

ASPEED Technology Inc. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2024 and 2023 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
ASPEED Technology Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of ASPEED Technology Inc. and its subsidiaries (collectively, the “Group”) as of June 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2024 and 2023, and the related notes to the consolidated financial statements, including material accounting policy information (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 explained in the following paragraph, we conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 “Review of Interim 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 disclosed in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of June 30, 2024 and 2023, the combined total assets of these non-significant subsidiaries were NT\$74,217 thousand and NT\$59,300 thousand, respectively, representing 1.28% and 1.0%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$25,439 thousand and NT\$7,637 thousand, respectively, representing 1.40% and 0.3%, respectively, of the consolidated total liabilities; for the three months ended June 30, 2024 and 2023, the amounts of combined comprehensive income of these subsidiaries were NT\$10,531 thousand and NT\$754 thousand, respectively, representing 2.07% and 0.3%, respectively, of the consolidated total comprehensive income, and for the six months ended June 30, 2024 and 2023, the amounts of combined comprehensive income of these subsidiaries were NT\$18,684 thousand and NT\$1,013 thousand, respectively, representing 2.07% and 0.2%, respectively, of the consolidated total comprehensive income.

Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and associates accounted for using the equity method as described in the preceding paragraph been reviewed, 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 the Group as of June 30, 2024 and 2023, its consolidated financial performance for the three months ended June 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Ming Yuan Chung and Lin Hsin-Tung.

Ming - Yuan Chung Hsin - Tung Lin

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 5, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 applied in the Republic of China.

For the convenience of readers, the independent auditors’ review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ review report and consolidated financial statements shall prevail.

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2024		December 31, 2023		June 30, 2023		LIABILITIES AND EQUITY	June 30, 2024		December 31, 2023		June 30, 2023	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Note 6)	\$ 2,538,644	44	\$ 1,611,530	35	\$ 3,264,707	55	Trade payables (Note 18)	\$ 321,816	5	\$ 241,913	5	\$ 311,372	5
Financial assets at fair value through profit or loss - current (Note 7)	422,241	7	372,789	8	432,298	7	Accrued compensation employees and remuneration of directors (Note 24)	227,403	4	226,599	5	309,250	5
Trade receivables, net (Notes 10 and 23)	1,019,372	17	716,066	16	592,229	10	Dividends payables (Note 22)	756,414	13	-	-	1,701,931	29
Current tax assets (Note 25)	51,683	1	15,648	-	-	-	Other payables (Note 19)	105,882	2	86,442	2	61,766	1
Inventories (Note 11)	331,144	6	306,028	7	506,862	9	Current tax liabilities (Note 25)	234,983	4	198	-	121,966	2
Prepayments and other current assets (Note 17)	280,759	5	401,223	9	43,690	1	Provisions - current (Note 20)	56,298	1	52,487	1	50,422	1
							Lease liabilities - current (Note 14)	10,932	-	19,510	1	24,590	-
Total current assets	<u>4,643,843</u>	<u>80</u>	<u>3,423,284</u>	<u>75</u>	<u>4,839,786</u>	<u>82</u>	Other current liabilities (Notes 19 and 23)	50,627	1	52,392	1	28,738	1
							Total current liabilities	<u>1,764,355</u>	<u>30</u>	<u>679,541</u>	<u>15</u>	<u>2,610,035</u>	<u>44</u>
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at fair value through profit or loss - non-current (Note 7)	83,448	1	77,856	2	77,950	1	Deferred tax liabilities (Note 25)	22,073	-	15,769	1	31,699	1
Financial assets at fair value through other comprehensive income - non-current (Note 8)	108,274	2	62,104	1	-	-	Lease liabilities - non-current (Note 14)	26,424	1	8,517	-	4,369	-
Financial assets at amortized cost- non-current (Note 9)	129,588	2	-	-	-	-	Provisions - non-current (Note 20)	6,447	-	6,447	-	6,447	-
Property, plant and equipment (Note 13)	154,781	3	197,931	4	232,275	4	Total non-current liabilities	<u>54,944</u>	<u>1</u>	<u>30,733</u>	<u>1</u>	<u>42,515</u>	<u>1</u>
Right-of-use assets (Note 14)	37,333	1	28,294	1	30,353	1	Total liabilities	<u>1,819,299</u>	<u>31</u>	<u>710,274</u>	<u>16</u>	<u>2,652,550</u>	<u>45</u>
Goodwill (Note 15)	369,040	6	369,040	8	369,040	6	SHAREHOLDERS' EQUITY (Note 22)						
Other Intangible assets, net (Note 16)	209,964	4	250,673	6	295,120	5	Capital						
Deferred tax assets (Note 25)	58,334	1	42,478	1	35,395	1	Share capital	378,207	7	378,207	8	378,207	7
Refundable deposits (Note 17)	9,132	-	9,063	-	11,109	-	Capital surplus	1,539,778	26	1,539,778	34	1,539,778	26
Other non-current assets (Note 17)	6,725	-	83,746	2	1,600	-	Retained earnings						
Total non-current assets	<u>1,166,619</u>	<u>20</u>	<u>1,121,185</u>	<u>25</u>	<u>1,052,842</u>	<u>18</u>	Legal reserve	900,635	16	799,954	18	799,954	14
							Special reserve	2,257	-	64,701	1	64,701	1
							Unappropriated earnings	1,179,186	20	1,074,691	24	494,542	8
							Total retained earnings	2,082,078	36	1,939,346	43	1,359,197	23
							Other equity	(8,900)	-	(23,136)	(1)	(37,104)	(1)
							Total equity	<u>3,991,163</u>	<u>69</u>	<u>3,834,195</u>	<u>84</u>	<u>3,240,078</u>	<u>55</u>
TOTAL	<u>\$ 5,810,462</u>	<u>100</u>	<u>\$ 4,544,469</u>	<u>100</u>	<u>\$ 5,892,628</u>	<u>100</u>	TOTAL	<u>\$ 5,810,462</u>	<u>100</u>	<u>\$ 4,544,469</u>	<u>100</u>	<u>\$ 5,892,628</u>	<u>100</u>

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

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Sale (Note 23)	\$ 1,355,754	100	\$ 674,216	99	\$ 2,368,804	100	\$ 1,343,430	100
Other operating revenue	<u>291</u>	-	<u>5,823</u>	1	<u>714</u>	-	<u>6,005</u>	-
Total operating revenue	1,356,045	100	680,039	100	2,369,518	100	1,349,435	100
OPERATING COSTS (Notes 11 and 24)	<u>496,823</u>	<u>37</u>	<u>233,723</u>	<u>34</u>	<u>869,380</u>	<u>37</u>	<u>473,125</u>	<u>35</u>
GROSS PROFIT	<u>859,222</u>	<u>63</u>	<u>446,316</u>	<u>66</u>	<u>1,500,138</u>	<u>63</u>	<u>876,310</u>	<u>65</u>
OPERATING EXPENSES (Note 24)								
Selling and marketing expenses	26,577	2	21,914	3	49,782	2	40,431	3
General and administrative expenses	68,944	5	54,089	8	128,675	5	106,378	8
Research and development expenses	<u>183,548</u>	<u>13</u>	<u>155,374</u>	<u>23</u>	<u>355,102</u>	<u>15</u>	<u>305,117</u>	<u>23</u>
Total operating expenses	<u>279,069</u>	<u>20</u>	<u>231,377</u>	<u>34</u>	<u>533,559</u>	<u>22</u>	<u>451,926</u>	<u>34</u>
INCOME FROM OPERATIONS	<u>580,153</u>	<u>43</u>	<u>214,939</u>	<u>32</u>	<u>966,579</u>	<u>41</u>	<u>424,384</u>	<u>31</u>
NON-OPERATING INCOME AND EXPENSES (Note 24)								
Interest income	16,333	1	23,220	3	27,027	1	42,244	3
Other income	1,145	-	1,600	-	2,753	-	3,009	1
Other gains and losses	36,067	3	43,711	7	105,788	5	43,473	3
Finance costs	<u>(98)</u>	-	<u>(157)</u>	-	<u>(329)</u>	-	<u>(348)</u>	-
Total non-operating income and expenses, net	<u>53,447</u>	<u>4</u>	<u>68,374</u>	<u>10</u>	<u>135,239</u>	<u>6</u>	<u>88,378</u>	<u>7</u>
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	633,600	47	283,313	42	1,101,818	47	512,762	38
INCOME TAX EXPENSE (Notes 4 and 25)	<u>125,804</u>	<u>9</u>	<u>42,961</u>	<u>6</u>	<u>202,672</u>	<u>9</u>	<u>86,101</u>	<u>6</u>
NET INCOME FOR THE PERIOD	507,796	38	240,352	36	899,146	38	426,661	32
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating financial statements of foreign operations (Note 22)	<u>800</u>	-	<u>1,049</u>	-	<u>3,065</u>	-	<u>549</u>	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 508,596</u>	<u>38</u>	<u>\$ 241,401</u>	<u>36</u>	<u>\$ 902,211</u>	<u>38</u>	<u>\$ 427,210</u>	<u>32</u>

