

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

ITE TECH. INC. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS
FOR THE NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2023 AND 2022**

Notice to Readers

The reader is advised that these consolidated 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.

Independent Auditors' Review Report Translated from Chinese

To ITE Tech. Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of ITE Tech. Inc. and its subsidiaries (the "Group") as of September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2023 and 2022 and consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2023 and 2022, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements"). Management is responsible for the preparation and fair presentation of these consolidated financial statements 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. Our responsibility is to express a conclusion on these 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 Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. 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 conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements of certain insignificant subsidiaries were not reviewed by independent auditors. Those statements reflect total assets of NT\$7,099 thousand and NT\$11,892 thousand, constituting 0.09% and 0.19% of the consolidated total assets, and total liabilities of NT\$3,577 thousand and NT\$7,227 thousand, constituting 0.20% and 0.59% of the consolidated total liabilities as of September 30, 2023 and 2022, respectively; and total comprehensive income of NT\$585 thousand, NT\$74 thousand, NT\$1,018 thousand and NT\$2,158 thousand, constituting 0.11%, 0.05%, 0.06% and 0.66% of the consolidated total comprehensive income for the three-month and nine-month periods ended September 30, 2023 and 2022, respectively. And as explained in Note 6(8), the financial statements of certain associates and joint ventures accounted for under the equity method were not reviewed by independent auditors. Those associates and joint ventures under equity method amounted to NT\$14,292 thousand and NT\$9,930 thousand as of September 30, 2023 and 2022, respectively. The related shares of profit or loss from the associates and joint ventures under the equity method amounted to NT\$(2,341) thousand, NT\$(719) thousand, NT\$(7,277) thousand and NT\$(3,364) thousand for the three-month and nine-month periods ended September 30, 2023 and 2022, respectively. The information related to above subsidiaries and the associate accounted for under the equity method disclosed in Note 13 was also not reviewed by independent auditors.

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 associate accounted for using the equity method and the information disclosed in the footnotes been reviewed by independent auditors described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of ITE Tech. Inc. and its subsidiaries as of September 30, 2023 and 2022, and their consolidated financial performance for the three-month and nine-month periods ended September 30, 2023 and 2022, and their consolidated cash flows for the nine-month periods ended September 30, 2023 and 2022, 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.

Hu, Shen-Chieh

Hsu, Hsin-Min

Ernst & Young, Taiwan

November 7, 2023

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.

Accordingly, the accompanying consolidated financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the consolidated financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ITE TECH. INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2023, December 31, 2022 and September 30, 2022
(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	As of					
		September 30, 2023		December 31, 2022		September 30, 2022	
Current assets							
Cash and cash equivalents	6(1)	\$2,879,315	36.93	\$1,785,488	26.77	\$1,557,877	24.50
Financial assets at fair value through profit or loss-current	6(2)	100,061	1.28	663,670	9.95	512,054	8.05
Notes receivables, net	6(5),6(15)	6,220	0.08	8,665	0.13	10,485	0.16
Trade receivables, net	6(6),6(15)	1,234,224	15.83	717,584	10.76	667,850	10.50
Trade receivables from related parties, net	6(6),6(15),7	909	0.01	-	-	-	-
Other receivables		3,856	0.05	1,391	0.02	483	0.01
Inventories, net	6(7)	775,435	9.94	1,071,211	16.06	1,177,091	18.51
Prepayments		78,460	1.01	74,262	1.12	76,081	1.20
Other current assets		115	-	129	-	63	-
Total current assets		5,078,595	65.13	4,322,400	64.81	4,001,984	62.93
Non-current assets							
Financial assets at fair value through profit or loss-noncurrent	6(2)	150,361	1.93	88,835	1.33	94,317	1.48
Financial assets at fair value through other comprehensive income-noncurrent	6(3)	1,453,929	18.65	1,154,912	17.32	1,137,717	17.89
Financial assets measured at amortized cost-noncurrent	6(4),8	4,230	0.05	4,230	0.06	4,230	0.07
Investments accounted for using the equity method	6(8)	14,292	0.18	8,278	0.12	9,930	0.16
Property, plant and equipment	6(9)	632,025	8.11	629,367	9.44	636,177	10.00
Right-of-use assets	6(16)	81,925	1.05	84,549	1.27	86,577	1.36
Intangible assets	6(10)	280,404	3.60	282,553	4.24	284,458	4.47
Deferred tax assets	4,6(20)	99,287	1.27	91,491	1.37	101,399	1.60
Other non-current assets		2,277	0.03	2,826	0.04	2,651	0.04
Total non-current assets		2,718,730	34.87	2,347,041	35.19	2,357,456	37.07
Total assets		\$7,797,325	100.00	\$6,669,441	100.00	\$6,359,440	100.00

