

Silicon Optronics, Inc. and Subsidiaries
Consolidated Financial Statements for the
Three Months Ended March 31, 2024 and 2023 and
Independent Auditors' Review Report

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.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Shareholders
Silicon Optronics, Inc.

Opinion

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

Scope of Review

Except as stated in the basic paragraph of the reserved conclusion, we conducted our reviews in accordance with the Standards No. 2410 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 10, the financial statements of certain insignificant subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT\$42,913 thousand and NT\$44,861 thousand, all constituting 1% of the consolidated total assets, and total liabilities of NT\$1,833 thousand and NT\$8,562 thousand, constituting 0% and 1% of the consolidated total liabilities as of March 31, 2024 and 2023, respectively; and total comprehensive income of NT\$ 1,240 thousand and NT\$(396) thousand, constituting (12)% and 0% of the consolidated total comprehensive income for the three months then ended March 31, 2024 and 2023, respectively.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries, and the information disclosed in the footnotes been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Silicon Optronics, Inc. and its subsidiaries as of March 31, 2024 and 2023, their consolidated financial performance and cash flows for the three months then ended March 31, 2024 and 2023, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

May 2, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

SILICON OPTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2024		December 31, 2023		March 31, 2023			March 31, 2024		December 31, 2023		March 31, 2023	
	(Reviewed)		(Audited)		(Reviewed)			(Reviewed)		(Audited)		(Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%	LIABILITIES AND EQUITY	Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Note 6)	\$ 1,024,476	34	\$ 1,034,994	33	\$ 746,580	23	Short - term loan (Notes 15)	\$ 150,000	5	\$ 200,000	7	\$ 150,000	5
Accounts receivable - net (Note 8)	40,716	2	46,151	1	53,864	1	Contract liabilities - current (Note 19)	31,949	1	38,995	1	24,429	1
Inventories (Note 9)	1,379,849	46	1,524,493	49	1,950,713	60	Accounts payable	85,671	3	88,391	3	56,695	2
Prepayments and other current assets (Notes 14 and 25)	<u>177,358</u>	<u>6</u>	<u>175,444</u>	<u>6</u>	<u>171,813</u>	<u>5</u>	Other current liabilities (Note 16)	29,317	1	31,932	1	44,317	1
Total current assets	<u>2,622,399</u>	<u>88</u>	<u>2,781,082</u>	<u>89</u>	<u>2,922,970</u>	<u>89</u>	Current tax liabilities (Notes 4 and 21)	1,147	-	1,129	-	51,951	1
							Lease liabilities – current (Note 12)	5,802	-	6,478	-	6,801	-
							Long-term liabilities - current portion (Note 15)	-	-	100,000	3	100,000	3
							Refund liability (Note 16)	<u>99,616</u>	<u>3</u>	<u>79,266</u>	<u>3</u>	<u>52,334</u>	<u>2</u>
							Total current liabilities	<u>403,502</u>	<u>13</u>	<u>546,191</u>	<u>18</u>	<u>486,527</u>	<u>15</u>
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at amortized cost - noncurrent(Notes 7, 25 and 27)	3,549	-	3,549	-	3,528	-	Long-term loan (Note 15)	200,000	7	200,000	6	300,000	9
Property, plant and equipment (Note 11)	38,866	2	30,580	1	40,553	1	Deferred income tax liabilities (Notes 4 and 21)	-	-	-	-	106	-
Right-of-use assets (Note 12)	6,303	-	7,661	-	12,636	1	Lease liabilities - non-current (Note 12)	<u>-</u>	<u>-</u>	<u>961</u>	<u>-</u>	<u>5,733</u>	<u>-</u>
Goodwill	199,228	7	199,228	7	199,228	6	Total non-current liabilities	<u>200,000</u>	<u>7</u>	<u>200,961</u>	<u>6</u>	<u>305,839</u>	<u>9</u>
Intangible assets (Note 13)	8,571	-	1,240	-	7,200	-							
Deferred tax assets (Notes 4 and 21)	96,592	3	96,592	3	72,474	2	Total liabilities	<u>603,502</u>	<u>20</u>	<u>747,152</u>	<u>24</u>	<u>792,366</u>	<u>24</u>
Other non-current assets (Notes 14 and 17)	<u>8,788</u>	<u>-</u>	<u>8,666</u>	<u>-</u>	<u>8,763</u>	<u>1</u>							
Total non-current assets	<u>361,897</u>	<u>12</u>	<u>347,516</u>	<u>11</u>	<u>344,382</u>	<u>11</u>	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY(Notes 18 and 23)						
							Common stock	784,559	26	784,559	25	784,559	24
							Capital surplus	1,219,234	41	1,209,326	39	1,177,377	36
							Retained earnings						
							Legal reserve	180,425	6	180,425	6	168,164	5
							Special reserve	-	-	-	-	5,759	-
							Unappropriated earnings	291,053	10	304,822	9	436,373	14
							Other equity						
							Exchange differences on translating the financial statements of foreign operations	2,518	-	(691)	-	(251)	-
							Treasury shares	<u>(96,995)</u>	<u>(3)</u>	<u>(96,995)</u>	<u>(3)</u>	<u>(96,995)</u>	<u>(3)</u>
							Total equity	<u>2,380,794</u>	<u>80</u>	<u>2,381,446</u>	<u>76</u>	<u>2,474,986</u>	<u>76</u>
TOTAL	<u>\$ 2,984,296</u>	<u>100</u>	<u>\$ 3,128,598</u>	<u>100</u>	<u>\$ 3,267,352</u>	<u>100</u>	TOTAL	<u>\$ 2,984,296</u>	<u>100</u>	<u>\$ 3,128,598</u>	<u>100</u>	<u>\$ 3,267,352</u>	<u>100</u>

