

English Translation of a Report and Financial Statements Originally Issued in Chinese

Rafael Microelectronics, Inc. and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Review
Report
2025 and 2024 Q1
(Stock code: 6568)

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Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Rafael Microelectronics, Inc. and Subsidiaries

2025 and 2024 Q1 Consolidated Financial Statements and Independent Auditors' Review Report

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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Review Report

(2025) Financial Audit Report No. 25000066

Rafael Microelectronics, Inc.:

Introduction

We have reviewed 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 March 31, 2025 and 2024, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as “the consolidated financial statements”). It is the management’s responsibility to prepare consolidated financial statements with fair presentations based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS34 “Interim Financial Reporting” endorsed and issued into effect by the FSC. Our responsibility is to draw a conclusion for the consolidated financial statements based on the review results.

Scope

Except as stated in the Basis for Qualified Conclusion paragraph, we conducted our review in accordance with the TWSRE 2410 “Review of Financial Statements.” The procedures for reviewing the consolidated financial statements include inquiries (mainly with the responsible personnel in finance and accounting), analytical procedures and other review procedures. The scope of review work is significantly smaller than the scope of audit work. Therefore, we may not be able to detect all the material matters that can be identified through the audit work; hence, we cannot express an audit opinion.

Basis of Qualified Conclusion

As stated in Note 4.(3) and Note 6.(7) to the consolidated financial statements, the financial statements of non-material subsidiaries included in the consolidated financial statements above and the investment under the equity method have not been reviewed by us. The total assets (including investment under the equity method) as of March 31, 2025 and 2024 were NT\$31,772 thousand and NT\$28,262 thousand, respectively, accounting for 2% of the total consolidated assets; the total liabilities were NT\$7,241 thousand and NT\$4,511 thousand, respectively, accounting for 3% and 2% of the total consolidated liabilities; the comprehensive income (including the share of profit or loss of affiliates and joint ventures under the equity method) for the three months ended March 31, 2025 and 2024 were NT\$(5,630) thousand and NT\$(8,882) thousand, respectively, accounting for (14)% and (31)% of the consolidated comprehensive income.

Qualified Conclusion

Based on our review results, except for the effects of possible adjustments to the consolidated financial statements due to the financial statements of non-material subsidiaries and investments accounted for using the equity method that are not reviewed by us as described in the basis for the qualified conclusion, the consolidated financial statements present the consolidated financial position of the Group as of March 31, 2025 and 2024, and the consolidated financial performance and consolidated cash flow for the three months ended then in all material aspects according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS34 “Interim Financial Reporting” endorsed and issued into effectiveness by the FSC.

PwC Taiwan

Liao, Ah-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

May 2, 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 Financial Statements Originally Issued in Chinese
Rafael Microelectronics, Inc. and Subsidiaries
Consolidated Balance Sheet
March 31, 2025, and December 31 and March 31, 2024

Unit: NT\$1,000

			March 31, 2025		December 31, 2024		March 31, 2024	
			Amount	%	Amount	%	Amount	%
Assets								
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 425,294	25	\$ 378,812	23	\$ 181,443	11
1110	Financial assets at fair value through profit or loss - current	6(2)	44,890	3	207,116	12	342,537	21
1136	Financial assets measured at amortized cost - current	6(4)	354,700	21	179,700	11	270,264	17
1170	Net accounts receivable	6(5) and 7	110,028	7	119,228	7	95,947	6
1200	Other receivables	6(27)	29,159	2	24,508	2	22,220	1
130X	Inventory	6(6)	361,870	22	388,507	23	410,847	25
1410	Prepayment		5,398	-	6,444	-	8,187	1
1479	Other current assets - others		31	-	178	-	-	-
1482	Net contract performance cost - current	6(18)	1,615	-	1,588	-	3,032	-
11XX	Total current assets		1,332,985	80	1,306,081	78	1,334,477	82
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	1,152	-	1,152	-	3,610	-
1550	Investments accounted for using the equity method	6(7)	5,569	-	5,666	-	6,087	1
1600	Property, plant and equipment	6(8)	289,498	17	291,221	18	210,468	13
1755	Right-of-use assets	6(9)	1,567	-	2,580	-	5,609	-
1780	Intangible assets	6(10)	26,336	2	33,266	2	42,982	3
1840	Deferred income tax assets		23,064	1	23,420	2	15,696	1
1990	Other non-current assets - others		2,562	-	2,555	-	2,724	-
15XX	Total non-current assets		349,748	20	359,860	22	287,176	18
1XXX	Total assets		\$ 1,682,733	100	\$ 1,665,941	100	\$ 1,621,653	100

(Cont'd)

English Translation of Financial Statements Originally Issued in Chinese
Rafael Microelectronics, Inc. and Subsidiaries
Consolidated Balance Sheet
March 31, 2025, and December 31 and March 31, 2024

Unit: NT\$1,000

Liabilities and equity		Note	March 31, 2025		December 31, 2024		March 31, 2024							
			Amount	%	Amount	%	Amount	%						
Current liabilities														
2130	Contract liabilities - current	6(18)	\$	11,313	1	\$	18,296	1	\$	14,000	1			
2170	Accounts payable			55,484	3		72,223	4		77,848	5			
2200	Other payables	6(11) and 7		124,620	8		73,886	4		66,440	4			
2230	Income tax liabilities of the period			39,373	2		30,059	2		25,132	2			
2280	Lease liabilities - current			1,611	-		2,648	-		4,095	-			
2399	Other current liabilities - others			46	-		426	-		456	-			
21XX	Total current liabilities			232,447	14		197,538	11		187,971	12			
Non-current liabilities														
2570	Deferred income tax liabilities			1,871	-		1,990	-		1,439	-			
2580	Lease liabilities - non-current			-	-		-	-		1,600	-			
25XX	Total non-current liabilities			1,871	-		1,990	-		3,039	-			
2XXX	Total liabilities			234,318	14		199,528	11		191,010	12			
Equity														
	Share capital	6(14)												
3110	Ordinary share capital			310,080	18		310,120	19		307,291	19			
3170	Share capital to be written off		(80)	-	(40)	-	(1,171)	-			
	Capital reserve	6 (15)												
3200	Capital reserve			392,297	23		423,704	25		390,706	23			
	Retained earnings	6(16)												
3310	Legal reserve			179,065	11		179,065	11		174,887	11			
3320	Special reserve			15,558	1		15,558	1		13,373	1			
3350	Unappropriated earnings			617,835	37		609,984	37		582,019	36			
	Other equity	6(17)												
3400	Other equity		(45,210)	(3)	(50,848)	(3)	(15,332)	(1)
3500	Treasury shares	6(14)	(21,130)	(1)	(21,130)	(1)	(21,130)	(1)
3XXX	Total equity			1,448,415	86		1,466,413	89		1,430,643	88			
3X2X	Total liabilities and equity		\$	1,682,733	100	\$	1,665,941	100	\$	1,621,653	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 Financial Statements Originally Issued in Chinese