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

ITE TECH. INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2023, December 31, 2022 and September 30, 2022
(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	As of					
		September 30, 2023		December 31, 2022		September 30, 2022	
Current liabilities							
Contract liabilities-current	6(14)	\$12,447	0.16	\$11,887	0.18	\$11,408	0.18
Trade payables		416,289	5.34	257,378	3.86	165,475	2.60
Trade payables to related parties	7	213,659	2.74	109,850	1.65	132,553	2.09
Other payables		481,584	6.18	472,151	7.08	429,279	6.75
Other payables to related parties	7	12,674	0.16	6,565	0.10	35,584	0.56
Current tax liabilities	4,6(20)	228,293	2.93	113,039	1.69	68,766	1.08
Lease liabilities-current	6(16)	7,233	0.09	6,860	0.10	6,958	0.11
Other current liabilities	6(11)	201,352	2.58	119,833	1.80	173,718	2.73
Total current liabilities		1,573,531	20.18	1,097,563	16.46	1,023,741	16.10
Non-current liabilities							
Deferred tax liabilities	4,6(20)	653	0.01	-	-	-	-
Lease liabilities-noncurrent	6(16)	77,940	1.00	80,633	1.21	82,438	1.29
Net defined benefit liabilities-noncurrent	4,6(12)	82,429	1.06	83,535	1.25	86,497	1.36
Deposits received		28,290	0.36	28,290	0.42	28,483	0.45
Total non-current liabilities		189,312	2.43	192,458	2.88	197,418	3.10
Total liabilities		1,762,843	22.61	1,290,021	19.34	1,221,159	19.20
Equity attributable to owners of the parent							
Share capital	6(13)						
Common stock		1,610,801	20.66	1,610,801	24.15	1,610,801	25.33
Capital surplus	6(13)	1,229,824	15.77	1,297,073	19.45	1,297,073	20.40
Retained earnings	6(13)						
Legal reserve		710,912	9.12	588,175	8.82	588,175	9.25
Undistributed earnings		1,996,422	25.60	1,731,439	25.96	1,521,259	23.92
Other equity		486,523	6.24	151,932	2.28	120,973	1.90
Total equity		6,034,482	77.39	5,379,420	80.66	5,138,281	80.80
Total liabilities and equity		\$7,797,325	100.00	\$6,669,441	100.00	\$6,359,440	100.00

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

ITE TECH. INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month and nine-month periods ended September 30, 2023 and 2022

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

Description	Notes	For the three-month periods ended September 30,				For the nine-month periods ended September 30,			
		2023		2022		2023		2022	
Operating revenues	6(14),7	\$1,794,354	100.00	\$1,083,334	100.00	\$4,826,487	100.00	\$4,066,615	100.00
Operating costs	6(7),6(16),6(17),7	(851,711)	(47.47)	(549,075)	(50.68)	(2,202,468)	(45.63)	(1,945,297)	(47.84)
Gross profit		942,643	52.53	534,259	49.32	2,624,019	54.37	2,121,318	52.16
Operating expenses	6(16),6(17),7								
Selling expenses		(106,925)	(5.96)	(58,331)	(5.38)	(284,847)	(5.90)	(239,773)	(5.89)
Administrative expenses		(80,034)	(4.46)	(49,967)	(4.61)	(214,337)	(4.44)	(175,138)	(4.31)
Research and development expenses		(251,394)	(14.01)	(177,394)	(16.38)	(704,199)	(14.59)	(620,629)	(15.26)
Total operating expenses		(438,353)	(24.43)	(285,692)	(26.37)	(1,203,383)	(24.93)	(1,035,540)	(25.46)
Operating income		504,290	28.10	248,567	22.95	1,420,636	29.44	1,085,778	26.70
Non-operating income and expenses									
Interest income		8,282	0.46	1,336	0.12	20,352	0.42	3,809	0.09
Other income	6(18)	54,410	3.03	91,508	8.45	64,773	1.34	120,737	2.96
Other gains and losses	6(18)	20,635	1.15	5,579	0.51	27,318	0.57	(3,297)	(0.08)
Finance costs	6(18)	(391)	(0.02)	(435)	(0.04)	(1,213)	(0.03)	(1,346)	(0.03)
Share of loss of associates and joint ventures accounted for using the equity method	6(8)	(2,341)	(0.13)	(719)	(0.07)	(7,277)	(0.15)	(3,364)	(0.08)
Total non-operating income and expenses		80,595	4.49	97,269	8.97	103,953	2.15	116,539	2.86
Net income before income tax		584,885	32.59	345,836	31.92	1,524,589	31.59	1,202,317	29.56
Income tax expense	4,6(20)	(112,372)	(6.26)	(34,422)	(3.18)	(272,702)	(5.65)	(191,239)	(4.70)
Net income		472,513	26.33	311,414	28.74	1,251,887	25.94	1,011,078	24.86
Other comprehensive income (loss)	6(19)								
Items that may not be reclassified subsequently to profit or loss									
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		66,285	3.70	(162,274)	(14.98)	358,043	7.42	(694,291)	(17.07)
Income tax relating to those items not to be reclassified to profit or loss		180	0.01	2,228	0.21	(1,684)	(0.04)	9,976	0.25
Items that may be reclassified subsequently to profit or loss									
Exchange differences resulting from translating the financial statements of foreign operations		87	-	26	-	6	-	88	-
Other comprehensive income (loss), net of tax		66,552	3.71	(160,020)	(14.77)	356,365	7.38	(684,227)	(16.82)
Total comprehensive income		\$539,065	30.04	\$151,394	13.97	\$1,608,252	33.32	\$326,851	8.04
Net income for the periods attributable to:									
Owners of the parent		\$472,513		\$311,414		\$1,251,887		\$1,011,078	
Total comprehensive income for the periods attributable to:									
Owners of the parent		\$539,065		\$151,394		\$1,608,252		\$326,851	
Earning per share (in New Taiwan Dollars)	6(21)								
Basic earnings per share (in New Taiwan Dollars)		\$2.93		\$1.93		\$7.77		\$6.28	
Diluted earnings per share (in New Taiwan Dollars)		\$2.91		\$1.91		\$7.70		\$6.16	