(Continued)

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME								
ATTRIBUTABLE TO:								
Owners of the Company	<u>\$ 507,796</u>	<u>37</u>	<u>\$ 240,352</u>	<u>35</u>	<u>\$ 899,146</u>	<u>38</u>	<u>\$ 426,661</u>	<u>32</u>
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owners of the Company	<u>\$ 508,596</u>	<u>38</u>	<u>\$ 240,401</u>	<u>35</u>	<u>\$ 902,211</u>	<u>38</u>	<u>\$ 427,210</u>	<u>32</u>
EARNINGS PER SHARE (Note 26)								
Basic	<u>\$ 13.44</u>		<u>\$ 6.37</u>		<u>\$ 23.79</u>		<u>\$ 11.30</u>	
Diluted	<u>\$ 13.42</u>		<u>\$ 6.36</u>		<u>\$ 23.76</u>		<u>\$ 11.27</u>	

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

(Concluded)

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Share - Common Share		Capital Surplus	Retained Earnings			Employee Unearned Compensation	Others	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings		Exchange Differences on Translating Foreign Operations	
BALANCE AT JANUARY 1, 2023	37,821	\$ 378,207	\$ 1,539,778	\$ 601,620	\$ 22,169	\$ 2,010,678	\$ (62,683)	\$ (2,018)	\$ 4,487,751
Appropriations of prior year's earnings									
Legal reserve	-	-	-	198,334	-	(198,334)	-	-	-
Special reserve	-	-	-	-	42,532	(42,532)	-	-	-
Cash dividends to shareholders - NT\$45 per share	-	-	-	-	-	(1,701,931)	-	-	(1,701,931)
Net income for the six months ended June 30, 2023	-	-	-	-	-	426,661	-	-	426,661
Other comprehensive loss after tax for the six months ended June 30, 2023	-	-	-	-	-	-	-	549	549
Comprehensive income for the six months ended June 30, 2023	-	-	-	-	-	426,661	-	549	427,210
Compensation cost of restricted shares for employees	-	-	-	-	-	-	27,048	-	27,048
BALANCE AT JUNE 30, 2023	<u>37,821</u>	<u>\$ 378,207</u>	<u>\$ 1,539,778</u>	<u>\$ 799,954</u>	<u>\$ 64,701</u>	<u>\$ 494,542</u>	<u>\$ (35,635)</u>	<u>\$ (1,469)</u>	<u>\$ 3,240,078</u>
BALANCE AT JANUARY 1, 2024	37,821	\$ 378,207	\$ 1,539,778	\$ 799,954	\$ 64,701	\$ 1,074,691	\$ (20,879)	\$ (2,257)	\$ 3,834,195
Appropriations of prior year's earnings									
Legal reserve	-	-	-	100,681	-	(100,681)	-	-	-
Special reserve	-	-	-	-	(62,444)	62,444	-	-	-
Cash dividends to shareholders - NT\$20 per share	-	-	-	-	-	(756,414)	-	-	(756,414)
Net income for the six months ended June 30, 2024	-	-	-	-	-	899,146	-	-	899,146
Other comprehensive income after tax for the six months ended June 30, 2024	-	-	-	-	-	-	-	3,065	3,065
Comprehensive income for the six months ended June 30, 2024	-	-	-	-	-	899,146	-	3,065	902,211
Compensation cost of restricted shares for employees	-	-	-	-	-	-	11,171	-	11,171
BALANCE AT JUNE 30, 2024	<u>37,821</u>	<u>\$ 378,207</u>	<u>\$ 1,539,778</u>	<u>\$ 900,635</u>	<u>\$ 2,257</u>	<u>\$ 1,179,186</u>	<u>\$ (9,708)</u>	<u>\$ 808</u>	<u>\$ 3,991,163</u>

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

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,101,818	\$ 512,762
Adjustments for:		
Depreciation expense	58,194	62,381
Amortization expense	87,333	92,992
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(25,044)	(21,113)
Finance costs	329	348
Interest income	(27,027)	(42,244)
Compensation cost of employee restricted shares	11,171	27,048
Gain on disposal of financial assets	-	(3,478)
Write-down (reversal) of inventories	38,346	(1,592)
Net gain on foreign currency exchange	(37,706)	(27,428)
Recognition of provisions	3,811	788
Changes in operating assets and liabilities:		
Trade receivables	(271,361)	412,240
Inventories	(63,462)	(104,878)
Prepayments and other current assets	122,633	(175)
Trade payables	71,515	(15,274)
Other payables	22,460	(26,448)
Other current liabilities	(3,391)	(42,508)
Payables for compensation of employees and remuneration of directors	804	50,612
Cash generated from operations	1,090,423	874,033
Interest paid	(329)	(348)
Income taxes paid	(13,474)	(334,467)
Net cash generated from operating activities	<u>1,076,620</u>	<u>539,218</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(30,003)	(19,810)
Proceeds from sale of financial assets at fair value through profit or loss	-	136,469
Acquisition of financial assets measured at amortized cost	(129,588)	-
Payments for Property, plant and equipment	(3,047)	(68,990)
Increase in refundable deposits	(69)	(704)
Payments for intangible assets	(18,827)	(201,408)
Decrease in other non-current assets	-	1,550
Interest received	26,485	41,784
Net cash used in investing activities	<u>(155,049)</u>	<u>(111,109)</u>

(Continued)

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended	
	June 30	
	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of the principal portion of lease liabilities	\$ (13,542)	\$ (13,159)
Net cash used in financing activities	<u>(13,542)</u>	<u>(13,159)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>19,085</u>	<u>20,799</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	927,114	435,749
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	<u>1,611,530</u>	<u>2,828,958</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>\$ 2,538,644</u>	<u>\$ 3,264,707</u>

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

(Concluded)

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

ASPEED Technology Inc. (the “Company”) was approved by the Ministry of Economic Affairs for establishment on November 15, 2004. The Company is mainly engaged in the manufacturing of electronic products, wholesale of information software, retail and service industry, international trade, intellectual property, product design, and other industrial and commercial services. The Company’s shares have been traded on the Taipei Exchange since April 30, 2013.

The financial statements 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 August 5, 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 “IFRS Accounting Standards”) endorsed and issued into effect by the FSC

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2025

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 1)

Note 1: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026

(Continued)

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
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 17 and IFRS 9 - Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

(Concluded)

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

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other impacts of the above amended standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance 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.

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 (i.e., its subsidiaries).

Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss.

See Notes 12 and 33 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other material accounting policies

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

1) Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- Liabilities for which the Group does not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

2) Income tax expense

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. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The material accounting judgments and key sources of estimation uncertainty followed in these consolidated financial statements refer to the consolidated financial statements for the year ended December 31, 2023.