Rafael Microelectronics, Inc. and Subsidiaries
Consolidated Statement of Comprehensive Income
For the three months ended March 31, 2025 and 2024

Unit: NT\$1,000
(except that earnings per share is in NT\$)

	Item	Note	For the three months ended March 31, 2025		For the three months ended March 31, 2024	
			Amount	%	Amount	%
4000	Operating income	6(18) and 7	\$ 269,723	100	\$ 244,826	100
5000	Operating cost	6(6)(18)	(151,563)	(56)	(143,276)	(58)
5900	Gross profit		118,160	44	101,550	42
5910	unrealized gain on sales		(182)	-	(259)	-
5950	Net income		117,978	44	101,291	42
	Operating expenses	6(13) (23) (24)				
6100	Selling expenses		(7,914)	(3)	(10,854)	(5)
6200	Management expenses		(17,922)	(7)	(16,883)	(7)
6300	R&D expenses		(50,183)	(19)	(48,964)	(20)
6450	Expected credit impairment loss	12(2)	(311)	-	(895)	-
6000	Total operating expenses		(76,330)	(29)	(77,596)	(32)
6900	Operating gains		41,648	15	23,695	10
	Non-operating income and expenses					
7100	Interest income	6(4)(19)	1,465	1	1,463	-
7010	Other income	6(20)	34	-	1	-
7020	Other gains and losses	6(2)(21)	5,347	2	8,818	4
7050	Financial cost	6(9)(22)	(17)	-	(51)	-
7060	Share of profit or loss of affiliates and joint ventures accounted for using the equity method	6(7)	(7)	-	(165)	-
7000	Total non-operating income and expenses		6,822	3	10,066	4
7900	Net profit before tax		48,470	18	33,761	14
7950	Income tax expenses	6(25)	(9,607)	(4)	(6,297)	(3)
8200	Net profit of the period		\$ 38,863	14	\$ 27,464	11
	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		\$ -	-	\$ 81	-
	Items that may be reclassified to profit or loss subsequently					
8361	Exchange differences arising from the translation of financial statements of foreign operations		347	-	873	1
8300	Other comprehensive income (net)		\$ 347	-	\$ 954	1
8500	Total comprehensive income of the period		\$ 39,210	14	\$ 28,418	12
	Net profit attributable to:					
8610	Owners of the parent company		\$ 38,863	14	\$ 27,464	11
	Total comprehensive income attributable to:					
8710	Owners of the parent company		\$ 39,210	14	\$ 28,418	12
	Earnings per share	6(26)				
9750	Basic		\$ 1.28		\$ 0.90	
9850	Diluted		\$ 1.26		\$ 0.90	

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 Financial Statements Originally Issued in Chinese
Rafael Microelectronics, Inc. and Subsidiaries
Consolidated Statement of Changes in Equity
For the three months ended March 31, 2025 and 2024

Unit: NT\$1,000

		Equity attributable to owners of the parent company										
		Share capital			Retained earnings			Other equity				
Note		Ordinary share capital	Share capital to be written off	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	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
<u>For the three months ended March 31, 2024</u>												
		\$ 307,315	(\$ 1,015)	\$ 393,163	\$ 174,887	\$ 13,373	\$ 554,555	\$ 55	(\$ 15,613)	(\$ 2,470)	(\$ 21,130)	\$ 1,403,120
		-	-	-	-	-	27,464	-	-	-	-	27,464
Other comprehensive income of the period	6(3)(17)	-	-	-	-	-	-	873	81	-	-	954
Total comprehensive income of the period		-	-	-	-	-	27,464	873	81	-	-	28,418
Transactions with share-based payment	6(13)(14)(15)	(24)	(156)	(2,457)	-	-	-	-	-	1,742	-	(895)
Balance on March 31, 2024		\$ 307,291	(\$ 1,171)	\$ 390,706	\$ 174,887	\$ 13,373	\$ 582,019	\$ 928	(\$ 15,532)	(\$ 728)	(\$ 21,130)	\$ 1,430,643
<u>For the three months ended March 31, 2025</u>												
		\$ 310,120	(\$ 40)	\$ 423,704	\$ 179,065	\$ 15,558	\$ 609,984	\$ 545	(\$ 17,990)	(\$ 33,403)	(\$ 21,130)	\$ 1,466,413
		-	-	-	-	-	38,863	-	-	-	-	38,863
Other comprehensive income of the period	6(17)	-	-	-	-	-	-	347	-	-	-	347
Total comprehensive income of the period		-	-	-	-	-	38,863	347	-	-	-	39,210
Earning distribution and allocation for 2024:												
Cash dividends	6(16)	-	-	-	-	-	(31,012)	-	-	-	-	(31,012)
Distribution of cash dividends from the capital reserve	6 (15)	-	-	(31,012)	-	-	-	-	-	-	-	(31,012)
Transactions with share-based payment	6(13)(14)(15)	(40)	(40)	(395)	-	-	-	-	-	5,291	-	4,816
Balance on March 31, 2025		\$ 310,080	(\$ 80)	\$ 392,297	\$ 179,065	\$ 15,558	\$ 617,835	\$ 892	(\$ 17,990)	(\$ 28,112)	(\$ 21,130)	\$ 1,448,415

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 Financial Statements Originally Issued in Chinese

Rafael Microelectronics, Inc. and Subsidiaries
Consolidated Statement of Cash Flow
For the three months ended March 31, 2025 and 2024

Unit: NT\$1,000

	Note	For the three months ended March 31, 2025	For the three months ended March 31, 2024
<u>Cash flow from operating activities</u>			
Net profit before tax of the period		\$ 48,470	\$ 33,761
Adjustment items			
Income and expense items			
Depreciation expenses	6(8)(9)		
	(23)	3,101	3,233
Amortization expenses	6(10)(23)	6,930	11,730
Expected credit impairment loss	12(2)	311	895
Net gain on financial assets at fair value through profit or loss	6(2)(21)		
		(148)	(3,085)
Interest expenses	6(9)(22)	17	51
Interest income	6(19)	(1,465)	(1,463)
Cost of remuneration with share-based payment	6(13)	4,816	(895)
Share of profit or loss of affiliates and joint ventures accounted for using the equity method	6(7)	7	165
Gain on disposal and scrap of property, plant and equipment	6(21)		
		-	(400)
unrealized gain on sales		182	259
Changes in assets/liabilities related to operating activities			
Net changes in assets related to operating activities			
Accounts receivable		8,889	(29,970)
Other receivables		1,144	2,080
Inventory		26,637	(9,012)
Prepayment		1,046	(3,225)
Other current assets - others		147	-
Net contract performance cost - current		(27)	(458)
Net changes in liabilities related to operating activities			
Contract liabilities - current		(6,983)	5,875
Accounts payable		(16,739)	4,172
Other payables		(11,290)	(15,514)
Other current liabilities - others		(380)	(66)
Cash inflow (outflow) from operations		64,665	(1,867)
Interest received		4	904
Interest paid		(17)	(51)
Income tax paid		(56)	-
Net cash inflow (outflow) from operating activities		64,596	(1,014)
<u>Cash flow from investing activities</u>			
Increase in financial assets measured at amortized cost - current		(175,000)	(252,495)
Disposal of financial assets at fair value through profit or loss	6(27)	157,337	-
Acquisition of property, plant and equipment	6(8)	(346)	(476)
Consideration from the disposal of property, plant and equipment		-	483
Acquisition of intangible assets	6(10)	-	(432)
Interest received		703	-
Net cash outflow from investing activities		(17,306)	(252,920)
<u>Cash flow from financing activities</u>			
Repayment of lease principal	6(28)	(1,047)	(989)
Net cash outflow from financing activities		(1,047)	(989)
Impact of changes in exchange rate on cash and cash equivalents		239	539
Increase (decrease) in cash and cash equivalents		46,482	(254,384)
Balance of cash and cash equivalents at the beginning of the period		378,812	435,827
Balance of cash and cash equivalents at the end of the period		\$ 425,294	\$ 181,443