SILICON OPTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	Three Months Ended March 31,			
	2024		2023	
	Amount	%	Amount	%
OPERATING REVENUE (Note 19)	\$ 346,792	100	\$ 418,418	100
OPERATING COSTS (Notes 9, 20 and 26)	<u>325,616</u>	<u>94</u>	<u>546,880</u>	<u>131</u>
GROSS PROFIT/ (LOSS)	<u>21,176</u>	<u>6</u>	<u>(128,462)</u>	<u>(31)</u>
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	3,670	1	3,336	1
General and administrative expenses	10,830	3	9,813	2
Research and development expenses	<u>66,291</u>	<u>19</u>	<u>62,548</u>	<u>15</u>
Total operating expenses	<u>80,791</u>	<u>23</u>	<u>75,697</u>	<u>18</u>
LOSS FROM OPERATIONS	<u>(59,615)</u>	<u>(17)</u>	<u>(204,159)</u>	<u>(49)</u>
NON-OPERATING INCOME AND EXPENSES (Note 20)				
Interest income	10,703	3	6,927	2
Other income	-	-	30	-
Other gains and losses	37,461	11	<u>(2,819)</u>	<u>(1)</u>
Financial costs	<u>(2,252)</u>	<u>(1)</u>	<u>(2,873)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>45,912</u>	<u>13</u>	<u>1,265</u>	<u>-</u>
LOSS BEFORE INCOME TAX	<u>(13,703)</u>	<u>(4)</u>	<u>(202,894)</u>	<u>(49)</u>
I INCOME TAX (EXPENSE)/BENEFIT (Notes 4 and 21)	<u>(66)</u>	<u>-</u>	<u>41,226</u>	<u>10</u>
NET LOSS	<u>(13,769)</u>	<u>(4)</u>	<u>(161,668)</u>	<u>(39)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 18)	<u>3,209</u>	<u>1</u>	<u>(274)</u>	<u>-</u>
Total comprehensive loss For The Period	<u>(\$ 10,560)</u>	<u>(3)</u>	<u>(\$ 161,942)</u>	<u>(39)</u>
LOSS PER SHARE (Note 22)				
Basic	<u>(\$ 0.18)</u>		<u>(\$ 2.09)</u>	
Diluted	<u>(\$ 0.18)</u>		<u>(\$ 2.09)</u>	

SILICON OPTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Ordinary Share Capital		Capital Surplus	Retained Earnings			Unappropriated Earnings	Other Equity Exchange Difference on Translating the Financial Statements of Foreign Operations	Treasury Shares	Total Equity
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve					
BALANCE, JANUARY 1, 2023	78,456	\$ 784,559	\$ 1,167,789	\$ 168,164	\$ 5,759	\$ 597,041	\$ 23	(\$ 96,995)	\$ 2,627,340	
Net income (loss) for the three months ended March 31, 2023	-	-	-	-	-	(161,668)	-	-	(161,668)	
Other comprehensive income(loss)for the three months ended March 31, 2023	-	-	-	-	-	-	(274)	-	(274)	
Total comprehensive income(loss)for the three months ended March 31, 2023	-	-	-	-	-	(161,668)	(274)	-	(161,942)	
Issuance of ordinary shares under employee share options	-	-	9,588	-	-	-	-	-	9,588	
BALANCE, MARCH 31, 2023	<u>78,456</u>	<u>\$ 784,559</u>	<u>\$ 1,177,377</u>	<u>\$ 168,164</u>	<u>\$ 5,759</u>	<u>\$ 436,373</u>	<u>(\$ 251)</u>	<u>(\$ 96,995)</u>	<u>\$ 2,474,986</u>	
BALANCE, JANUARY 1, 2024	78,456	\$ 784,559	\$ 1,209,326	\$ 180,425	\$ -	\$ 304,822	(\$ 691)	(\$ 96,995)	\$ 2,381,446	
Net income (loss) for the three months ended March 31, 2024	-	-	-	-	-	(13,769)	-	-	(13,769)	
Other comprehensive income(loss)for the three months ended March 31, 2024	-	-	-	-	-	-	3,209	-	3,209	
Total comprehensive income(loss)for the three months ended March 31, 2024	-	-	-	-	-	(13,769)	3,209	-	(10,560)	
Issuance of ordinary shares under employee share options	-	-	9,908	-	-	-	-	-	9,908	
BALANCE, MARCH 31, 2024	<u>78,456</u>	<u>\$ 784,559</u>	<u>\$ 1,219,234</u>	<u>\$ 180,425</u>	<u>\$ -</u>	<u>\$ 291,053</u>	<u>\$ 2,518</u>	<u>(\$ 96,995)</u>	<u>\$ 2,380,794</u>	

SILICON OPTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Three Months Ended March 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	(\$ 13,703)	(\$ 202,894)
Adjustments for:		
Depreciation expense	11,100	14,646
Amortization expense	705	1,144
Finance costs	2,252	2,873
Interest income	(10,703)	(6,927)
Share-based compensation	9,908	9,588
Net loss (gain) on foreign currency exchange	(30,924)	9,698
Changes in operating assets and liabilities		
Accounts receivable	7,189	(19,136)
Inventories	144,644	460,231
Prepayments and other current assets	(177)	17,093
Contract liabilities	(8,424)	(44,265)
Accounts payable	(5,892)	(218,044)
Accrued expenses and other current liabilities	(13,752)	(18,133)
Refund liability	20,350	(1,607)
Cash generated from (used in) operations	112,633	4,267
Income tax paid	(1,399)	(984)
Net cash generated from (used in) operating activities	<u>111,234</u>	<u>3,283</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments of property, plant and equipment	(6,162)	(8,129)
Increase in refundable deposits	-	(4,109)
Decrease in refundable deposits	-	600
Payments for intangible assets	(7,862)	(5,059)
Payments for right-of-use assets	(829)	(443)
Interest received	13,561	6,074
Net cash generated from (used in) investing activities	<u>(1,292)</u>	<u>(11,066)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	100,000	230,000
Repayments of short-term loans	(150,000)	(230,000)
Repayments of long-term loans	(100,000)	-
Repayment of the principal portion of lease liabilities	(1,718)	(1,685)
Interest paid	(2,355)	(2,805)
Net cash generated from (used in) financing activities	<u>(154,073)</u>	<u>(4,490)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>33,613</u>	<u>(3,783)</u>
NET INCREASE(DECREASE) IN CASH	<u>(10,518)</u>	<u>(16,056)</u>
CASH AT THE BEGINNING OF PERIOD	<u>1,034,994</u>	<u>762,636</u>
CASH AT THE END OF PERIOD	<u>\$ 1,024,476</u>	<u>\$ 746,580</u>

SILICON OPTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

Silicon Optronics, Inc. (the “Company”) was incorporated in the Republic of China (“ROC”) on May 24, 2004 and commenced business on May 27, 2004. The Company’s main business activities include the design, development and sales of complementary metal-oxide semiconductors.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since July 2018.