6. CASH AND CASH EQUIVALENTS

	June 30, 2024	December 31, 2023	June 30, 2023
Cash on hand	\$ 115	\$ 101	\$ 101
Checking accounts and demand deposits	666,303	1,436,410	950,297
Cash equivalents (investments with original maturities of 3 months or less)			
Repurchase agreements collateralized by bonds	1,323,388	61,410	2,216,405
Time deposits	<u>548,838</u>	<u>113,609</u>	<u>97,904</u>
	<u>\$ 2,538,644</u>	<u>\$ 1,611,530</u>	<u>\$ 3,264,707</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Bank deposits	0.05%-5.36%	0.05%-5.00%	0.05%-4.91%
Repurchase agreements collateralized by bonds	1.29%-5.35%	5.35%	1.25%-4.85%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2024	December 31, 2023	June 30, 2023
Financial assets mandatorily classified as at			
FVTPL -current			
Non-derivative financial assets			
Mutual funds	\$ 329,686	\$ 280,878	\$ 265,162
Domestic listed shares	<u>92,555</u>	<u>91,911</u>	<u>167,136</u>
	<u>\$ 422,241</u>	<u>\$ 372,789</u>	<u>\$ 432,298</u>
Financial assets mandatorily classified as at			
FVTPL - non-current			
Non-derivative financial assets			
Foreign corporate bonds	<u>\$ 83,448</u>	<u>\$ 77,856</u>	<u>\$ 77,950</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Non-current</u>			
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	<u>\$ 108,274</u>	<u>\$ 62,104</u>	<u>\$ -</u>
<u>Non-current</u>			
Foreign investments			
Non-publicly traded equity investments	<u>\$ 108,274</u>	<u>\$ 62,104</u>	<u>\$ -</u>

- a. The Company invests in equity instruments and foreign investments, including non-publicly traded equity investments, for strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Non-current</u>			
Foreign investments			
Foreign corporate bonds (a)	\$ <u>129,588</u>	\$ _____ -	\$ _____ -

- a. In April and June 2024, the Group bought fixed-rate U.S. dollar-denominated private placement bonds for USD \$2,000 thousand respectively, with a maturity date of April 24, 2029 and June 28, 2029, and a coupon rate of 5.35% and 5.40%, respectively.

10. TRADE RECEIVABLES

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Trade receivables</u>			
Non-related parties	\$ <u>1,019,372</u>	\$ <u>716,066</u>	\$ <u>592,229</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 1,019,372	\$ 716,066	\$ 592,229
Less: Allowance for impairment loss	_____ -	_____ -	_____ -
	\$ <u>1,019,372</u>	\$ <u>716,066</u>	\$ <u>592,229</u>

The average credit period of the sale of goods is 30-60 days. The Group adopted a policy as a means to minimize credit risk. The management of the Group regularly reviews credit limits and credit approvals and performs other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Before trading with new customers, the Group assesses the potential customer's credit quality and defines credit limits based on the credit rating system. Credit rating information is obtained from independent rating agencies where available, or if such information is not available, the Group uses other publicly available financial information or its own trading records to rate its major customers.

As for the trade receivables that are overdue at the end of the reporting date but not yet recognized as the allowance for bad debts, the credit quality has not changed significantly; thus, the management of the Group believes that the amount can still be recovered. The Group does not hold any collateral or other credit enhancements to those trade receivables.

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 prepared by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, 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 in 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 evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. 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.

June 30, 2024

	Gross Carrying Amount	Loss Allowance	Amortized Cost
Not past due	\$ 856,526	\$ -	\$ 856,526
Past due			
Within 30 days	156,128	-	156,128
31-60 days	6,718	-	6,718
61-90 days	-	-	-
91-180 days	-	-	-
	<u>\$ 1,019,372</u>	<u>\$ -</u>	<u>\$ 1,019,372</u>

December 31, 2023

	Gross Carrying Amount	Loss Allowance	Amortized Cost
Not past due	\$ 585,944	\$ -	\$ 585,944
Past due			
Within 30 days	120,857	-	120,857
31-60 days	8,841	-	8,841
61-90 days	424	-	424
91-180 days	-	-	-
	<u>\$ 716,066</u>	<u>\$ -</u>	<u>\$ 716,066</u>

June 30, 2023

	Gross Carrying Amount	Loss Allowance	Amortized Cost
Not past due	\$ 389,998	\$ -	\$ 389,998
Past due			
Within 30 days	186,894	-	186,894
31-60 days	8,841	-	8,841
61-90 days	756	-	756
91-180 days	5,740	-	5,740
	<u>\$ 592,229</u>	<u>\$ -</u>	<u>\$ 592,229</u>

11. INVENTORIES

	June 30, 2024	December 31, 2023	June 30, 2023
Finished goods	\$ 264,040	\$ 240,030	\$ 352,378
Work in progress	53,674	43,608	154,484
Goods	<u>13,430</u>	<u>22,390</u>	<u>-</u>
	<u>\$ 331,144</u>	<u>\$ 306,028</u>	<u>\$ 506,862</u>

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2024 and 2023 was \$496,823 thousand and \$233,723 thousand, respectively, and for the six months ended June 30, 2024 and 2023 was \$869,380 thousand and \$473,125 thousand, respectively. The cost of inventories recognized as operating costs was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Inventory writedowns (reversed)				
(a)	<u>\$ 28,763</u>	<u>\$ (4,222)</u>	<u>\$ 38,346</u>	<u>\$ (1,592)</u>

- a. The recovery in net realized value of inventories was attributable to the gradual improvement of the sluggish inventory situation due to the increase in demand for inventories in the market.

12. SUBSIDIARIES

- a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			June 30, 2024	December 31, 2023	June 30, 2023	
ASPEED Technology Inc.	ASPEED Technology (Samoa) Inc.	Investment holding company	100	100	100	1
	ASPEED Technology India Private Limited	R&D and technical services	-	1	1	1 and 2
	Cupola360 Inc.	Software Design Services	100	100	100	1
ASPEED Technology (Samoa) Inc.	ASPEED Technology (U.S.A) Inc.	R&D and technical services	100	100	100	1
	ASPEED Technology India Private Limited	R&D and technical services	-	99	99	1 and 2

- 1) Company is not a major subsidiary; its financial statements have not been reviewed.
- 2) ASPEED Technology India Private Limited completed the liquidation process on January 13, 2024.

13. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2024	December 31, 2023	June 30, 2023
Assets used by the Company	<u>\$ 154,781</u>	<u>\$ 197,931</u>	<u>\$ 232,275</u>

a. For the six months ended June 30, 2024

	For the Six Months Ended June 30, 2024				Balance at End of the Year
	Balance at Beginning of the Year	Additions	Disposals	Net Exchange Differences	
<u>Cost</u>					
Machinery equipment	\$ 16,335	\$ 94	\$ (2,246)	\$ -	\$ 14,183
Office equipment	17,286	700	(996)	39	17,029
Other equipment	<u>328,585</u>	<u>434</u>	<u>(3,179)</u>	<u>-</u>	<u>325,840</u>
	<u>362,206</u>	<u>\$ 1,228</u>	<u>\$ (6,421)</u>	<u>\$ 39</u>	<u>357,052</u>
<u>Accumulated depreciation</u>					
Machinery equipment	6,990	\$ 2,799	\$ (2,246)	\$ -	7,543
Office equipment	8,641	1,984	(996)	31	9,660
Other equipment	<u>148,644</u>	<u>39,603</u>	<u>(3,179)</u>	<u>-</u>	<u>185,068</u>
	<u>164,275</u>	<u>\$ 44,386</u>	<u>\$ (6,421)</u>	<u>\$ 31</u>	<u>202,271</u>
Carrying amount	<u>\$ 197,931</u>				<u>\$ 154,781</u>