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 Financial Statements Originally Issued in Chinese

Rafael Microelectronics, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
2025 and 2024 Q1

Unit: NT\$1,000
(unless otherwise specified)

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 29.74% 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 May 2, 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 2025 are as follows:

New standards, revisions, amendments, and interpretations	Effective date announced by the International Accounting Standards Board (the “IASB”)
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.

(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:

New standards, revisions, amendments, and interpretations	Effective date announced by the International Accounting Standards Board (the “IASB”)
Partially amended content of the amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026

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>
Partially amended content of the 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. Partially amended content of the amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"

The FSC recognized the partial content of the amendments, and the content of the unrecognized part is 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

Regarding the significant accounting policies, except for the statement of compliance, the basis of preparation, the basis of consolidation, and the new parts described as follows, the remaining parts are the same as the Note 4 to the 2024 consolidated financial statements. These policies have been consistently applied to all the periods presented unless otherwise stated.

(I) Statement of Compliance

1. These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS34 “Interim Financial Reporting” endorsed and issued into effectiveness by the FSC.
2. The consolidated financial statements shall be read together with the 2024 consolidated financial statements.

(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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the FSC (collectively, 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:

The preparation principles of the consolidated financial statements are the same as those of the 2024 consolidated financial statements.

2. Subsidiaries included in the consolidated financial statements:

Investor	Name of subsidiary	Business nature	Shareholding percentage			Description
			March 31, 2025	December 31, 2024	March 31, 2024	
Rafael Microelectronics, Inc.	Han Tang Co., Ltd.	General investment	100%	100%	100%	Note
Rafael Microelectronics, Inc.	Rafael Microelectronics Korea	Promotion of RFIC products	100%	100%	100%	Note
Han Tang Co., Ltd.	Hong Yu Co., Ltd.	General investment	100%	100%	100%	Note
Hong Yu Co., Ltd.	ShenZhen Rafael Microsystems, Inc.	Technical consulting and services for RFIC products	100%	100%	100%	Note
ShenZhen Rafael Microsystems, Inc.	ShenZhen Rafael Semiconductors, Inc.	Design and sales of RFIC products	100%	100%	100%	Note

Note: As it does not meet the definition of an important subsidiary, its financial statements as of March 31, 2025 and 2024 have not been reviewed by the CPAs.

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) Income tax

The income tax expenses of the interim period are calculated based on the average effective tax rate of the year of estimation and the profit or loss before tax of the interim period, and relevant information is disclosed in accordance with the abovementioned policies.

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

There is no significant change in the current period. Please refer to Note 5 to the 2024 consolidated financial statements.

VI. Description of significant accounting items

(I) Cash and cash equivalents

Item	March 31, 2025	December 31, 2024	March 31, 2024
Cash on hand	\$ 655	\$ 612	\$ 786
Check deposits and demand deposits	424,639	378,200	180,657
	<u>\$ 425,294</u>	<u>\$ 378,812</u>	<u>\$ 181,443</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

Item	March 31, 2025	December 31, 2024	March 31, 2024
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed shares	\$ 48,054	\$ 221,303	\$ 368,532
Valuation adjustment	(3,164)	(14,187)	(25,995)
	<u>\$ 44,890</u>	<u>\$ 207,116</u>	<u>\$ 342,537</u>

1. The Group recognized net gains of NT\$148 and NT\$3,085, for the three months ended March 31, 2025 and 2024, 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

Item	March 31, 2025	December 31, 2024	March 31, 2024
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed shares	\$ 19,142	\$ 19,142	\$ 19,142
Valuation adjustment	(17,990)	(17,990)	(15,532)
	<u>\$ 1,152</u>	<u>\$ 1,152</u>	<u>\$ 3,610</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, NT\$1,152 and NT\$3,610 on March 31, 2025, and December 31 and March 31, 2024, respectively.
2. The amounts of financial assets at fair value through other comprehensive income recognized in comprehensive income for the three months ended March 31, 2025 and 2024 were NT\$0 and NT\$81, respectively.
3. The Group does not pledge financial assets at fair value through other comprehensive income.

(IV) Financial assets measured at amortized cost

Item	March 31, 2025	December 31, 2024	March 31, 2024
Current items:			
Time deposits with a maturity of more than three months	<u>\$ 354,700</u>	<u>\$ 179,700</u>	<u>\$ 270,264</u>

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

Item	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Interest income	<u>\$ 800</u>	<u>\$ 898</u>

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 March 31, 2025, and December 31 and March 31, 2024, was NT\$354,700, NT\$179,700 and NT\$270,264, 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

	March 31, 2025	December 31, 2024	March 31, 2024
Accounts receivable	\$ 134,586	\$ 143,475	\$ 118,724
Less: Loss allowance	(24,558)	(24,247)	(22,777)
	<u>\$ 110,028</u>	<u>\$ 119,228</u>	<u>\$ 95,947</u>

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

	March 31, 2025	December 31, 2024	March 31, 2024
0 - 90 days	\$ 110,028	\$ 119,228	\$ 95,947
91 - 180 days	-	-	-
181 - 365 days	952	940	-
More than 1 year	23,606	23,307	22,777
	<u>\$ 134,586</u>	<u>\$ 143,475</u>	<u>\$ 118,724</u>

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

2. The balance of accounts receivable as of March 31, 2025, and December 31 and March 31, 2024, were generated from customer contracts. In addition, the balance of accounts receivable from customer contracts on January 1, 2024 was NT\$88,754.
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 March 31, 2025, and December 31 and March 31, 2024, was NT\$110,028, NT\$119,228 and NT\$95,947, respectively.
5. For the credit risk information of accounts receivable, please refer to Note 12(2).