The consolidated financial statements of the Company and its subsidiary (collectively referred to as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 02, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies

- b. New IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New IFRS Accounting Standards	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial Reporting," as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Refer to Notes 10 and 29 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2023.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following, refer to the statements of critical accounting judgments and key sources of estimation uncertainty to the consolidated financial statements for the year ended December 31, 2023.

6. CASH AND CASH EQUIVALENTS

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand	\$ 112	\$ 154	\$ 77
Bank deposits	704,364	574,265	381,103
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits in banks	320,000	460,575	365,400
	<u>\$ 1,024,476</u>	<u>\$ 1,034,994</u>	<u>\$ 746,580</u>

The market interest rate intervals of the time deposits held in banks at the end of the reporting period were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Time deposits	5.43%~5.52%	5.17%~5.80%	4.90%~5.10%

7. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Non-current</u>			
Pledged time deposits (a and c)	<u>\$ 3,549</u>	<u>\$ 3,549</u>	<u>\$ 3,528</u>

- Refer to Note 25 for information relating to their credit risk management and impairment of financial assets at amortized cost.
- Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as security.

8. ACCOUNTS RECEIVABLE

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Accounts receivable - unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 40,716	\$ 46,151	\$ 53,864
Less: Allowance for impairment loss	-	-	-
	<u>\$ 40,716</u>	<u>\$ 46,151</u>	<u>\$ 53,864</u>

The average credit period of sales of goods was 30 days. No interest was charged on trade receivables.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

March 31, 2024

	Not Past Due	Past Due Up to 60 Days	Past Due 61 ~90 Days	Past Due 91 ~120 Days	Past Due 121~150 Days	Past Due 151~180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$40,716	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$40,716
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$40,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$40,716</u>

December 31, 2023

	Not Past Due	Past Due Up to 60 Days	Past Due 61 ~90 Days	Past Due 91 ~120 Days	Past Due 121~150 Days	Past Due 151~180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$46,151	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$46,151
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$46,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$46,151</u>

March 31, 2023

	Not Past Due	Past Due Up to 60 Days	Past Due 61 ~90 Days	Past Due 91 ~120 Days	Past Due 121~150 Days	Past Due 151~180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$51,145	\$ 2,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$53,864
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$51,145</u>	<u>\$ 2,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$53,864</u>

9. INVENTORIES

	March 31, 2024	December 31, 2023	March 31, 2023
Finished goods	\$ 1,003,487	\$ 995,794	\$ 1,428,703
Work in progress	370,116	522,383	518,887
Raw materials	<u>6,246</u>	<u>6,316</u>	<u>3,123</u>
	<u>\$ 1,379,849</u>	<u>\$ 1,524,493</u>	<u>\$ 1,950,713</u>

The nature of the cost of goods sold is as follows:

	Three Months Ended March 31 2024	For the year Ended December 31 2023	Three Months Ended March 31 2023
Cost of inventories sold	\$ 283,196	\$ 1,386,892	\$ 341,958
Inventory write-downs (reversed)	42,420	320,134	204,922
	<u>\$ 325,616</u>	<u>\$ 1,707,026</u>	<u>\$ 546,880</u>

10. SUBSIDIARIES

Investor	Investee	Main Business	Percentage% of Ownership		
			March 31, 2024	December 31, 2023	March 31, 2023
Silicon Optronics, Inc.	NUEVA IMAGING, INC. (“NUEVA”)	Research and development and design of high order CMOS Image Sensor products	100%	100%	100%
	Silicon Optronics (Cayman) Co., Ltd. (“Silicon Cayman”)	Investment business	100%	100%	100%
Silicon Optronics (Cayman) Co., Ltd.	Silicon Optronics (Shanghai) Co., Ltd.	Design, development and testing of integrated circuits and related electronic products, technical service consultation and transfer of R&D results	100%	100%	100%

Except for US NUEVA which fulfills the definition of a major subsidiary per Article 2 of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the remaining entities are non-major subsidiaries Silicon Optronics (Shanghai) Co., Ltd. is an immaterial subsidiary; its financial statements have not been reviewed.

11. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	Molding Equipment	Computer	Office Equipment	Photomasks	Total
Cost						
Balance at January 1, 2024	\$ 1,065	\$ 8,760	\$ 1,742	\$ 1,789	\$ 60,508	\$ 73,864
Additions	-	-	113	12	16,983	17,108
Disposal	-	(2,478)	-	-	(8,305)	(10,783)
Effect of exchange rate changes	6	-	24	73	-	103
Balance at March 31, 2024	<u>\$ 1,071</u>	<u>\$ 6,282</u>	<u>\$ 1,879</u>	<u>\$ 1,874</u>	<u>\$ 69,186</u>	<u>\$ 80,292</u>
Accumulated depreciation						
Balance at January 1, 2024	\$ 735	\$ 6,062	\$ 1,282	\$ 1,737	\$ 32,285	\$ 42,101
Depreciation expense	38	474	68	7	8,242	8,829
Disposal	-	(2,478)	-	-	(8,305)	(10,783)
Effect of exchange rate changes	6	-	19	71	-	96
Balance at March 31, 2024	<u>\$ 779</u>	<u>\$ 4,058</u>	<u>\$ 1,369</u>	<u>\$ 1,815</u>	<u>\$ 32,222</u>	<u>\$ 40,243</u>
Accumulated impairment						
Balance at January 1, 2024 and March 31, 2024	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Balance at January 1, 2024	<u>\$ 330</u>	<u>\$ 1,515</u>	<u>\$ 460</u>	<u>\$ 52</u>	<u>\$ 28,223</u>	<u>\$ 30,580</u>
Balance at March 31, 2024	<u>\$ 292</u>	<u>\$ 1,041</u>	<u>\$ 510</u>	<u>\$ 59</u>	<u>\$ 36,964</u>	<u>\$ 38,866</u>
Cost						
Balance at January 1, 2023	\$ 1,071	\$ 12,404	\$ 1,561	\$ 1,791	\$ 92,221	\$ 109,048
Additions	-	-	-	-	7,569	7,569
Disposal	-	(1,657)	-	-	(10,745)	(12,402)
Effect of exchange rate changes	2	-	6	(14)	-	(6)
Balance at March 31, 2023	<u>\$ 1,073</u>	<u>\$ 10,747</u>	<u>\$ 1,567</u>	<u>\$ 1,777</u>	<u>\$ 89,045</u>	<u>\$ 104,209</u>
Accumulated depreciation						
Balance at January 1, 2023	\$ 561	\$ 7,020	\$ 1,064	\$ 1,710	\$ 52,155	\$ 62,510
Depreciation expense	45	781	62	7	11,476	12,371
Disposal	-	(1,657)	-	-	(10,745)	(12,402)
Effect of exchange rate changes	2	-	5	(13)	-	(6)
Balance at March 31, 2023	<u>\$ 608</u>	<u>\$ 6,144</u>	<u>\$ 1,131</u>	<u>\$ 1,704</u>	<u>\$ 52,886</u>	<u>\$ 62,473</u>
Accumulated impairment						
Balance at January 1, 2023 and March 31, 2023	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Balance at January 1, 2023	<u>\$ 510</u>	<u>\$ 4,201</u>	<u>\$ 497</u>	<u>\$ 81</u>	<u>\$ 40,066</u>	<u>\$ 45,355</u>
Balance at March 31, 2023	<u>\$ 465</u>	<u>\$ 3,420</u>	<u>\$ 436</u>	<u>\$ 73</u>	<u>\$ 36,159</u>	<u>\$ 40,553</u>

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

Testing equipment	2-5 years
Molding equipment	3 years
Computers	3 years
Office equipment	5 years
Photomasks	2 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Carrying amount</u>			
Buildings	\$ <u>6,303</u>	\$ <u>7,661</u>	\$ <u>12,636</u>
	<u>Three Months Ended March 31</u>		
	2024	2023	
Additions to right-of-use assets	\$ <u>829</u>	\$ <u>443</u>	
Depreciation charge for right-of-use assets			
Buildings	\$ <u>2,271</u>	\$ <u>2,275</u>	

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended March 31, 2024 and 2023.

b. Lease liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Carrying amount</u>			
Current	\$ <u>5,802</u>	\$ <u>6,478</u>	\$ <u>6,801</u>
Non-current	\$ <u>-</u>	\$ <u>961</u>	\$ <u>5,733</u>

The discount rate for lease liabilities was as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Buildings	1.46%	1.46%	1.46%

c. Material lease activities and terms (the Group is lessee)

The Group did not have significant new lease contracts in March 31, 2024 and 2023. The Group leases buildings for the use of offices with lease terms of 3-4 years. The Group does not have bargain purchase options to acquire the buildings at the expiry of the lease periods. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<u>Three Months Ended March 31</u>	
	2024	2023
Expenses relating to short-term leases	\$ <u>116</u>	\$ <u>116</u>
Expenses relating to low-value asset leases	\$ <u>9</u>	\$ <u>8</u>
Total cash outflow for leases	(\$ <u>1,868</u>)	(\$ <u>1,859</u>)

13. INTANGIBLE ASSETS

	<u>Patents</u>	<u>Software</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2024	\$ 15,276	\$ 27,960	\$ 43,236
Additions	-	7,862	7,862
Effect of exchange rate changes	644	1,217	1,861
Balance at March 31, 2024	\$ <u>15,920</u>	\$ <u>37,039</u>	\$ <u>52,959</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2024	\$ 15,276	\$ 26,720	\$ 41,996

Amortization expense	-	705	705
Effect of exchange rate changes	644	1,043	1,687
Balance at March 31, 2024	<u>\$ 15,920</u>	<u>\$ 28,468</u>	<u>\$ 44,388</u>
Balance at January 1, 2024	<u>\$ -</u>	<u>\$ 1,240</u>	<u>\$ 1,240</u>
Balance at March 31, 2024	<u>\$ -</u>	<u>\$ 8,571</u>	<u>\$ 8,571</u>
<u>Cost</u>			
Balance at January 1, 2023	\$ 15,278	\$ 27,572	\$ 42,850
Additions	-	5,059	5,059
Effect of exchange rate changes	(129)	(192)	(321)
Balance at March 31, 2023	<u>\$ 15,149</u>	<u>\$ 32,439</u>	<u>\$ 47,588</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2023	\$ 15,278	\$ 24,285	\$ 39,563
Amortization expense	-	1,144	1,144
Effect of exchange rate changes	(129)	(190)	(319)
Balance at March 31, 2023	<u>\$ 15,149</u>	<u>\$ 25,239</u>	<u>\$ 40,388</u>
Balance at January 1, 2023	<u>\$ -</u>	<u>\$ 3,287</u>	<u>\$ 3,287</u>
Balance at March 31, 2023	<u>\$ -</u>	<u>\$ 7,200</u>	<u>\$ 7,200</u>

Except for the recognition of amortization expense, there were no significant additions, disposals and impairment of the Group's other intangible assets for the years ended March 31, 2024 and 2023.