b. For the six months ended June 30, 2023

	For the Six Months Ended June 30, 2023				Balance at End of the Year
	Balance at Beginning of the Year	Additions	Disposals	Net Exchange Differences	
<u>Cost</u>					
Machinery equipment	\$ 32,401	\$ 297	\$ (16,651)	\$ -	\$ 16,047
Office equipment	17,807	3,483	(266)	13	21,037
Other equipment	<u>353,272</u>	<u>59,682</u>	<u>(26,839)</u>	<u>-</u>	<u>386,115</u>
	<u>403,480</u>	<u>\$ 63,462</u>	<u>\$ (43,756)</u>	<u>\$ 13</u>	<u>423,199</u>
<u>Accumulated depreciation</u>					
Machinery equipment	19,254	\$ 2,907	\$ (16,651)	\$ -	5,510
Office equipment	9,640	2,121	(266)	13	11,508
Other equipment	<u>157,024</u>	<u>43,721</u>	<u>(26,839)</u>	<u>-</u>	<u>173,906</u>
	<u>185,918</u>	<u>\$ 48,749</u>	<u>\$ (43,756)</u>	<u>\$ 13</u>	<u>190,924</u>
Carrying amount	<u>\$ 217,562</u>				<u>\$ 232,275</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Machinery equipment	2-5 years
Office equipment	3-5 years
Other equipment	3-5 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2024	December 31, 2023	June 30, 2023	
<u>Carrying amount</u>				
Buildings	\$ 35,103	\$ 25,602	\$ 29,614	
Transportation equipment	<u>2,230</u>	<u>2,692</u>	<u>739</u>	
	<u>\$ 37,333</u>	<u>\$ 28,294</u>	<u>\$ 30,353</u>	
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Depreciation charge for right-of-use assets	<u>\$ -</u>	<u>\$ 2,103</u>	<u>\$ 22,378</u>	<u>\$ 2,103</u>
Depreciation charge for right-of-use				
Buildings	\$ 6,682	\$ 6,382	\$ 13,346	\$ 12,746
Transportation equipment	<u>231</u>	<u>443</u>	<u>462</u>	<u>886</u>
	<u>\$ 6,913</u>	<u>\$ 6,825</u>	<u>\$ 13,808</u>	<u>\$ 13,632</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the six months ended June 30, 2024 and 2023.

b. Lease liabilities

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Carrying amount</u>			
Current	<u>\$ 10,932</u>	<u>\$ 19,510</u>	<u>\$ 24,590</u>
Non-current	<u>\$ 26,424</u>	<u>\$ 8,517</u>	<u>\$ 4,369</u>

Range of discount rates for lease liabilities was as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Buildings	2.00%	2.00%	2.00%
Transportation equipment	2.50%	2.50%	2.50%

c. Material lease-in activities and terms

The Group leases certain buildings for the use of manufacturing and office with lease terms of 1 to 5 years. The Group does not have the option to purchase equipment for a nominal amount at the end of the lease terms. 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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Expenses relating to short-term leases	\$ 386	\$ 250	\$ 745	\$ 492
Expenses relating to low-value asset leases	\$ 65	\$ 44	\$ 85	\$ 58
Total cash outflow for leases	\$ (7,344)	\$ (7,056)	\$ (14,597)	\$ (14,057)

The Group's leases of certain office equipment qualify as short-term and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. GOODWILL

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Cost</u>			
Balance at beginning and end of the year	\$ 369,040	\$ 369,040	\$ 369,040

On December 30, 2016, the Group acquired the pilot product line, which was mainly expected to create synergies and benefits to the Group's existing products.

16. OTHER INTANGIBLE ASSETS

	For the Six Months Ended June 30, 2024			
	Balance at Beginning of the Year	Additions	Disposals	Balance at End of the Year
<u>Cost</u>				
Licenses	\$ 305,107	\$ 45,454	\$ -	\$ 350,561
Software	13,084	1,170	(74)	14,180
Client relationship	145,552	-	-	145,552
Others	50,090	-	(47,089)	3,001
	<u>513,833</u>	<u>\$ 46,624</u>	<u>\$ (47,163)</u>	<u>513,294</u>
<u>Accumulated amortization</u>				
Licenses	116,192	\$ 38,961	\$ -	155,153
Software	6,948	2,286	(74)	9,160
Client relationship	127,358	9,097	-	136,455
Others	12,662	36,989	(47,089)	2,562
	<u>263,160</u>	<u>\$ 87,333</u>	<u>\$ (47,163)</u>	<u>303,330</u>
Carrying amount	<u>\$ 250,673</u>			<u>\$ 209,964</u>

For the Six Months Ended June 30, 2023

	Balance at Beginning of the Year	Additions	Disposals	Balance at End of the Year
<u>Cost</u>				
Licenses	\$ 457,570	\$ -	\$ (29,925)	\$ 427,645
Software	12,099	110	-	12,209
Client relationship	145,552	-	-	145,552
Existing technology	359,030	-	-	359,030
Trademark	45,283	-	-	45,283
Others	14,026	-	(550)	13,476
	<u>1,033,560</u>	<u>\$ 110</u>	<u>\$ (30,475)</u>	<u>1,003,195</u>
<u>Accumulated amortization</u>				
Licenses	174,612	\$ 52,024	\$ (29,925)	196,711
Software	3,350	2,032	-	5,382
Client relationship	109,164	9,097	-	118,261
Existing technology	307,740	25,645	-	333,385
Trademark	38,814	3,235	-	42,049
Others	11,878	959	(550)	12,287
	<u>645,558</u>	<u>\$ 92,992</u>	<u>\$ (30,475)</u>	<u>708,075</u>
Carrying amount	<u>\$ 388,002</u>			<u>\$ 295,120</u>

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Licenses	3-7 years
Software	3 years
Client relationship	8 years
Others	2-5 years

17. OTHER ASSETS

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Current</u>			
Prepayment for purchases	\$ 232,778	\$ 359,040	\$ -
Prepayments	41,264	27,582	29,725
Tax refund receivables	2,964	10,394	6,812
Other receivables	1,927	1,553	6,549
Overpaid sales tax	<u>1,826</u>	<u>2,654</u>	<u>604</u>
	<u>\$ 280,759</u>	<u>\$ 401,223</u>	<u>\$ 43,690</u>

(Continued)

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Non-current</u>			
Refundable deposits	\$ 9,132	\$ 9,063	\$ 11,109
Prepayments for equipment	800	885	-
Prepayments for maintenance fee	4,645	6,244	1,600
Prepayments for intangible assets	1,280	30,447	-
Prepayments for investment	<u>-</u>	<u>46,170</u>	<u>-</u>
	<u>\$ 15,857</u>	<u>\$ 92,809</u>	<u>\$ 12,709</u>
			(Concluded)

18. TRADE PAYABLES

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Trade payables</u>			
Operating	<u>\$ 321,816</u>	<u>\$ 241,913</u>	<u>\$ 311,372</u>

19. OTHER PAYABLES

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Current</u>			
Other payables			
Payables for salaries and bonuses	\$ 63,906	\$ 52,675	\$ 36,053
Payables for royalties	15,687	8,611	5,112
Payables for services	4,284	2,683	3,625
Payables for pension	2,685	2,504	2,331
Labor and health insurance payables	2,664	2,447	2,352
Payables for employee welfare	1,693	1,000	3,223
Payables for marketing	1,041	-	3,859
Payables for purchases of equipment	-	1,904	-
Payables for patents	-	1,370	-
Others	<u>13,922</u>	<u>13,248</u>	<u>5,211</u>
	<u>\$ 105,882</u>	<u>\$ 86,442</u>	<u>\$ 61,766</u>
Other liabilities			
Refund liabilities	\$ 41,209	\$ 29,713	\$ 24,744
Receipts under custody	3,070	3,176	3,590
Contract liabilities (Note 23)	<u>6,348</u>	<u>19,503</u>	<u>404</u>
	<u>\$ 50,627</u>	<u>\$ 52,392</u>	<u>\$ 28,738</u>

20. PROVISIONS

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Current</u>			
Warranties (a)	<u>\$ 56,298</u>	<u>\$ 52,487</u>	<u>\$ 50,422</u>
<u>Non-current</u>			
Decommissioning (b)	<u>\$ 6,447</u>	<u>\$ 6,447</u>	<u>\$ 6,447</u>

- a. The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.
- b. The provision for decommissioning represents the Company's obligation to decommission (including the restoration of the office). The costs are estimated based on internal research, and the Company regularly reviews and adjusts them to reflect the best estimates.

21. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is deemed a defined contribution plan. Pursuant to the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Aspeed Technology (USA) Inc. and Aspeed Technology India Private Limited each allocated a specific proportion of the total monthly payroll of employees to contribute to retirement funds managed by retirement management institutions.