(VI) Inventory

	March 31, 2025	December 31, 2024	March 31, 2024
Raw materials	\$ 50,205	\$ 68,412	\$ 125,990
Work-in-progress and semi-finished goods	125,119	121,151	110,418
Finished goods	186,546	198,944	174,439
	<u>\$ 361,870</u>	<u>\$ 388,507</u>	<u>\$ 410,847</u>

Inventory costs recognized as expenses and losses of the Group for the three months ended March 31, 2025 were NT\$151,563 and NT\$143,276, including the decrease in the cost of sales recognized due to the pick-up of the valuation of inventories in the amount of NT\$1,653 resulting from destocking for the inventory devaluation losses initially recognized for the three months ended March 31, 2025 and the increase in the cost of sales recognized due to the drop of the net realizable value of inventories in the amount of NT\$3,808 resulting from the write-off of inventories from costs to the net realizable value for the three months ended March 31, 2024.

(VII) Investments accounted for using the equity method

	March 31, 2025		December 31, 2024		March 31, 2024	
	Amount	Shareholding ratio	Amount	Shareholding ratio	Amount	Shareholding ratio
Affiliates: ShenZhen Aluksen Hongxin Technology Co., Ltd.	<u>\$ 5,569</u>	49%	<u>\$ 5,666</u>	49%	<u>\$ 6,087</u>	49%

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

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Net loss of continuing operations of the period (i.e., total comprehensive income of the period)	<u>(\$ 7)</u>	<u>(\$ 165)</u>

2. The Group's investments accounted for using the equity method for the three months ended March 31, 2025 and 2024, were based on the valuation of financial statements not reviewed by CPAs of the company for the same period.

(VIII) Property, plant and equipment

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

	March 31, 2025	December 31, 2024	March 31, 2024
Land	\$ 192,981	\$ 192,981	\$ 128,490
Houses and buildings	88,782	89,324	71,484
Machinery and equipment	6,929	7,950	8,845
Office equipment	806	966	1,649
	<u>\$ 289,498</u>	<u>\$ 291,221</u>	<u>\$ 210,468</u>

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

For the three months ended March 31, 2025					
Cost	Opening balance	Amount increased and transferred during the period	Amount decreased during the period	Impact of exchange rate	Closing balance
Land	\$ 192,981	\$ -	\$ -	\$ -	\$ 192,981
Houses and buildings	104,276	-	-	-	104,276
Machinery and equipment	25,788	313	(825)	45	25,321
Office equipment	4,919	33	(801)	36	4,187
	<u>\$ 327,964</u>	<u>\$ 346</u>	<u>(\$ 1,626)</u>	<u>\$ 81</u>	<u>\$ 326,765</u>

For the three months ended March 31, 2024					
Cost	Opening balance	Amount increased and transferred during the period	Amount decreased during the period	Impact of exchange rate	Closing balance
Land	\$ 128,490	\$ -	\$ -	\$ -	\$ 128,490
Houses and buildings	84,968	-	-	-	84,968
Machinery and equipment	25,482	207	(364)	121	25,446
Transportation equipment	2,500	-	(2,500)	-	-
Office equipment	7,680	269	(773)	116	7,292
	<u>\$ 249,120</u>	<u>\$ 476</u>	<u>(\$ 3,637)</u>	<u>\$ 237</u>	<u>\$ 246,196</u>

For the three months ended March 31, 2025					
Accumulated depreciation and impairment	Opening balance	Increase during the period	Amount decreased during the period	Impact of exchange rate	Closing balance
Houses and buildings	\$ 14,952	\$ 542	\$ -	\$ -	\$ 15,494
Machinery and equipment	17,838	1,340	(825)	39	18,392
Office equipment	3,953	197	(801)	32	3,381
	<u>\$ 36,743</u>	<u>\$ 2,079</u>	<u>(\$ 1,626)</u>	<u>\$ 71</u>	<u>\$ 37,267</u>

For the three months ended March 31, 2024					
Accumulated depreciation and impairment	Opening balance	Increase during the period	Amount decreased during the period	Impact of exchange rate	Closing balance
Houses and buildings	\$ 13,059	\$ 425	\$ -	\$ -	\$ 13,484
Machinery and equipment	15,544	1,350	(364)	71	16,601
Transportation equipment	2,375	42	(2,417)	-	-
Office equipment	5,898	417	(773)	101	5,643
	<u>\$ 36,876</u>	<u>\$ 2,234</u>	<u>(\$ 3,554)</u>	<u>\$ 172</u>	<u>\$ 35,728</u>

3. For the three months ended March 31, 2025 and 2024, 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 two to three 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:

	March 31, 2025	December 31, 2024	March 31, 2024
	Carrying amount	Carrying amount	Carrying amount
Houses	\$ 1,567	\$ 2,580	\$ 5,609

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
	Depreciation expenses	Depreciation expenses
Houses	\$ 1,022	\$ 999

4. The increase in the Group's right-of-use assets for the three months ended March 31, 2025 and 2024 was NT\$0.
5. The information on profit and loss items related to lease contracts is as follows:

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Items affecting current profit or loss		
Interest expenses on lease liabilities	\$ 17	\$ 51
Expenses on short-term lease contracts	70	211
Expenses on low-value asset leases	7	7

6. The total cash outflow from the leases of the Group for the three months ended March 31, 2025 and 2024, was NT\$1,141 and NT\$1,258, 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 considers all facts and circumstances that give

rise to economic incentives to exercise 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

2025				
	Patent rights	Computer software	Mask	Total
January 1				
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>
January 1	\$ 1,199	\$ 14,583	\$ 17,484	\$ 33,266
Derecognize upon expiry - cost	(223)	(128)	(9,288)	(9,639)
Derecognize upon expiry - accumulated amortization	223	128	9,288	9,639
Amortization of the period	(162)	(3,705)	(3,063)	(6,930)
March 31	<u>\$ 1,037</u>	<u>\$ 10,878</u>	<u>\$ 14,421</u>	<u>\$ 26,336</u>
March 31				
Cost	\$ 3,240	\$ 44,674	\$ 36,761	\$ 84,675
Accumulated amortization	(2,203)	(33,796)	(22,340)	(58,339)
	<u>\$ 1,037</u>	<u>\$ 10,878</u>	<u>\$ 14,421</u>	<u>\$ 26,336</u>
2024				
	Patent rights	Computer software	Mask	Total
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	25	407	-	432
Derecognize upon expiry - cost	(468)	-	(31,164)	(31,632)
Derecognize upon expiry - accumulated amortization	468	-	31,164	31,632
Amortization of the period	(225)	(3,840)	(7,665)	(11,730)
March 31	<u>\$ 1,654</u>	<u>\$ 25,828</u>	<u>\$ 15,500</u>	<u>\$ 42,982</u>
March 31				
Cost	\$ 4,260	\$ 46,163	\$ 71,966	\$ 122,389
Accumulated amortization	(2,606)	(20,335)	(56,466)	(79,407)
	<u>\$ 1,654</u>	<u>\$ 25,828</u>	<u>\$ 15,500</u>	<u>\$ 42,982</u>

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

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Management expenses	\$ 131	\$ 120
R&D expenses	6,799	11,610
	<u>\$ 6,930</u>	<u>\$ 11,730</u>

(XI) Other payables

	March 31, 2025	December 31, 2024	March 31, 2024
Dividends payable	\$ 62,024	\$ -	\$ -
Employee remuneration and Director remuneration payable	35,727	33,829	26,167
Salaries and bonuses payable	15,100	28,894	15,759
Others	11,769	11,163	24,514
	<u>\$ 124,620</u>	<u>\$ 73,886</u>	<u>\$ 66,440</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.
2. 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.
3. Other foreign subsidiaries appropriate pension to relevant pension management businesses according to local laws and regulations.
4. For the three months ended March 31, 2025 and 2024, the Group recognized pension costs of NT\$1,784 and NT\$1,788, respectively, in accordance with the abovementioned regulations for pension.