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Patents	3-7 years
Software	1-3 years

14. OTHER ASSETS

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Current</u>			
Prepayments for purchases	\$ 88,387	\$ 87,780	\$ 87,603
Prepaid income tax	43,952	46,094	37,215
Tax receivables of business tax	39,203	35,414	35,341
Excess Business Tax paid	-	-	8,495
Others	5,816	6,156	3,159
	<u>\$ 177,358</u>	<u>\$ 175,444</u>	<u>\$ 171,813</u>
<u>Non-current</u>			
Refundable deposits	\$ 7,229	\$ 7,107	\$ 7,247
Net defined benefit assets	1,559	1,559	1,516
	<u>\$ 8,788</u>	<u>\$ 8,666</u>	<u>\$ 8,763</u>

15. BORROWINGS

a. Short-term loan

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Unsecured loan</u>			
Bank loan	<u>\$ 150,000</u>	<u>\$ 200,000</u>	<u>\$ 150,000</u>

The range of weighted average effective interest rates on bank loans were 1.80%-1.95%、1.80%-2.20% and 1.94%-2.06% per annum as of March 31, 2024、December 31, 2023 and March 31, 2023.

b. Long-term loan

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Unsecured loan</u>			
Bank loan (1)	\$ 200,000	\$ 300,000	\$ 400,000
Less: Current portion	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Long-term loan	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 300,000</u>

1) The Group acquired new bank loan with a floating interest rate of 2.03% per annum. Interest is paid monthly, and the principal is to be repaid in three annual installments starting from July 2023. The loan is to be repaid before July 5, 2025.

16. OTHER LIABILITIES

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Current</u>			
Other payables			
Payables for purchases of equipment	\$ 13,811	\$ 2,571	\$ 7,935
Payables for bonuses	7,572	18,905	13,210
Payables for employees' compensation	-	-	13,440
Others	<u>7,760</u>	<u>10,277</u>	<u>9,493</u>
	29,143	31,753	44,078
Other liabilities			
Receipts under custody	<u>174</u>	<u>179</u>	<u>239</u>
	<u>\$ 29,317</u>	<u>\$ 31,932</u>	<u>\$ 44,317</u>
Refund liabilities (a)	<u>\$ 99,616</u>	<u>\$ 79,266</u>	<u>\$ 52,334</u>

a. Sales revenue is measured at the fair value of the consideration received or receivable, and deducted from estimated customer returns, discounts, and other similar discounts. Based on historical experience and considering different contract conditions, the combined company estimates the possible sales discounts and recognizes the refund liabilities accordingly.

17. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2024 and 2023, the pension expenses of defined benefit plans were \$6 thousand and \$5 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2023 and 2022 respectively.

18. EQUITY

a. Common stock

	March 31, 2024	December 31, 2023	March 31, 2023
Numbers of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>78,456</u>	<u>78,456</u>	<u>78,456</u>
Shares issued	<u>\$ 784,559</u>	<u>\$ 784,559</u>	<u>\$ 784,559</u>

A total of 15,000 thousand shares from the authorized share capital was reserved for the issuance of employee share options. The increase in the Company's share capital is mainly due to the employees' exercise of their employee share options.

b. Capital surplus

	March 31, 2024	December 31, 2023	March 31, 2023
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Arising from issuance of ordinary shares	\$ 1,118,553	\$ 1,118,553	\$ 1,118,553
Arising from employee share options exercised price	12,754	12,754	12,754
<u>May be used to offset a deficit only</u>			
Shareholders' overdue dividends not received	1	1	-
<u>May not be used for any purpose</u>			
Arising from employee share options	87,926	78,018	46,070
	<u>\$ 1,219,234</u>	<u>\$ 1,209,326</u>	<u>\$ 1,177,377</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

Reconciliations of the balance for each class of capital surplus were as follows:

	Premium on Issue of Shares	Arising from Employee Share Options	Others	Total
Balance at January 1, 2023	\$ 1,118,553	\$ 49,236	\$ -	\$ 1,167,789
Issuance of ordinary shares under employee share options	-	9,588	-	9,588
Balance at March 31, 2023	<u>\$ 1,118,553</u>	<u>\$ 58,824</u>	<u>\$ -</u>	<u>\$ 1,177,377</u>
Balance at January 1, 2024	\$ 1,118,553	\$ 90,772	\$ 1	\$ 1,209,326
Issuance of ordinary shares under employee share options	-	9,908	-	9,908
Balance at March 31, 2024	<u>\$ 1,118,553</u>	<u>\$ 100,680</u>	<u>\$ 1</u>	<u>\$ 1,219,234</u>

c. Retained earnings and dividend policy

Under the Company's articles of incorporation (the "Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 20 (g).

Considering that the Company is in a period of operational growth, taking into account the interests of the company's shareholders and long-term capital and business planning, no more than 90% of the accumulated distributable earnings should be distributed as dividends, out of which no less than 10% of the total dividends distributed should be in the form of cash dividends. If the Company has no distributable earnings for the year, or if there are earnings but the amount of earnings is much lower than that distributed in the previous year, or considering the Company's financial, business and operational factors, the Company may distribute all or part of the earnings in accordance with the law or regulations of the competent

authorities.

The appropriations of earnings for 2023 and 2022, which had been approved and resolved by the board of directors' meeting and shareholders' meeting on March 12, 2024 and June 16, 2023, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2023	2022
Legal reserve	\$ -	\$ 12,261
Special reserve	\$ -	(\$ 5,759)
Cash dividends	\$ -	\$ -
Dividends per share (NT\$)	\$ -	\$ -

The appropriations of deficit for 2023 are subject to the resolution of the shareholders' in their meeting to be held on June 18, 2024.

d. Other equity items

	Three Months Ended March 31	
	2024	2023
Balance, beginning of year	(\$ 691)	\$ 23
Exchange differences on translation of the financial statements of foreign operations	3,209	(274)
Balance, end of year	<u>\$ 2,518</u>	<u>(\$ 251)</u>

e. Treasury shares

	March 31, 2024	December 31, 2023	March 31, 2024
Treasury shares (In thousand of shares)	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

The Company resolved in its board of directors' meeting held on August 12, 2019 to buy back 1,000 thousand of its ordinary shares listed on the Taiwan Stock Exchange within the period starting August 13, 2019 to October 12, 2019 for transfer to its employees, at a purchase price ranging from NT\$53 to NT\$115 per share.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