The total expenses recognized in the consolidated statement of comprehensive income were \$2,759 thousand and \$2,390 thousand, representing the contributions made and to be made to these plans by the Company at the rates specified in the plans for the three months ended June 30, 2024 and 2023, respectively, were \$5,474 thousand and \$4,755 thousand, representing the contributions made and to be made to these plans by the Company at the rates specified in the plans for the six months ended June 30, 2024 and 2023, respectively.

22. EQUITY

- a. Ordinary share capital

	June 30, 2024	December 31, 2023	June 30, 2023
Shares authorized (in thousands of shares)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Shares authorized, par value \$10 (in thousands of NTD)	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Shares issued and fully paid (in thousands of shares)	<u>37,821</u>	<u>37,821</u>	<u>37,821</u>
Shares issued and fully paid (in thousands of NTD)	<u>\$ 378,207</u>	<u>\$ 378,207</u>	<u>\$ 378,207</u>

Ordinary shares issued and fully paid have a par value of NT\$10. Each share has one voting right and the right to receive dividends.

b. Capital surplus

	June 30, 2024	December 31, 2023	June 30, 2023
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)			
Issuance of ordinary shares	\$ 756,385	\$ 756,385	\$ 756,385
Employee share bonus	608,492	608,492	608,492
From expired/vested employee restricted shares	121,694	110,953	80,340
From expired/exercised employee share options	2,156	2,156	2,156
<u>May not be used for any purpose</u>			
Employee restricted shares	<u>51,051</u>	<u>61,792</u>	<u>92,405</u>
	<u>\$ 1,539,778</u>	<u>\$ 1,539,778</u>	<u>\$ 1,539,778</u>

a) 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).

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on May 29, 2019, and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the Company may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge. The board of directors is authorized to adopt a special resolution to distribute the reserves in cash, and a report of such distribution should be submitted to the shareholders' meeting.

Under the dividends policy as set forth in the Articles after the amendments, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 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 by the shareholders in their meeting for the distribution of bonuses to shareholders.

For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 24(g).

The Company's Articles stipulate the dividends policy based on present and future projects, investment environment, capital requirements, domestic and international competitive environment, and the interests of shareholders, whereby the Company distributes no less than 10% of the distributable earnings in the form of dividend bonus. If the accumulatively distributable earnings were less than 50%

of the Company's paid-in capital, the dividend bonus would not be distributed. In principle, cash dividends are limited to no less than 10% of the total dividends distributed.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset any deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The special reserve should be appropriated from the prior years' unappropriated earnings to the extent of the debit balance accumulated from prior years. Afterward, if there is any reversal of the decrease in other stockholders' equity, the Group is allowed to appropriate retained earnings from the reversal amount.

The appropriations of earnings for 2023 and 2022 were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2023	2022
Write-off of the retained earnings for cancellation of treasury shares	\$ -	\$ 122,271
Legal reserve	\$ 100,681	\$ 198,334
(Reversal) recognition of special reserve	\$ (62,444)	\$ 42,532
Cash dividends	\$ 756,414	\$ 1,701,931
Cash dividends per share (NT\$)	\$ 20.00	\$ 45.00

The above appropriations for cash dividends were resolved by the Company's board of directors on March 11, 2024 and March 6, 2023, respectively; the other proposed appropriations were resolved by the shareholders in their meetings on May 30, 2024 and May 30, 2023, respectively.

d. Special reserve

	For the Six Months Ended	
	June 30	
	2024	2023
Balance at January 1	\$ 64,701	\$ 22,169
Appropriations in respect of		
Debits to other equity items	-	42,532
Reversals:		
Reversal of the debits to other equity items	(62,444)	-
Balance at June 30	\$ 2,257	\$ 64,701

e. Other equity items

1) Unearned employee benefits

For information about the restricted share plans for employees, refer to Note 27.

	For the Six Months Ended	
	June 30	
	2024	2023
Balance at January 1	\$ (20,879)	\$ (62,683)
Share-based payment expenses recognized	11,171	27,048
Balance at June 30	\$ (9,708)	\$ (35,635)

2) Exchange differences on translation of the financial statements of foreign operations

	For the Six Months Ended June 30	
	2024	2023
Balance at January 1	\$ (2,257)	\$ (2,018)
Exchange differences on translation of the financial statements of foreign operations	<u>3,065</u>	<u>549</u>
Balance at June 30	<u>\$ 808</u>	<u>\$ (1,469)</u>

23. REVENUE

a. Revenue from contracts with customers

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Revenue from the sale of goods	\$ 1,355,754	\$ 674,216	\$ 2,368,804	\$ 1,343,430
Royalty income	<u>291</u>	<u>5,823</u>	<u>714</u>	<u>6,005</u>
	<u>\$ 1,356,045</u>	<u>\$ 680,039</u>	<u>\$ 2,369,518</u>	<u>\$ 1,349,435</u>

b. Contract balances

	June 30, 2024	December 31, 2023	June 30, 2023	January 1, 2023
Trade receivables (Note 10)	<u>\$ 1,019,372</u>	<u>\$ 716,066</u>	<u>\$ 592,229</u>	<u>\$ 979,728</u>
Contract liabilities (Note 19)				
Sale of goods	<u>\$ 6,348</u>	<u>\$ 19,503</u>	<u>\$ 404</u>	<u>\$ 33</u>

The changes in the contract liability balances primarily result from the timing difference between the Company's performance and the customer's payment.

c. Disaggregation of revenue

For the six months ended June 30, 2024

	Reportable Segments			Total
	Multimedia Integrated Circuits (ICs)	Computer Peripherals Oriented ICs	Others	
Type of goods or services				
Sale of goods	\$ 2,194,801	\$ 134,879	\$ 39,124	\$ 2,368,804
Royalty	<u>-</u>	<u>-</u>	<u>714</u>	<u>714</u>
	<u>\$ 2,194,801</u>	<u>\$ 134,879</u>	<u>\$ 39,838</u>	<u>\$ 2,369,518</u>

For the six months ended June 30, 2023

	Reportable Segments			Total
	Multimedia Integrated Circuits (ICs)	Computer Peripherals Oriented ICs	Others	
Type of goods or services				
Sale of goods	\$ 1,155,063	\$ 180,810	\$ 7,557	\$ 1,343,430
Royalty	<u>-</u>	<u>-</u>	<u>6,005</u>	<u>6,005</u>
	<u>\$ 1,155,063</u>	<u>\$ 180,810</u>	<u>\$ 13,562</u>	<u>\$ 1,349,435</u>

24. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Interest income				
Repurchase agreements collateralized by bonds	\$ 6,551	\$ 17,980	\$ 13,972	\$ 34,626
Bank deposits	7,624	4,055	9,982	4,802
Financial asset at fair value through profit	2,111	1,144	3,019	2,739
Others	<u>47</u>	<u>41</u>	<u>54</u>	<u>77</u>
	<u>\$ 16,333</u>	<u>\$ 23,220</u>	<u>\$ 27,027</u>	<u>\$ 42,244</u>

b. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Others	<u>\$ 1,145</u>	<u>\$ 1,600</u>	<u>\$ 2,753</u>	<u>\$ 3,009</u>

c. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Net foreign exchange gains	\$ 28,826	\$ 37,585	\$ 80,744	\$ 18,882
Net gain on fair value changes of financial assets through profit or loss	7,241	6,298	25,044	21,113
Gain (loss) on disposal of financial assets	<u>-</u>	<u>(172)</u>	<u>-</u>	<u>3,478</u>
	<u>\$ 36,067</u>	<u>\$ 43,711</u>	<u>\$ 105,788</u>	<u>\$ 43,473</u>

d. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Interest on lease liabilities	\$ 97	\$ 157	\$ 225	\$ 348
Interest on loans	<u>1</u>	<u>-</u>	<u>104</u>	<u>-</u>
	<u>\$ 98</u>	<u>\$ 157</u>	<u>\$ 329</u>	<u>\$ 348</u>

e. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
An analysis of depreciation by function				
Operating expenses	<u>\$ 28,718</u>	<u>\$ 31,032</u>	<u>\$ 58,194</u>	<u>\$ 62,381</u>
An analysis of amortization by function				
Merchandising costs	\$ 4,548	\$ 4,548	\$ 9,097	\$ 9,097
Management expenses	293	1,739	496	3,479
R&D expenses	<u>45,575</u>	<u>39,332</u>	<u>77,740</u>	<u>80,416</u>
	<u>\$ 50,416</u>	<u>\$ 45,619</u>	<u>\$ 87,333</u>	<u>\$ 92,992</u>

f. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Post-employment benefits (Note 21)				
Defined contribution plans	\$ 2,759	\$ 2,390	\$ 5,474	\$ 4,755
Share-based payments (Note 27)	5,430	13,317	11,171	27,048
Other employee benefits	<u>186,173</u>	<u>118,405</u>	<u>326,717</u>	<u>226,261</u>
Total employee benefits expense	<u>\$ 194,362</u>	<u>\$ 134,112</u>	<u>\$ 343,362</u>	<u>\$ 258,064</u>
An analysis of employee benefits expense by function				
Operating costs	\$ -	\$ -	\$ -	\$ -
Operating expenses	<u>194,362</u>	<u>134,112</u>	<u>343,362</u>	<u>258,064</u>
	<u>\$ 194,362</u>	<u>\$ 134,112</u>	<u>\$ 343,362</u>	<u>\$ 258,064</u>

g. Compensation of employees and remuneration of directors

The Company accrues compensation of employees and remuneration of directors at rates of no less than 8% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the six months ended June 30, 2024 and 2023 were as follows:

Accrual rate

	For the Six Months Ended June 30	
	2024	2023
Compensation of employees	8%	8%
Remuneration of directors	1%	1%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Compensation of employees	<u>\$ 55,642</u>	<u>\$ 24,865</u>	<u>\$ 96,762</u>	<u>\$ 44,989</u>
Remuneration of directors	<u>\$ 6,955</u>	<u>\$ 3,107</u>	<u>\$ 12,095</u>	<u>\$ 5,623</u>

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 Compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022, which have been approved by the Company's board of directors on March 11, 2024 and March 6, 2023, respectively, were as follows:

	For the Year Ended December 31			
	2023		2022	
	Cash	Shares	Cash	Shares
Compensation of employees	\$ 105,374	\$ -	\$ 229,900	\$ -
Remuneration of directors	13,171	-	28,738	-

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

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

h. Gains or losses on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Foreign exchange gains	\$ 28,826	\$ 36,378	\$ 80,744	\$ 48,002
Foreign exchange losses	<u>-</u>	<u>1,207</u>	<u>-</u>	<u>(29,120)</u>
	<u>\$ 28,826</u>	<u>\$ 37,585</u>	<u>\$ 80,744</u>	<u>\$ 18,882</u>

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense recognized in profit or loss

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Current tax				
In respect of the current year	\$ 141,361	\$ 52,005	\$ 225,824	\$ 90,871
Adjustments for prior years	<u>-</u>	<u>(12,858)</u>	<u>(13,600)</u>	<u>(12,858)</u>
	141,361	39,147	212,224	78,013
Deferred tax				
In respect of the current year	<u>(15,557)</u>	<u>3,814</u>	<u>(9,552)</u>	<u>8,088</u>
Income tax expense recognized in profit or loss	<u>\$ 125,804</u>	<u>\$ 42,961</u>	<u>\$ 202,672</u>	<u>\$ 86,101</u>

b. Income tax assessments

The Company's tax returns through 2022 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Basic earnings per share	<u>\$ 13.44</u>	<u>\$ 6.37</u>	<u>\$ 23.79</u>	<u>\$ 11.30</u>
Diluted earnings per share	<u>\$ 13.42</u>	<u>\$ 6.36</u>	<u>\$ 23.76</u>	<u>\$ 11.27</u>

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

Net Income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 507,796</u>	<u>\$ 240,352</u>	<u>\$ 899,146</u>	<u>\$ 426,661</u>

Unit: Thousands of shares

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Weighted average number of ordinary shares used in the computation of basic earnings per share	37,792	37,761	37,789	37,759
Effect of potentially dilutive ordinary shares				
Compensation of employees	20	16	34	45
Restricted shares to employees	<u>24</u>	<u>39</u>	<u>27</u>	<u>40</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>37,836</u>	<u>37,816</u>	<u>37,850</u>	<u>37,844</u>

The Group may settle the compensation in cash or shares; therefore, the Group assumes that the entire amount of the compensation will 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, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. SHARE-BASED PAYMENT ARRANGEMENTS

a. Restricted share plan for employees

Information on restricted share plan for employees was as follows:

Approved Date	Grant Shares (Thousand)	Board of Directors Approved Issue Date	Issued Date	Issued Shares (Thousand)	Fair Value
2017/05/26	100	2017/11/03	2018/02/05	36	\$ 740
2018/05/30	40	2018/11/05	2018/11/12	21	481
2019/05/29	100	2019/08/02	2019/09/10	28	791
2019/05/29	100	2019/08/02	2020/02/05	31	952
2019/05/29	100	2019/08/02	2020/03/02	9	1,005
2022/05/31	60	2022/08/08	2022/08/08	44	1,795

On May 31, 2022, the shareholders held a meeting and resolved to issue a restricted share plan for employees with a total of 60 thousand shares. The Company shall set up the actual issuance date (s) in one tranche or by installments within one year from the effective date of the receipt of registration from the competent authority. The board of directors authorized the Company's chairman to determine the issue date. The main elements of the restricted share plan for employees were as follows:

- 1) Issue price: The Company issued the gratuitous restricted shares for employees.

- 2) Vesting conditions of restricted shares for employees are as follows:
 - a) Employees, who are still employed from the date when new employee restricted stocks are granted and the personal performance conditions signed by individual employees are set and the achievement rate of the Company's operating goals according to the time of giving, may satisfy the vesting conditions in the following proportions of shares, respectively:

The maximum portions of the vesting shares of 2023 are 35%,

The cumulative maximum portions of vesting shares from 2023 to 2024 are 70%,

The cumulative maximum portions of vesting shares from 2023 to 2025 are 100%,
 - b) When the employees do not reach the vesting conditions, the Company will recover and cancel the shares.
 - c) During the vesting period, the dividends will distribute to employees gratuitously.
- 3) In addition to the vesting conditions, the limitations are as follows:
 - a) The employees cannot sell, pledge, transfer, donate or, in any other way, dispose of these shares.
 - b) During the vesting period, the rights of attendants in the shareholders' meeting, proposal, speech, resolution and voting right, etc., will be enforced by trust institutions.

On May 29, 2019, the shareholders held a meeting and resolved to issue a restricted share plan for employees with a total of 100 thousand shares. The Company shall set up the actual issuance date(s) in one tranche or by installments within one year from the effective date of the receipt of registration from the competent authority. The board of directors authorized the Company's chairman to determine the issue date. The main elements of the restricted share plan for employees were as follows:

- 1) Issue price: The Company issued the gratuitous restricted shares for employees.
- 2) Vesting conditions of restricted shares for employees are as follows:
 - a) To meet the vesting conditions, an employee has to meet performance and other conditions over the vesting period, as follows:

Remain employed by the Company within 1 years - 10% of restricted shares will be vested;

Remain employed by the Company within 2 years - 10% of restricted shares will be vested;

Remain employed by the Company within 3 years - 40% of restricted shares will be vested;

Remain employed by the Company within 4 years - 40% of restricted shares will be vested.
 - b) When the employees do not reach the vesting conditions, the Company will recover and cancel the shares.
 - c) During the vesting period, the dividends will be distributed to employees gratuitously.
- 3) In addition to the vesting conditions, the limitations are as follows:
 - a) The employees cannot sell, pledge, transfer, donate or, in any other way, dispose of these shares.

- b) During the vesting period, the rights of attendants in the shareholders' meeting, proposal, speech, resolution and voting right, etc., will be enforced by trust institutions.