(XIII) Share-based payment

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

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Transfer of treasury shares to employees	2022.05.04	168 thousand shares	-	Vested immediately
	2022.11.09	4 thousand shares		
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

The abovementioned share-based payment agreements are settled in equity.

2. 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.

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

	2025	2024
RSAs on January 1	403	42
Released from restrictions during the period	(7)	(17)
Recovered during the period	(8)	(18)
RSAs on March 31	388	7

(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 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 March 31, 2025, the outstanding RSAs of the Group are summarized as follows:

Grant date	Number of shares issued (thousand shares)	Share subscription price (NT\$)	Fair value per unit (NT\$)	Number of restricted shares at the end of the period (thousand shares)
2024.10.28	400	-	120.398 ~ 127.415	388

As of March 31, 2024, the outstanding RSAs of the Group are summarized as follows:

Grant date	Number of shares issued (thousand shares)	Share subscription price (NT\$)	Fair value per unit (NT\$)	Number of restricted shares at the end of the period (thousand shares)
2021.08.11	38	-	227.5	7

- (3) As of March 31, 2025 and 2024, the RSAs accounted for under the capital reserve were NT\$32,602 and NT\$1,566, respectively; the unearned remuneration of employees was NT\$28,112 and NT\$728.

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

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Settle in equity - RSAs	\$ 4,816	(\$ 2,208)
Settle in equity - transfer of treasury shares to employees	-	1,313
	<u>\$ 4,816</u>	<u>(\$ 895)</u>

(XIV) Share capital

1. As of March 31, 2025, the Company's authorized capital was NT\$500,000, divided into 50,000 thousand shares, and the paid-in capital was NT\$310,080, 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)

	2025	2024
January 1	30,844	30,563
Cancellation of RSAs	(4)	(2)
March 31	<u>30,840</u>	<u>30,561</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 2025 Q1, the Company retrieved 8 thousand RSAs that have been issued. As of March 31, 2025, the abovementioned shares are accounted for as share capital to be canceled in the amount of NT\$80 due to the non-completion of the alteration registration.

In 2024 Q1, the Company retrieved 18 thousand RSAs that have been issued. As of March 31, 2024, the abovementioned shares are accounted for as share capital to be canceled in the amount of NT\$180 due to the non-completion of the alteration registration.

In 2023, the Company retrieved 135 thousand RSAs that have been issued. As of March 31, 2024, 99 thousand shares are accounted for as share capital to be canceled in the amount of NT\$991 due to the non-completion of the alteration registration, and the alteration registration had been completed for the cancellation of the remaining shares.

4. Treasury share

(1) Reasons for the retrieval of shares and the quantity:

Name of the company with shareholding	Reason for recovery	March 31, 2025	
		Thousand shares	Carrying amount
The Company	For the transfer of shares to employees	168	\$ 21,130

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

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

- (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.

	2025				
	Issuance premium	Trading of treasury shares	RSAs	Others	Total
January 1	\$376,885	\$ 4,743	\$ 34,564	\$ 7,512	\$423,704
Distribution of cash from the capital reserve	(31,012)	-	-	-	(31,012)
RSAs	1,567	-	(1,962)	-	(395)
March 31	\$347,440	\$ 4,743	\$ 32,602	\$ 7,512	\$392,297

	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	-	(5,139)	-	(2,457)
March 31	\$376,885	\$ 4,743	\$ 1,566	\$ 7,512	\$390,706

- 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

- According to the Articles of Incorporation, if there are any earnings in the annual final accounts, they shall be distributed in the following order:
 - Pay taxes.
 - Make up losses
 - 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.
 - Appropriate or reserve the special reserve according to laws and regulations or requirements of the competent authority.
 - 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.
- 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\$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

	2025			
	Foreign currency translation	Employee Unearned remuneration	Unrealized Valuation gain or loss	Total
January 1	\$ 545	(\$ 33,403)	(\$ 17,990)	(\$ 50,848)
Difference from foreign currency translation				
- The Group	347	-	-	347
Remuneration cost of share- based payment	-	5,291	-	5,291
March 31	\$ 892	(\$ 28,112)	(\$ 17,990)	(\$ 45,210)

	2024			
	Foreign currency translation	Employee Unearned remuneration	Unrealized Valuation gain or loss	Total
January 1	\$ 55	(\$ 2,470)	(\$ 15,613)	(\$ 18,028)
Difference from foreign currency translation				
- The Group	873	-	-	873
Remuneration cost of share- based payment	-	1,742	-	1,742
Valuation adjustment	-	-	81	81
March 31	\$ 928	(\$ 728)	(\$ 15,532)	(\$ 15,332)

(XVIII) Operating income

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Income from customer contracts		
Sales of products	\$ 265,042	\$ 244,826
Provision of services	4,681	-
	<u>\$ 269,723</u>	<u>\$ 244,826</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:

For the three months ended March 31, 2025	Taiwan	China	Other parts of Asia	Europe and America	Total
Income from contracts with external customers	\$ 8,523	\$ 241,326	\$ 17,233	\$ 2,641	\$ 269,723
Point of time of income recognition					
Income recognized at a certain point in time	\$ 7,431	\$ 241,326	\$ 13,644	\$ 2,641	\$ 265,042
Income recognized gradually over time	1,092	-	3,589	-	4,681
	<u>\$ 8,523</u>	<u>\$ 241,326</u>	<u>\$ 17,233</u>	<u>\$ 2,641</u>	<u>\$ 269,723</u>

For the three months ended March 31, 2024	Taiwan	China	Other parts of Asia	Europe and America	Total
Income from contracts with external customers	\$ 10,936	\$ 205,858	\$ 23,725	\$ 4,307	\$ 244,826
Point of time of income recognition					
Income recognized at a certain point in time	\$ 10,936	\$ 205,858	\$ 23,725	\$ 4,307	\$ 244,826

2. Contract liabilities

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

	March 31, 2025	December 31, 2024	March 31, 2024	January 1, 2024
Contract liabilities:				
- Sales of products	\$ 8,288	\$ 15,271	\$ 10,975	\$ 5,100
- Provision of services	3,025	3,025	3,025	3,025
	<u>\$ 11,313</u>	<u>\$ 18,296</u>	<u>\$ 14,000</u>	<u>\$ 8,125</u>

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

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Balance of contract liabilities at the beginning of the period recognized as income during the period	<u>\$ 9,720</u>	<u>\$ 2,373</u>

(3) Transaction price allocated to the unperformed performance obligations

As of March 31, 2025 and 2024, 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\$34,600 and NT\$27,616, 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 March 31, 2025 and 2024, the balances were NT\$1,615 and NT\$3,032, respectively. The amounts amortized and recognized as costs for the three months ended March 31, 2025 and 2024 were NT\$1,231 and NT\$458, respectively.