19. REVENUE

	Three Months Ended March 31	
	2024	2023
Revenue from contracts with customers		
Revenue from the sale of goods	<u>\$ 346,792</u>	<u>\$ 418,418</u>

a. Contract balances

	March 31, 2024	December 31, 2023	March 31, 2023	January 1, 2023
Accounts receivable (Note 8)	<u>\$ 40,716</u>	<u>\$ 46,151</u>	<u>\$ 53,864</u>	<u>\$ 34,869</u>
Contract liabilities - current				
Sale of goods	<u>\$ 31,949</u>	<u>\$ 38,995</u>	<u>\$ 24,429</u>	<u>\$ 69,012</u>

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year is as follows:

	Three Months Ended March 31	
	2024	2023
From the contract liabilities at the beginning of the year		
Sale of goods	\$ 33,593	\$ 57,768

b. Disaggregation of revenue

	Three Months Ended March 31	
	2024	2023
<u>Primary geographical markets</u>		
Hong Kong	\$ 248,302	\$ 313,370
America	45,955	19,871
Taiwan (the Group's operating location)	10,236	57,826
Others	42,299	27,351
	<u>\$ 346,792</u>	<u>\$ 418,418</u>
<u>Major goods</u>		
CMOS	\$ 343,346	\$ 413,397
Others	3,446	5,021
	<u>\$ 346,792</u>	<u>\$ 418,418</u>

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	Three Months Ended March 31	
	2024	2023
Bank deposit	\$ 10,684	\$ 6,911
Financial assets at amortized cost	16	13
Others	3	3
	<u>\$ 10,703</u>	<u>\$ 6,927</u>

b. Other income

	Three Months Ended March 31	
	2024	2023
Other	\$ -	\$ 30

c. Other gains and losses

	Three Months Ended March 31	
	2024	2023
Net foreign exchange gain	\$ 37,485	(\$ 2,946)
Other gains	43	-
Other losses	(67)	127
	<u>\$ 37,461</u>	<u>(\$ 2,819)</u>

d. Finance costs

	Three Months Ended March 31	
	2024	2023
Interest on bank loans	\$ 2,227	\$ 2,823
Interest on lease liabilities	25	50
	<u>\$ 2,252</u>	<u>\$ 2,873</u>

e. Depreciation and amortization

	Three Months Ended March 31	
	2024	2023
Property, plant and equipment	\$ 8,829	\$ 12,371
Right-of-use assets	2,271	2,275
Intangible assets	705	1,144
Total	<u>\$ 11,805</u>	<u>\$ 15,790</u>
An analysis of depreciation by function		
Operating costs	\$ 2,186	\$ 2,506
Operating expenses	8,914	12,140
	<u>\$ 11,100</u>	<u>\$ 14,646</u>

An analysis of amortization by function

	Three Months Ended March 31	
	2024	2023
Property, plant and equipment	\$ 8,829	\$ 12,371
Research and development expenses	<u>\$ 705</u>	<u>\$ 1,144</u>

f. Employee benefits expense

	Three Months Ended March 31	
	2024	2023
Post-employment benefits		
Defined contribution plans	\$ 958	\$ 928
Defined benefit plans	<u>6</u>	<u>5</u>
	964	933
Other employee benefits	<u>58,878</u>	<u>51,968</u>
Total employee benefits expense	<u>\$ 59,842</u>	<u>\$ 52,901</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 59,842</u>	<u>\$ 52,901</u>

g. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation at a rate of no less than 0.005% and no higher than 25%, and remuneration of directors and supervisors at rate of no higher than 3%. The period from January 1 to March 31, 2024 and 2023 are all net loss before tax, so it is proposed not to accrue for employee compensation and director remuneration.

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriations of employees' compensation and remuneration of directors and supervisors for 2023 and 2022 that were resolved by the board of directors on March 12, 2024 and March 15, 2023, respectively, are as shown below:

	For the Year Ended December 31	
	2023	2022
Employees' compensation	\$ -	\$ 13,440
Remuneration of directors and supervisors	-	2,500

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2023 and 2022.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	Three Months Ended March 31	
	2024	2023
Current tax		
In respect of the current year	\$ 66	\$ 1,161
Deferred tax		
In respect of the current year	<u>-</u>	<u>(42,387)</u>
Income tax expense recognized in profit or loss	<u>\$ 66</u>	<u>(\$ 41,226)</u>

b. Income tax assessments

The Company's tax returns through 2021 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	Three Months Ended March 31	
	2024	2023
Basic earnings per share	(\$ 0.18)	(\$ 2.09)
Diluted earnings per share	(\$ 0.18)	(\$ 2.09)

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

Net Profit for the Year

	Three Months Ended March 31	
	2024	2023
Earnings used in the computation of basic earnings per share	(\$ 13,769)	(\$ 161,668)
Effect of potentially dilutive ordinary shares:		
Employee share options	-	-
Bonuses issued to employees	-	-
Earnings used in the computation of diluted earnings per share	(\$ 13,769)	(\$ 161,668)

Number of shares

	Unit: In Thousands of Shares	
	Three Months Ended March 31	
	2024	2023
Weighted average number of ordinary shares used in the computation of basic earnings per share	77,456	77,456
Effect of potentially dilutive ordinary shares:		
Employee share options	-	-
Bonuses issued to employees	-	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	77,456	77,456

Since the Group can offer to settle the bonuses to employees in cash or shares, the Company assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

Qualified employees of the Company were granted 2,000 options on July 29, 2013 and 3,200 options on May 16, 2012, each option entitles the holder to subscribe for one thousand ordinary shares of the Company, and the total number of new ordinary shares required to be issued for the exercise of the employee share option is 2,000 shares and 3,200 shares, respectively. The options granted are valid for 10 years and exercisable at certain percentages after the second year from the grant date.