Information on restricted share plans for employees was as follows:

	<u>Number of Shares (In Thousands)</u>	
	<u>For the Six Months Ended</u>	
	<u>June 30</u>	
	<u>2024</u>	<u>2023</u>
Balance at January 1	40	71
Vested	<u>(11)</u>	<u>(11)</u>
Balance at June 30	<u>29</u>	<u>60</u>

The compensation costs recognized were NT\$5,430 thousand and NT\$13,317 thousand for the three months ended June 30, 2024 and 2023, respectively, and NT\$11,171 thousand and NT\$27,048 thousand for the six months ended June 30, 2024 and 2023, respectively.

28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to operate under the premises of going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Group (comprising issued capital, reserves, retained earnings and other equity).

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

Key management personnel of the Group review the capital structure on a regular 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 the recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders and the number of new shares issued.

29. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

June 30, 2024

	Carrying Amount	<u>Fair Value</u>			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at					
amortized cost					
Foreign corporate bonds	\$ 129,588	\$ -	\$ -	\$ 129,588	\$ 129,588

b. Fair value of financial instruments measured at fair value

1) Fair value hierarchy

June 30, 2024

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL-current				
Mutual funds	\$ 329,686	\$ -	\$ -	\$ 329,686
Domestic listed shares	92,555	-	-	92,555
Financial assets at FVTPL - non-current				
Foreign corporate bonds	-	83,448	-	83,448
Financial assets at FVTOCI - non-current				
Non-publicly traded equity investments	-	-	108,274	108,274
	<u>\$ 422,241</u>	<u>\$ 83,448</u>	<u>\$ 108,274</u>	<u>\$ 613,963</u>

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL-current				
Mutual funds	\$ 280,878	\$ -	\$ -	\$ 280,878
Domestic listed shares	91,911	-	-	91,911
Financial assets at FVTPL - non-current				
Foreign corporate bonds	-	77,856	-	77,856
Financial assets at FVTOCI - non-current				
Non-publicly traded equity investments	-	-	62,104	62,104
	<u>\$ 372,789</u>	<u>\$ 77,856</u>	<u>\$ 62,104</u>	<u>\$ 512,749</u>

June 30, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL-current				
Mutual funds	\$ 265,162	\$ -	\$ -	\$ 265,162
Domestic listed shares	167,136	-	-	167,136
Financial assets at FVTPL - non-current				
Foreign corporate bonds	-	77,950	-	77,950
	<u>\$ 432,298</u>	<u>\$ 77,950</u>	<u>\$ -</u>	<u>\$ 510,248</u>

There were no transfers between Level 1 and Level 2 in the current and prior periods.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Foreign corporate bonds	It is based on the quoted market transaction price provided by a third-party institution as a measurement.

3) Valuation techniques and inputs applied for Level 3 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Non-publicly traded equity investments	It is mainly determined by using the asset approach and market approach.

4) Adjustment of financial instruments measured using Level 3 fair values

The Group's financial assets under level 3 fair value measurement are financial assets at FVTOCI equity instruments measured at fair value through other comprehensive income.

Financial assets at FVTOCI

	June 30, 2024
Balance at January 1	\$ 62,104
Additions	46,170
Recognized under other comprehensive income	<u>-</u>
Balance at June 30	<u>\$ 108,274</u>

c. Categories of financial instruments

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 3,698,663	\$ 2,338,212	\$ 3,874,594
Financial assets at FVTPL	505,689	450,645	510,248
Financial assets at FVTOCI	108,274	62,104	-

Financial liabilities

Measured at amortized cost (2)	356,750	269,729	329,179
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1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, trade and other receivables and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise trade payables and other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include mutual investments, trade receivables and trade payables. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and 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 foreign currency risk and interest rate 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).

a) Foreign currency risk

The Group had foreign currency denominated sales and purchases, which exposed the Group to foreign currency risk. Approximately 100% of the Group's sales were denominated in currencies other than the functional currency, while almost 99% of costs were denominated in the functional currency of the entity in the Group.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency-denominated monetary items and adjusts their adjusted translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD Impact	
	For the Six Months Ended	
	June 30	
	2024	2023
Pretax profit	\$ 81,547	\$ 78,032

This was mainly attributable to the exposure to outstanding receivables and payables in USD which were not hedged at the end of the reporting period.

The Group's sensitivity to USD currency increased during the current period, mainly due to the increase in the net assets of the USD, which was due to the increase in accounts receivable denominated in USD.

The management believes that the sensitivity analysis cannot represent the inherent risk of the exchange rate, because the foreign currency risk at the end of the reporting period cannot reflect the mid-year risk situation.

b) Interest rate risk

Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite ensuring that the most cost-effective hedging strategies are applied.

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

	June 30, 2024	December 31, 2023	June 30, 2023
Fair value interest rate risk			
Financial assets	\$ 2,085,262	\$ 252,875	\$ 2,392,259
Financial liabilities	37,356	28,027	28,959
Cash flow interest rate risk			
Financial assets	666,303	1,436,410	950,297

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year.

A 0.1 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group had no floating rate liabilities for June 30, 2024, December 31, 2023 and June 30, 2023.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

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 borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2024, December 31, 2023 and June 30, 2023, the Group had available unutilized short-term bank loan facilities set out in (b) financing facilities below.

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

The Group's remaining contractual maturity for its non-derivative financial liabilities was drawn up based on the undiscounted cash flows (included principal and interest) of financial liabilities from the earliest date on which the Group can be required to pay.

June 30, 2024

	On Demand or Less than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>						
Lease liabilities	\$ 2,298	\$ 2,978	\$ 6,172	\$ 26,219	\$ 1,219	\$ 38,886
Non-interest bearing						
Trade payables	132,704	189,112	-	-	-	321,816
Other payables	<u>29,239</u>	<u>1,975</u>	<u>2,566</u>	<u>1,154</u>	<u>-</u>	<u>34,934</u>
	<u>\$ 164,241</u>	<u>\$ 194,065</u>	<u>\$ 8,738</u>	<u>\$ 27,373</u>	<u>\$ 1,219</u>	<u>\$ 395,636</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	<u>\$ 11,448</u>	<u>\$ 26,219</u>	<u>\$ 1,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>						
Lease liabilities	\$ 2,280	\$ 4,562	\$ 12,866	\$ 8,706	\$ -	\$ 28,414
Non-interest bearing						
Trade payables	105,166	136,747	-	-	-	241,913
Other payables	<u>25,134</u>	<u>1,316</u>	<u>1,366</u>	<u>-</u>	<u>-</u>	<u>27,816</u>
	<u>\$ 132,580</u>	<u>\$ 142,625</u>	<u>\$ 14,232</u>	<u>\$ 8,706</u>	<u>\$ -</u>	<u>\$ 298,143</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	<u>\$ 19,708</u>	<u>\$ 8,706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>						
Lease liabilities	\$ 2,264	\$ 4,386	\$ 18,262	\$ 4,380	\$ -	\$ 29,292
Non-interest bearing						
Trade payables	110,941	200,431	-	-	-	311,372
Other payables	<u>11,210</u>	<u>318</u>	<u>6,279</u>	<u>-</u>	<u>-</u>	<u>17,807</u>
	<u>\$ 124,415</u>	<u>\$ 205,135</u>	<u>\$ 24,541</u>	<u>\$ 4,380</u>	<u>\$ -</u>	<u>\$ 358,471</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	\$ 24,912	\$ 4,380	\$ -	\$ -	\$ -	\$ -

b) Financing facilities:

	June 30, 2024	December 31, 2023	June 30, 2023
Unsecured bank borrowing facilities, reviewed annually and payable on demand:			
Amount unused	\$ 2,500,000	\$ 1,850,000	\$ 1,650,000
Amount used	-	-	-
	<u>\$ 2,500,000</u>	<u>\$ 1,850,000</u>	<u>\$ 1,650,000</u>

30. 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. Compensation of key management personnel

The total amount of payroll to directors and supervisors and other key executives for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023 was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Short-term benefits	\$ 14,843	\$ 9,737	\$ 27,775	\$ 17,124
Post-employment benefits	54	54	108	108
Share-based payments	<u>9,086</u>	<u>6,171</u>	<u>14,107</u>	<u>12,341</u>
	<u>\$ 23,983</u>	<u>\$ 15,962</u>	<u>\$ 41,990</u>	<u>\$ 29,573</u>

The remuneration of key executives was determined by the remuneration committee based on the performance of individuals and market trends.