(XIX) Interest income

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Interests on bank deposits	\$ 1,465	\$ 1,463

(XX) Other income

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Other income - others	\$ 34	\$ 1

(XXI) Other gains and losses

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Gain on the disposal of property, plant and equipment	\$ -	\$ 400
Net gain on foreign currency exchange	6,182	5,747
Net gain on financial assets at fair value through profit or loss	148	3,085
Others	(983)	(414)
	\$ 5,347	\$ 8,818

(XXII) Financial cost

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Interest expenses:		
Interest on lease liabilities	\$ 17	\$ 51

(XXIII) Additional information on the nature of expenses

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Employee benefit expenses	\$ 54,573	\$ 49,908
Depreciation expenses on property, plant and equipment	2,079	2,234
Depreciation expenses on right-of-use assets	1,022	999
Amortization expenses of intangible assets	6,930	11,730

(XXIV) Employee benefit expenses

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Salary expenses	\$ 48,382	\$ 43,331
Labor and insurance health expenses	3,554	3,553
Pension expenses	1,784	1,788
Other personnel expenses	853	1,236
	<u>\$ 54,573</u>	<u>\$ 49,908</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 for the three months ended March 31, 2025 and 2024 was NT\$4,998 and NT\$2,550, respectively; the estimated amount of Director remuneration was NT\$1,000 and NT\$525, respectively. The aforementioned amount was recorded as salary expenses.
The amount for the three months ended March 31, 2025 is estimated based on the profiting status up to the current period at a certain percentage.
The amount of 2024 remuneration of employees and remuneration of Directors resolved by the Board is consistent with the amount recognized in the 2024 financial statements. The remuneration of employees and remuneration of Directors for 2024 have not yet been distributed.
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

Components of income tax expenses:

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Current income tax		
Income tax generated from current income	\$ 9,370	\$ 6,025
Deferred income tax:		
The initial generation and reversal of temporary differences	237	272
	<u>\$ 9,607</u>	<u>\$ 6,297</u>

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

(XXVI) Earnings per share

	For the three months ended March 31, 2025		
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Basic earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net profit attributable to the ordinary shareholders of the parent company	<u>\$ 38,863</u>	<u>30,440</u>	<u>\$ 1.28</u>
<u>Diluted earnings per share</u>			
Net profit attributable to the ordinary shareholders of the parent company	\$ 38,863	30,440	
Effects of potential diluted ordinary shares			
Remuneration of employees	-	117	
RSAs	-	204	
Effect of net profit of the period attributable to the ordinary shareholders of the parent company plus potential ordinary shares	<u>\$ 38,863</u>	<u>30,761</u>	<u>\$ 1.26</u>

For the three months ended March 31, 2024			
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Basic earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net profit attributable to the ordinary shareholders of the parent company	\$ 27,464	30,427	\$ 0.90
<u>Diluted earnings per share</u>			
Net profit attributable to the ordinary shareholders of the parent company	\$ 27,464	30,427	
Effects of potential diluted ordinary shares			
Remuneration of employees	-	45	
RSAs	-	6	
Effect of net profit of the period attributable to the ordinary shareholders of the parent company plus potential ordinary shares	\$ 27,464	30,478	\$ 0.90

(XXVII) Supplementary information on cash flow

1. Investing activities partially paid/received in cash:

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Consideration of the disposal of financial assets at fair value through profit or loss		
- current	\$ 162,374	\$ -
Less: Other receivables at the end of the period	(5,037)	-
Cash received during the period	\$ 157,337	\$ -

2. Financing activities that do not affect cash flow:

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Cash dividends announced but not yet distributed	\$ 62,024	\$ -

(XXVIII) Changes in liabilities from financing activities

	2025	2024
	Lease liabilities	Lease liabilities
January 1	\$ 2,648	\$ 6,552
Changes in cash flow from financing	(1,047)	(989)
Effects of changes in the exchange rate	10	132
March 31	\$ 1,611	\$ 5,695

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 29.74% of the Company's shares. The remaining 70.26% is held by the public. The Company's ultimate parent company is Flexium Interconnect, Inc..

(II) Name of and relationship with related parties

Name of related party	Relationship with the Group
ShenZhen Aluksen Hongxin Technology Co., Ltd. (Hongxin)	Affiliate

(III) Major transactions with related parties

1. Operating income

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Hongxin	\$ 6,701	\$ 3,016

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. Amounts receivable from related parties

	March 31, 2025	December 31, 2024	March 31, 2024
Accounts receivable:			
Hongxin	\$ 3,634	\$ 3,878	\$ 2,133

The amounts receivable from related parties are mainly from sales transactions, with a payment term of a monthly settlement of 30 days. As of March 31, 2025, and December 31 and March 31, 2024, the Company has provided an allowance loss of NT\$952, NT\$940, and NT\$0, respectively, according to the Company's policy for the overdue amounts receivable from related parties.

3. Amounts payables to related parties

	March 31, 2025	December 31, 2024	March 31, 2024
Other payables:			
Hongxin	\$ 1,972	\$ 1,972	\$ -

(IV) Information on the remuneration of key management personnel

	For the three months ended March 31, 2025	For the three months ended March 31, 2024
Short-term employee benefits	\$ 5,260	\$ 5,485
Post-employment benefits	98	143
Share-based payment	1,005	130
	<u>\$ 6,363</u>	<u>\$ 5,758</u>

VIII. Pledged assets

None.

IX. Major contingent liabilities and unrecognized contractual commitments

None.

X. Major disaster losses

None.

XI. Major events after the reporting period

None.

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>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</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>\$ 44,890</u>	<u>\$ 207,116</u>	<u>\$ 342,537</u>
Financial assets at fair value through other comprehensive income			
Investments in equity instruments selected and designated	<u>\$ 1,152</u>	<u>\$ 1,152</u>	<u>\$ 3,610</u>
Financial assets measured at amortized cost			
Cash and cash equivalents	\$ 425,294	\$ 378,812	181,443
Financial assets measured at amortized cost	354,700	179,700	270,264
Accounts receivable (including those from related parties)	110,028	119,228	95,947
Other receivables	29,159	24,508	22,220
Refundable deposits	808	801	970
	<u>\$ 919,989</u>	<u>\$ 703,049</u>	<u>\$ 570,844</u>
	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost			
Accounts payable	\$ 55,484	\$ 72,223	\$ 77,848
Other payables (including those to related parties)	124,620	73,886	66,440
	<u>\$ 180,104</u>	<u>\$ 146,109</u>	<u>\$ 144,288</u>
Lease liabilities	<u>\$ 1,611</u>	<u>\$ 2,648</u>	<u>\$ 5,695</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:

