which is the investment amount (US\$705 thousand).

Note 4: It has been included in the current (loss) profit of investees under the equity method of the Company for the Company to calculate the investment (loss) gain at once.

Rafael Microelectronics, Inc. and Subsidiaries
Information on Investment in Mainland China - Basic Data
For the year ended December 31, 2024

Table 5

(Amount in thousands of New Taiwan Dollars)
(unless otherwise specified)

Investee in Mainland China	Main scope of business	Paid-in capital	Method of investment (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China at the beginning of the period	Amount remitted from Taiwan to Mainland China/amount remitted back to Taiwan during the period		Accumulated amount of remittance from Taiwan to Mainland China at the end of the period	Profit or loss of the investee for the period	Shareholding ratio under the Company's direct or indirect investment	Investment gain or loss recognized for the period	Carrying amount of investments at the end of period	Accumulated amount of investment income remitted back to Taiwan as of the period	Remarks
					Remitted to Mainland China	Remitted back to Taiwan							
ShenZhen Rafael Microsystems, Inc.	Technical consulting and services for RFIC products	\$ 11,457	2	\$ 11,457	\$ -	\$ -	\$ 11,457	\$ 66	100	\$ 66	\$ 14,121	\$ -	Notes 2, 5, and 9
Shenzhen Aluksen Hongxin Technology Co., Ltd.	Design, development, trading, and technical consulting for optic fiber products and services	22,769	2	11,392	-	-	11,392	(1,006)	49	(493)	5,666	-	Notes 2, 6, 7, and 9
Rafael Semiconductors, Inc.	Design and sales of RFIC products	4,098	2	4,098	-	-	4,098	(4)	100	(4)	4,106	-	Notes 2, 8, and 10
Company name	Accumulated amount of remittance from Taiwan to Mainland China at the end of the period	Amount of investment approved by the Investment Commission, MOEA (Note 3)	Investment amount approved by the Investment Commission, MOEA (Note 4)										
Rafael Microelectronics, Inc.	\$ 22,849	\$ 22,849	\$ 879,848										

Note 1: Investment methods are divided into the following three types:

1. Direct investments in Mainland China
2. Investments in Mainland China through a company in a third region
3. Other methods

Note 2: Investment gain or loss recognized in the financial statements audited by CPAs.

Note 3: The investment amount approved by the Investment Commission, MOEA (US\$698 thousand) is converted at the exchange rate of 32.735 on December 31, 2024.

Note 4: The limit for investments in Mainland China is based on 60% of the net worth or consolidated net worth (whichever is higher) as stated by the investment limit in Mainland China by the Investment Commission, MOEA

Note 5: Paid-in capital is converted at the exchange rate of 32.735 on December 31, 2024, which is equivalent to an investment amount of US\$350 thousand.

Note 6: Paid-in capital is converted from RMB 5,000 thousand at the exchange rate of 4.55386 on December 31, 2024.

Note 7: The investment amount is USD 348 thousand converted at the exchange rate of 32.735 on December 31, 2024.

Note 8: Paid-in capital is converted in accordance with the exchange rate of 4.55386 on December 31, 2024, based on the investment amount (RMB 900 thousand).

Note 9: By investing in Han Tang Co., Ltd. in a third region, the Company invests in Mainland China through Hong Yu Co., Ltd., invested by Han Tang Co., Ltd..

Note 10: By investing in Han Tang Co., Ltd. in a third region, the Company invests in the company in Mainland China through ShenZhen Rafael Microsystems, Inc., invested by Hong Yu Co., Ltd., invested by Han Tang Co., Ltd..

Rafael Microelectronics, Inc. and Subsidiaries

Information on Major Shareholders

December 31, 2024

Table 6

Name of major shareholder	Shares	
	Number of shares held	Shareholding ratio
Flexium Interconnect, Inc.	9,221,976	29.73%

(1) The information on major shareholders was derived from the data that the Company issued ordinary shares (including treasury shares) and preferred shares in the dematerialized form, which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by the Taiwan Depository & Clearing Corporation. The share capital that was recorded in the financial statements may be different from the actual number of shares in dematerialized form due to the difference in the calculation basis.

(2) If the aforementioned data contains shares that were held in trust by the shareholders, the data is disclosed as a separate account of the client, which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10%, in accordance with the Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust that he/she has the right to determine the use in the trusted properties. For the information on the report on share equity of insiders, please refer to MOPS.