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of June 30, 2024 and 2023 were as follows:

Under the agreement, the Group shall pay royalties at a percentage of the sales volumes of certain products. For the three months ended June 30, 2024 and 2023, royalty expenses amounted to \$15,844 thousand and \$5,126 thousand, respectively, For the six months ended June 30, 2024 and 2023, royalty expenses amounted to \$26,408 thousand and \$10,432 thousand, respectively.

32. 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 functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

June 30, 2024

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items USD	\$ 62,129	32.45	\$ 2,016,086
<u>Financial liabilities</u>			
Monetary items USD	11,869	32.45	385,149

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items USD	\$ 52,365	30.705	\$ 1,607,867
<u>Financial liabilities</u>			
Monetary items USD	7,493	30.705	230,073

June 30, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items USD	\$ 61,201	31.14	\$ 1,905,799
<u>Financial liabilities</u>			
Monetary items USD	11,084	31.14	345,156

The significant unrealized foreign exchange gains (losses) were as follows:

For the three Months Ended June 30				
2024			2023	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	32.45 (USD:NTD)	<u>\$ (17,421)</u>	31.41 (USD:NTD)	<u>\$ (44,331)</u>

For the Six Months Ended June 30				
2024			2023	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	32.45 (USD:NTD)	<u>\$ 92,667</u>	31.14 (USD:NTD)	<u>\$ 27,428</u>

33. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

- 1) Financing provided to others: Table 1 (attached)
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held:

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2024				Fair Value (In Thousands)	Note
				Number of Shares (In Thousands)	Carrying Amount (In Thousands)	Percentage of Ownership (%)	Fair Value (In Thousands)		
ASPEED Technology Inc.	Shares - CTBC Financial Holding Co., Ltd. Preference Shares C 2891C	-	Financial assets at FVTPL - current	1,000	\$ 58,700	-	\$ 58,700	Note	
	Shares - Yuanta Securities Investment Trust Co., Ltd. 2881A Fubon Te	-	Financial assets at FVTPL - current	213	13,355	-	13,355	Note	
	Shares - Yuanta Securities Investment Trust Co., Ltd. 2882A Cathay Pacific	-	Financial assets at FVTPL - current	311	19,002	-	19,002	Note	
	Shares - Yuanta Securities Investment Trust Co., Ltd. 2882 Cathay Gold	-	Financial assets at FVTPL - current	25	1,498	-	1,498	Note	
	Funds - Fuhua Ruihua Fund	-	Financial assets at FVTPL - current	4,827	57,676	-	57,676	Note	
	Funds - ETF-00740B Fubon 10+ Years US Corporate Bond BBB Ex China	-	Financial assets at FVTPL - current	1,200	49,140	-	49,140	Note	
	Funds - Yuanta Japan Leaders Equity Fund-TWD(A)	-	Financial assets at FVTPL - current	3,000	34,140	-	31,140	Note	
	Funds - ETF 00720B Yuanta US 20+ Year BBB Corporate Bond ETF	-	Financial assets at FVTPL - current	630	22,441	-	22,441	Note	
	Funds - Allianz Flex Asia Bond AT (USD)	-	Financial assets at FVTPL - current	85	25,386	-	25,386	Note	
	Funds - JPMorgan Global Bond Yield USD Cumulative USD	-	Financial assets at FVTPL - current	8	33,016	-	33,016	Note	
	Funds - Yuanta Global Leaders Balanced Fund- USD (A)	-	Financial assets at FVTPL - current	100	43,668	-	43,668	Note	
	Funds - Fuh Hwa 3-8 Year Maturity A-Rated Bond Fund USD	-	Financial assets at FVTPL - current	100	33,709	-	33,709	Note	
	Funds - ETF-00940 Yuanta Taiwan Value High Dividend ETF	-	Financial assets at FVTPL - current	3,000	30,510	-	30,510	Note	
	Bonds - Foxconn Far East HONHAI Corporate Bonds	-	Financial assets at FVTPL - non-current	30	83,448	-	83,448	Note	
	Bonds - Citigroup Global Markets Holdings Inc	-	Financial assets at amortized cost	-	129,588	-	129,588	Note	
	Equity investments - POLYTRON.AI PTE. LTD.	-	Financial assets at FVTOCI - non-current	10	62,104	10	62,104	Note	
	Equity investments - Graid Technology Inc.	-	Financial assets at FVTOCI - non-current	533	46,170	1.9	46,170	Note	

Note: The value is calculated by net value or closing price on June 30, 2024.

- 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 amounting to 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) Trading in derivative instruments: None
- 10) Intercompany relationships and significant intercompany transactions (Table 2)
- 11) Information on investees:

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (In thousands)		As of June 30, 2024		Carrying Amount (In Thousands)	Net Income (Loss) of the Investee (In Thousands)	Share of Profits (Loss) (In Thousands)	Note
				June 30, 2024	December 31, 2023	Number of Shares (In Thousands)	%				
ASPEED Technology Inc.	ASPEED Technology (Samoa) Inc.	Samoa	Investment holding company	\$ 48,763	\$ 48,763	1,550	100	\$ 58,200	\$ 1,737	\$ 1,737	-
	ASPEED Technology India Private Limited	India	R&D and technical services	-	95	-	-	-	-	-	Note
	Cupola360 Inc.	Taiwan	Software Design Services	15,000	15,000	1,500	100	(9,422)	(19,695)	(19,695)	-
ASPEED Technology (Samoa) Inc.	ASPEED Technology (U.S.A) Inc.	U.S.A.	R&D and technical services	31,460	31,460	1,000	100	50,086	1,692	1,692	-
	ASPEED Technology India Private Limited	India	R&D and technical services	-	8,930	-	-	-	-	-	Note

Note: ASPEED Technology India Private Limited completed the liquidation process on January 13, 2024.

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income or loss, and limit on the amount of investment in the mainland China area: None
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes

- e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Fenghua Investment Co., Ltd.	5,253,076	13.88

Note: 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 preparations.

34. SEGMENT INFORMATION

The Group is considered a single operating segment. Profit and loss, assets and liabilities are measured on the same basis as the basis for the preparation of the consolidated financial statements. For relevant operating information, refer to the consolidated financial statements.

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2024
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Parties	Maximum Balance for the Period (Foreign Currencies in Thousands) (Note 2)	Ending Balance (Foreign Currencies in Thousands) (Note 2)	Ending Balance (Foreign Currencies in Thousands) (Note 2)	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 1)
													Item	Value		
0	The Company	Cupola360 Inc.	Other receivables from related parties	Yes	\$ 63,000 (USD 2,000)	\$ 63,000 (USD 2,000)	\$ 35,493 (USD 1,130)	6%	For financing	\$ -	Working capital	\$ -	Promissory note	\$ 63,000	\$ 399,116	\$ 399,116

Note 1: According to the "Financing providing and operation management method", the total amount and the available amount to any individual for lending are as follows:

- The amount available for lending to the Company and subsidiaries shall not exceed ten percent (10%) of the net worth of the Company's most recent financial statements.
- The total amount for lending to or lending from any directly or indirectly held foreign subsidiaries with 100% ownership, shall not exceed 40% of the net worth of the lending company. However, the total amount of funds to be loaned and the limits for individual borrowers should be set, and the period for which funds should be loaned should be clearly defined, the amount available for lending to the Company shall not exceed ten percent (10%) of the net worth of the Company's most recent financial statements.
- Where funds are lent to a company or business with business relationships with the Company, the total amount for lending to any individual shall not exceed the amount of business transaction between the two parties in the most recent year and not exceed 10% of the Company net value.

Note 2: The maximum balance for the period and ending balance represent the amounts approved by the board of directors.

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2024
(In Thousands of New Taiwan Dollars, Unless Stated otherwise)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	The Company	ASPEED Technology (U.S.A.) Inc. Cupola 360 Inc.	1 1	Technical services expense	\$ 37,714	Note 2 -	1.59 0.64
				Other receivables	37,394		

Note 1: No.1 represents the transactions from parent company to subsidiary.

Note 2: Payment terms are determined according to the agreed terms of the two parties.