March 31, 2025			
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary item</u>			
USD: NTD	\$ 8,700	33.155	\$ 288,449
RMB: NTD	7,059	4.61885	32,604
EUR: NTD	461	35.77	16,490
KRW: NTD	196,180	0.02082	4,084
<u>Non-monetary items</u>			
RMB: NTD	1,206	4.61885	5,569
<u>Financial liabilities</u>			
<u>Monetary item</u>			
USD: NTD	1,734	33.155	57,491
RMB: NTD	425	4.61885	1,963

December 31, 2024			
	Foreign currency (in thousands)	Exchange rate	Carrying amount (NTD)
(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

March 31, 2024			
(Foreign currency: functional currency)	Foreign currency	Exchange rate	Carrying
	(in thousands)		amount
<u>Financial assets</u>			(NTD)
<u>Monetary item</u>			
USD: NTD	\$ 7,530	31.99	\$ 240,885
RMB: NTD	4,774	4.5088	21,525
EUR: NTD	586	34.4724	20,201
KRW: NTD	169,542	0.02376	4,028
<u>Non-monetary items</u>			
RMB: NTD	1,350	4.5088	6,087
<u>Financial liabilities</u>			
<u>Monetary item</u>			
USD: NTD	2,996	31.99	95,842
RMB: NTD	322	4.5088	1,452
KRW: NTD	1,699	0.02376	40

D. For the three months ended March 31, 2025 and 2024, 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\$6,182 and NT\$5,747, respectively.

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

March 31, 2025					
		Sensitivity analysis			
	Carrying amount (NT\$)	Range of change	Effects on profit and loss	Effects on other comprehensive income	
(Foreign currency: functional currency)					
Financial assets					
Monetary item					
USD: NTD	\$ 288,449	1%	\$ 2,884	\$	-
RMB: NTD	32,604	1%	326		-
EUR: NTD	16,490	1%	165		-
KRW: NTD	4,084	1%	41		-
Non-monetary items					
RMB: NTD	5,569	1%	-		56
Financial liabilities					
Monetary item					
USD: NTD	57,491	1%	575		-
RMB: NTD	1,963	1%	20		-
December 31, 2024					
		Sensitivity analysis			
	Carrying amount (NT\$)	Range of change	Effects on profit and loss	Effects on other comprehensive income	
(Foreign currency: functional currency)					
Financial assets					
Monetary item					
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		-
Non-monetary items					
RMB: NTD	5,666	1%	-		57
Financial liabilities					
Monetary item					
USD: NTD	71,886	1%	719		-
RMB: NTD	3,502	1%	35		-
KRW: NTD	26	1%	-		-

	March 31, 2024			
	Carrying amount (NT\$)	Sensitivity analysis		
		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	\$ 240,885	1%	\$ 2,409	\$ -
RMB: NTD	21,525	1%	215	-
EUR: NTD	20,201	1%	202	-
KRW: NTD	4,028	1%	40	-
<u>Non-monetary items</u>				
RMB: NTD	6,087	1%	-	61
<u>Financial liabilities</u>				
<u>Monetary item</u>				
USD: NTD	95,842	1%	958	-
RMB: NTD	1,452	1%	15	-
KRW: NTD	40	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 the three months ended March 31, 2025 and 2024 will increase or decrease by NT\$449 or NT\$3,425, 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\$36, 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 March 31, 2025, and December 31 and March 31, 2024 based on customer classification is disclosed as follows:

March 31, 2025							
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	\$ 110,028	\$ -	\$ -	\$ -	\$ -	\$ 952	\$110,980
Loss rate	0%	5%	10%	30%	70%	100%	
Loss allowance	-	-	-	-	-	(952)	(952)
Carrying amount	<u>\$ 110,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,028</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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,606	\$ 23,606
Loss rate	0%	5%	10%	30%	70%	100%	
Loss allowance	-	-	-	-	-	(23,606)	(23,606)
Carrying amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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>
March 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	\$ 95,947	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,947
Loss rate	0%	5%	10%	30%	70%	100%	
Loss allowance	-	-	-	-	-	-	-
Carrying amount	<u>\$ 95,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,947</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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,777	\$ 22,777
Loss rate	0%	5%	10%	30%	70%	100%	
Loss allowance	-	-	-	-	-	(22,777)	(22,777)
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:

	2025	2024
January 1	\$ 24,247	\$ 21,882
Provision of impairment loss	311	895
March 31	\$ 24,558	\$ 22,777

The impairment loss recognized for the amounts receivable generated from customer contracts for the three months ended March 31, 2025 and 2024, was NT\$311 and NT\$895, 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 March 31, 2025, and December 31 and March 31, 2024, the monetary market positions held by the Group were NT\$824,229, NT\$765,016 and NT\$793,458. 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.

	Within 1 year	1 to 2 years	More than 2 years
March 31, 2025			
Non-derivative financial liabilities:			
Accounts payable	\$ 55,484	\$ -	\$ -
Other payables	124,620	-	-
Lease liabilities	1,623	-	-

	Within 1 year	1 to 2 years	More than 2 years
December 31, 2024			
Non-derivative financial liabilities:			
Accounts payable	\$ 72,223	\$ -	\$ -
Other payables	73,886	-	-
Lease liabilities	2,677	-	-
	Within 1 year	1 to 2 years	More than 2 years
March 31, 2024			
Non-derivative financial liabilities:			
Accounts payable	\$ 77,848	\$ -	\$ -
Other payables	66,440	-	-
Lease liabilities	4,214	1,612	-

(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>March 31, 2025</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	\$ 44,890	\$ -	\$ -	\$ 44,890
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	1,152	1,152
	<u>\$ 44,890</u>	<u>\$ -</u>	<u>\$ 1,152</u>	<u>\$ 46,042</u>
<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	-	-	1,152	1,152
	<u>\$ 207,116</u>	<u>\$ -</u>	<u>\$ 1,152</u>	<u>\$ 208,268</u>
<u>March 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	\$ 342,537	\$ -	\$ -	\$ 342,537
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	3,610	3,610
	<u>\$ 342,537</u>	<u>\$ -</u>	<u>\$ 3,610</u>	<u>\$ 346,147</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:

	Listed shares
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 for the three months ended March 31, 2025 and 2024.

5. The following table sets out the changes in Level 3 for the three months ended March 31, 2025 and 2024:

	2025	2024
	Non-derivative equity instruments	Non-derivative equity instruments
January 1	\$ 1,152	\$ 3,529
Gains recognized in other comprehensive income	-	81
March 31	\$ 1,152	\$ 3,610

6. There was no inward or outward transfer to or from Level 3 for the three months ended March 31, 2025 and 2024.

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:

	March 31, 2025 Fair value	Valuation techniques	Significant unobservable inputs	Range (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%	Lack of market liquidity The higher the discount is, the lower the fair value is.
	December 31, 2024 Fair value	Valuation techniques	Significant unobservable inputs	Range (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%	Lack of market liquidity The higher the discount is, the lower the fair value is.
	March 31, 2024 Fair value	Valuation techniques	Significant unobservable inputs	Range (weighted average)	Relation between the input and fair value
Non-derivative equity instruments:					
Non-listed shares	\$ 3,610	Market approach	Price-to-sales ratio	1.69	The higher the multiple is, the higher the fair value is.
			Lack of market liquidity discount	21.25%	Lack of market liquidity The higher the discount is, the lower the fair value is.