Qualified employees of the Company were granted 5,000 options on July 22, 2022, each option entitles the holder to subscribe for one thousand ordinary shares of the Company, and the total number of new ordinary shares required to be issued for the exercise of the employee share option is 5,000 shares, respectively. The options granted are valid for 10 years and exercisable at certain percentages after the second year from the grant date.

Information on employee share options is as follows:

2021 Employee Share Option Plan		
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
For the Three Months Ended March 31, 2024		
Balance at January 1	3,500	99.60
Options exercised	-	-
Option expired	3,500	99.60
Balance at March 31	-	-
2021 Employee Share Option Plan		
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
For the Three Months Ended March 31, 2023		
Balance at January 1	3,500	99.60
Options exercised	-	-
Option expired	3,500	99.60
Balance at March 31	-	-

Information on outstanding options as follows:

March 31, 2024			December 31, 2023			March 31, 2023		
Share Option Plan	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)	Share Option Plan	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)	Share Option Plan	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)
2021 Employee share option plan	\$ 99.60	9.98	2021 Employee share option plan	\$ 99.60	10.23	2021 Employee share option plan	\$ 99.60	10.99

The resolution for the granting of the 2022 employee share options was passed in the board of directors' meeting on July 1, 2021, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT\$)	\$103.5
Exercise price (NT\$)	\$103.5
Expected volatility	43.11%-39.21%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.79%-0.92%
Fair value of stock options	30.73

Share-based compensation were \$9,908 thousand and \$9,588 thousand for the three months ended March 31, 2024 and 2023, respectively.

24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the number of new shares issued, and/or the amount of new debt issued or existing debt redeemed.

The Group is not subject to any externally imposed capital requirements.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair values.

b. Categories of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
Financial assets at amortized cost (Note 1)	\$ 1,075,970	\$ 1,091,801	\$ 811,219
<u>Financial liabilities</u>			
Amortized cost (Note 2)	449,482	590,962	614,630

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable, refundable deposits and pledged time deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise accounts payable (including related parties), other payables (including related parties), and long-term debt.

c. Financial risk management objectives and policies

The Group's major financial instruments included accounts receivable, accounts payable and long-term borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change in the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group has foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 97% of the Group's sales is denominated in currencies other than the functional currency of the entity making the sale, whilst almost 96% of costs is denominated in the entity's functional currency. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 28.

Sensitivity analysis

The Group is mainly exposed to the exchange rate fluctuations in the USD.

The sensitivity analysis regarding foreign currency risk is mainly calculated for USD denominated monetary items on the balance sheet date.

When the NTD appreciates/depreciates by 1% against the USD, the Group's net profit before tax for the three months ended March 31, 2024 and 2023 would decrease/increase by \$8,819 thousand and \$6,623 thousand, respectively.

b) Interest rate risk

The Group is exposed to interest rate risk arising from financial assets and financial liabilities at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting periods were as follows.

	March 31, 2024	December 31, 2023	March 31, 2023
Fair value interest rate risk			
Financial assets	\$ 323,549	\$ 464,124	\$ 368,928
Cash flow interest rate risk			
Financial assets	704,354	574,255	381,093
Financial liabilities	350,000	500,000	550,000

Sensitivity analysis

The sensitivity analysis regarding interest rate risk is calculated based on the changes in the cash flow of floating-rate liabilities on the balance sheet date. If interest rates had been 0.5% higher/lower, pre-tax profit for the three months ended March 31, 2024 and 2023 would have increased/decreased by \$443 thousand and (\$211) thousand, respectively.

2) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations and resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation mainly arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group transacts with a large number of unrelated customers, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank facilities and ensures compliance with loan covenants.

Bank borrowings are significant sources of liquidity for the Group. For the Group's unutilized financing facilities, please refer to (2) Financing facilities below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables include both interest and principal cash

flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

March 31, 2024

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-derivative financial liabilities				
Leas liabilities	\$ 584	\$ 1,168	\$ 4,090	\$ -
Accounts payable	70,039	15,632	-	-
Payables for purchases of equipment	1,004	12,807	-	-
Variable interest rate liabilities	<u>150,339</u>	<u>678</u>	<u>3,052</u>	<u>201,695</u>
	<u>\$ 221,996</u>	<u>\$ 30,825</u>	<u>\$ 7,142</u>	<u>\$ 201,695</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 5,842	\$ -	\$ -	\$ -	\$ -	\$ -
interest rate liabilities	<u>154,069</u>	<u>201,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 159,911</u>	<u>\$ 201,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-derivative financial liabilities				
Leas liabilities	\$ 577	\$ 1,154	\$ 4,811	\$ 963
Accounts payable	71,662	16,729	-	-
Payables for purchases of equipment	-	2,571	-	-
Variable interest rate liabilities	<u>509</u>	<u>201,017</u>	<u>103,899</u>	<u>202,712</u>
	<u>\$ 72,748</u>	<u>\$ 221,471</u>	<u>\$ 108,710</u>	<u>\$ 203,675</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 6,542	\$ 963	\$ -	\$ -	\$ -	\$ -
interest rate liabilities	<u>305,425</u>	<u>202,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 311,967</u>	<u>\$ 203,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

March 31, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-derivative financial liabilities				
Leas liabilities	\$ 578	\$ 1,156	\$ 5,204	\$ 5,774
Accounts payable	33,472	23,223	-	-
Payables for purchases of equipment	3,866	4,069	-	-
Variable interest rate liabilities	<u>150,653</u>	<u>1,307</u>	<u>104,737</u>	<u>306,371</u>
	<u>\$ 188,569</u>	<u>\$ 29,755</u>	<u>\$ 109,941</u>	<u>\$ 312,145</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 6,938	\$ 5,774	\$ -	\$ -	\$ -	\$ -
interest rate liabilities	<u>256,697</u>	<u>306,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 263,635</u>	<u>\$ 312,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

b) Financing facilities

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured bank overdraft facilities, reviewed annually and payable on demand:			
Amount used	\$ 350,000	\$ 500,000	\$ 550,000
Amount unused	<u>400,000</u>	<u>250,000</u>	<u>200,000</u>
	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>
Secured bank overdraft facilities:			
Amount used	\$ -	\$ -	\$ -
Amount unused	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>

26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Remuneration of key management personnel

	Three Months Ended March 31	
	2024	2023
Short-term employee benefits	\$ 8,918	\$ 9,878

The remuneration of directors and other key management personnel is determined by the remuneration committee based on with individual performance and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Company were provided as collateral for long-term bank borrowings and as guarantee for the tariff on imported raw materials:

	March 31, 2024	December 31, 2023	March 31, 2023
Pledged time deposits (classified as financial assets a amortized cost-noncurrent)	<u>\$ 3,549</u>	<u>\$ 3,549</u>	<u>\$ 3,528</u>

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

March 31, 2024

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 31,381	32(USD:NTD)	\$ 1,004,217
CNY	251	4.408(RMB:NTD)	<u>1,108</u>
			<u>\$ 1,005,325</u>
<u>Financial liabilities</u>			
Monetary items			
USD	3,822	32(USD:NTD)	\$ 122,306

December 31, 2023

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 29,434	30.705(USD:NTD)	\$ 903,785
CNY	300	4.327(RMB:NTD)	<u>1,299</u>
			<u>\$ 905,084</u>
<u>Financial liabilities</u>			
Monetary items			
USD	6,781	30.705(USD:NTD)	<u>\$ 208,202</u>

March 31, 2023

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 24,431	30.45(USD:NTD)	\$ 743,939
CNY	307	4.431(RMB:NTD)	<u>1,362</u>
			<u>\$ 745,301</u>
<u>Financial liabilities</u>			
Monetary items			
USD	2,682	30.45(USD:NTD)	<u>\$ 81,681</u>

The Group is mainly exposed to the USD and CNY. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the presentation currency and the respective functional currencies were disclosed. The significant unrealized foreign exchange gains (losses) were as follows:

	<u>Three Months Ended March 31</u>			
	<u>2024</u>		<u>2023</u>	
<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>
NTD	1 (NTD:NTD)	\$ 37,356	1 (NTD:NTD)	(\$ 2,264)
CNY	4.408 (CNY:NTD)	129	4.431 (CNY:NTD)	(682)
USD	32 (USD:NTD)	-	30.45 (USD:NTD)	-
		<u>\$ 37,485</u>		<u>(\$ 2,946)</u>

29. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:
 - 1) Financing provided to others: None;
 - 2) Endorsements/guarantees provided: None;
 - 3) Marketable securities held (excluding investments in subsidiaries): None;
 - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;

- 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
 - 9) Information about the derivative instruments transaction: None;
 - 10) Intercompany relationships and significant intercompany transactions: See Table 1;
- b. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 2;
 - c. Information on investments in mainland China: See Table 3.
 - d. Information on major shareholders: the name, amount and proportion of shareholders with a shareholding ratio of 5% or more: See Table 4.

30. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The segment revenues and operating results for the three months ended March 31, 2024 and 2023 are shown in the consolidated income statements for the three months ended March 31, 2024 and 2023. The segment assets as of March 31, 2024, December 31, 2023 and March 31, 2023 are shown in the consolidated balance sheets as of March 31, 2024, December 31, 2023 and March 31, 2023.

SILICON OPTRONICS, INC. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE THREE MONTHS ENDED March 31, 2024
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
			Financial Statement Item	2024		Terms
				Amount	Percentage of Consolidated Total Gross Sales or Total Assets	
Silicon Optronics, Inc.	NUEVA IMAGING INC.	1	Technical service expense	\$ 14,435	4%	-
	NUEVA IMAGING INC.	1	Other payable from related parties	3,750	-	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Technical service expense	17,379	5%	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Other payable from related parties	16,380	1%	-

Note 1: Represents the transactions from parent company to subsidiary.

Note 2: The intercompany transactions, prices and terms are determined in accordance with mutual agreements.

SILICON OPTRONICS, INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

March 31, 2024

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Accounted for using the Equity Method	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2024			Net Income of Investee Accounted for using the Equity Method	Investment Income	Note
				March 31, 2024	December 31, 2023	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Silicon Optronics, Inc.	NUEVA IMAGING INC.	USA	Product development & design of high-end CMOS Image Sensor	\$ 358,500	\$ 358,500	6,000	100	\$ 260,614	\$ 1,066	\$ 1,066	Subsidiary
	Silicon Optronics (Cayman) Co., Ltd.	Cayman Islands	Investment holding company	5,237	5,237	170	100	41,080	1,240	1,240	Subsidiary

SILICON OPTRONICS, INC. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED March 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital (US\$ in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2024 (US\$ in Thousands)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2024 (US\$ in Thousands)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2024	Accumulated Repatriation of Investment Income as of March 31, 2024	Note
					Outward	Inward							
Silicon Optronics (Shanghai) Co., Ltd.	Design, test and research and development of IC and related electronic products with consultation on technology services and technology transfer	US\$ 175 thousand	Note 1	\$ 5,600 (US\$ 175 thousand)	\$ -	\$ -	\$ 5,600 (US\$ 175 thousand)	\$ 1,240	100	\$ 1,240	\$ 41,080	\$ -	

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2024 (US\$ in Thousands)	Investment Amount Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (US\$ in Thousands)
\$ 5,600 (US\$ 175 thousand)	Note 1	\$ 1,428,476

Note 1: Through Silicon Optronics (Cayman) Co., Ltd.'s investment in Silicon Optronics (Shanghai) Co., Ltd., the investment was approved by the Investment Commission, MOEA with the approved amount of US\$ 175 thousand.

Note 2: Amount was recognized on the basis of the audited financial statements.

Note 3: Based on the exchange rate as of March 31, 2024.

TABLE 4**SILICON OPTRONICS, INC. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Samoa Shangzhao Lake Co., Ltd.	17,691,413	22.54
Egis Technology Inc.	12,640,756	16.11
Samoa Full Guest Investment Limited	4,875,458	6.21
Xiao Dong Luo	4,583,587	5.84

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.