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:

		March 31, 2025			
		Recognized in profit or loss		Recognized in other comprehensive income	
		Favorable change	Unfavorable change	Favorable change	Unfavorable change
	Input	Change			
Financial assets					
	Price-to-sales				
Equity instruments	ratio	±10%	\$ -	\$ -	\$ 115 (\$ 115)
		December 31, 2024			
		Recognized in profit or loss		Recognized in other comprehensive income	
		Favorable change	Unfavorable change	Favorable change	Unfavorable change
	Input	Change			
Financial assets					
	Price-to-sales				
Equity instruments	ratio	±10%	\$ -	\$ -	\$ 115 (\$ 115)
		March 31, 2024			
		Recognized in profit or loss		Recognized in other comprehensive income	
		Favorable change	Unfavorable change	Favorable change	Unfavorable change
	Input	Change			
Financial assets					
	Price-to-sales				
Equity instruments	ratio	±10%	\$ -	\$ -	\$ 361 (\$ 361)

XIII. Additional disclosures

(I) Information on significant transactions

1. Loans to others: None.
2. Provision of endorsements and guarantees to others: None.
3. Material securities held at the end of the period (excluding investment in the equity of subsidiaries, affiliates, and joint ventures): Please refer to Table 1.
4. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of the paid-in capital or more: None.
5. Receivables from related parties reaching NT\$100 million or 20% of the paid-in capital or more: None.
6. Business relationships and significant transactions between the parent company and its subsidiaries: Please refer to Table 2.

(II) Information on investees

Name and location of investees and other relevant information (excluding investees in Mainland China): Please refer to Table 3.

(III) Information on investments in China

1. Basic data: Please refer to Table 4.
2. Major transactions with investees in China directly or indirectly through a third regional business: None.

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) Segment information

The Group evaluates the performance of operating segments based on net profit after tax. This measurement standard excludes the impact of non-regular expenses of operating departments.

(III) Information on the reconciliation of segment profit or loss

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.

Rafael Microelectronics, Inc. and Subsidiaries
Material securities held at the end of the period (excluding investment in subsidiaries, affiliates, and joint ventures)
March 31, 2025

Table 1

Unit: NT\$1,000
(unless otherwise specified)

Company held	Types and names of securities	Relations with securities issuers	Subject	End of period				Remarks
				Number of shares	Carrying amount	Shareholding ratio (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	11,138	\$ 950	-	\$ 950	
	Class B preferred shares - Fubon Financial Holding Co., Ltd.	None	Financial assets at fair value through profit or loss - current	227,000	14,097	-	14,097	
	Class C preferred shares - Fubon Financial Holding Co., Ltd.	None	Financial assets at fair value through profit or loss - current	374,262	19,536	-	19,536	
	Class B preferred shares - KGI Financial Holding Co., Ltd.	None	Financial assets at fair value through profit or loss - current	549,000	4,392	-	4,392	
	Class B Preferred Shares - CTBC Financial Holding Co., Ltd.	None	Financial assets at fair value through profit or loss - current	93,000	5,915	-	5,915	
	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.

Rafael Microelectronics, Inc. and Subsidiaries
Business relationships and significant transactions between the parent company and its subsidiaries
For the three months ended March 31, 2025

Table 2

Unit: NT\$1,000
(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	\$ 5,495	Subject to the contract	2.0%
0	Rafael Microelectronics, Inc.	Rafael Microelectronics Korea	1	Commission service expenses	1,252	Subject to the contract	0.5%

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 three months ended March 31, 2025

Table 3

Unit: NT\$1,000
(unless otherwise specified)

Investor	Investee	Location	Main scope of business	Initial investment amount		Held at the end of the period		Carrying amount	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				
Rafael Microelectronics, Inc.	Hann Tang Co., Ltd.	Seychelles	Investee	\$ 23,441	\$ 23,441	707,000	100	\$ 20,459	\$ 259	\$ 259	Note 1
Rafael Microelectronics, Inc.	Rafael Microelectronics Korea	South Korea	Promotion of RFIC products	2,951	2,951	200,000	100	4,073	478	478	Note 2
Hann Tang Co., Ltd.	HONG YU CO., LTD.	Seychelles	Investee	23,374	23,374	704,500	100	21,361	259	-	Notes 3 and 4

Note 1: The initial investment amount of US\$707 thousand was translated based on the exchange rate of NT\$33.155 as of March 31, 2025.

Note 2: The initial investment amount of US\$89 thousand was translated based on the exchange rate of NT\$33.155 as of March 31, 2025.

Note 3: The initial investment amount of US\$705 thousand was translated based on the exchange rate of NT\$33.155 as of March 31, 2025.

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.

Table 3

Rafael Microelectronics, Inc. and Subsidiaries
Information on Investment in Mainland China - Basic Data
For the three months ended March 31, 2025

Table 4

Unit: NT\$1,000

(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
ShenZhen Rafael Microsystems, Inc.	Technical consulting and services for RFIC products	\$11,604	2	\$ 11,604	\$ -	\$ -	\$ 11,604	\$ 266	100	\$ 266	\$ 14,591	\$ -	Notes 2, 5, and 9
ShenZhen Aluksen Hongxin Technology Co., Ltd.	Design, development, trading, and technical consulting for optic fiber products and services	23,094	2	11,538	-	-	11,538	(14)	49	(7)	5,569	-	Notes 2, 6, 7, and 9
ShenZhen Rafael Semiconductors, Inc.	Design and sales of RFIC products	4,157	2	4,157	-	-	4,157	(10)	100	(10)	4,155	-	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.	\$ 23,142		\$ 23,142		\$ 869,049								

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 not reviewed by the CPAs of the parent company in Taiwan.

Note 3: The amount of investment approved by the Investment Commission, MOEA, of US\$698 thousand was translated based on the exchange rate of NT\$33.155 as of March 31, 2025.

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: For the paid-in capital, the investment amount of US\$350 thousand was translated based on the exchange rate of NT\$33.155 as of March 31, 2025.

Note 6: The paid-in capital of RMB5,000 thousand was translated based on the exchange rate of NT\$4.61885 as of March 31, 2025.

Note 7: The investment amount of US\$348 thousand was translated based on the exchange rate of NT\$33.155 as of March 31, 2025.

Note 8: For the paid-in capital, the investment amount of RMB900 thousand was translated based on the exchange rate of NT\$4.61885 as of March 31, 2025.

Note 9: By investing in Hann Tang Co., Ltd. in a third region, the Company invests in Mainland China through Universal Plastic & Pack S. DE R. L., invested by Hann Tang Co., Ltd..

Note 10: By investing in Hann 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 Hann Tang Co., Ltd..

Table 4