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

ITE TECH. INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine-month periods ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent							Total equity
	Share capital	Capital surplus	Retained Earnings		Other equity		Equity attributable to owners of the parent	
			Legal reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
Balance as of January 1, 2022	\$1,610,801	\$1,458,153	\$414,947	\$1,965,937	\$(245)	\$811,558	\$6,261,151	\$6,261,151
Appropriation and distribution of 2021 earnings:								
Legal reserve	-	-	173,228	(173,228)	-	-	-	-
Cash dividends	-	-	-	(1,288,641)	-	-	(1,288,641)	(1,288,641)
Changes in other capital surplus								
Cash dividends distributed from capital surplus	-	(161,080)	-	-	-	-	(161,080)	(161,080)
Profit for the nine-month period ended September 30, 2022	-	-	-	1,011,078	-	-	1,011,078	1,011,078
Other comprehensive income (loss) for the nine-month period ended September 30, 2022	-	-	-	-	88	(684,315)	(684,227)	(684,227)
Total comprehensive income (loss) for the nine-month period ended September 30, 2022	-	-	-	1,011,078	88	(684,315)	326,851	326,851
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	6,113	-	(6,113)	-	-
Balance as of September 30, 2022	\$1,610,801	\$1,297,073	\$588,175	\$1,521,259	\$(157)	\$121,130	\$5,138,281	\$5,138,281
Balance as of January 1, 2023	\$1,610,801	\$1,297,073	\$588,175	\$1,731,439	\$(206)	\$152,138	\$5,379,420	\$5,379,420
Appropriation and distribution of 2022 earnings:								
Legal reserve	-	-	122,737	(122,737)	-	-	-	-
Cash dividends	-	-	-	(885,941)	-	-	(885,941)	(885,941)
Changes in other capital surplus								
Changes in associates and joint ventures accounted for using the equity method	-	13,291	-	-	-	-	13,291	13,291
Cash dividends distributed from capital surplus	-	(80,540)	-	-	-	-	(80,540)	(80,540)
Profit for the nine-month period ended September 30, 2023	-	-	-	1,251,887	-	-	1,251,887	1,251,887
Other comprehensive income for the nine-month period ended September 30, 2023	-	-	-	-	6	356,359	356,365	356,365
Total comprehensive income for the nine-month period ended September 30, 2023	-	-	-	1,251,887	6	356,359	1,608,252	1,608,252
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	21,774	-	(21,774)	-	-
Balance as of September 30, 2023	\$1,610,801	\$1,229,824	\$710,912	\$1,996,422	\$(200)	\$486,723	\$6,034,482	\$6,034,482

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

ITE TECH. INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine-month periods ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Description	For the nine-month periods ended September 30		Description	For the nine-month periods ended September 30	
	2023	2022		2023	2022
Cash flows from operating activities:			Cash flows from investing activities:		
Profit before tax	\$1,524,589	\$1,202,317	Acquisition of financial assets at fair value through other comprehensive income	(37,500)	-
Adjustments for:			Proceeds from disposal of financial assets at fair value through other comprehensive income	46,526	6,950
The profit or loss items which did not affect cash flows:			Proceeds from capital return of financial assets at fair value through other comprehensive income	50,000	-
Depreciation	36,235	34,265	Acquisition of financial assets at fair value through profit or loss	(50,013)	(76,904)
Amortization	9,017	6,042	Disposal of subsidiary	-	5,378
(Gains) losses on financial assets at fair value through profit or loss	(15,631)	9,412	Acquisition of property, plant and equipment	(32,985)	(18,169)
Interest expenses	1,213	1,346	Acquisition of intangible assets	(6,868)	(64,308)
Interest income	(20,352)	(3,809)	Decrease in other non-current assets	1,074	595
Dividend income	(20,813)	(117,629)	Increase in prepayment for equipment	(525)	-
Share of loss of associates and joint ventures accounted for using the equity method	7,277	3,364	Dividends received	20,813	117,629
Changes in operating assets and liabilities:			Net cash used in investing activities	(9,478)	(28,829)
Financial assets mandatorily measured at fair value through profit or loss	566,792	1,025,905			
Notes receivables	2,445	(1,237)	Cash flows from financing activities:		
Trade receivables	(516,640)	367,089	Cash payment for the principal portion of the lease liabilities	(5,616)	(5,122)
Trade receivables from related parties	(909)	3,011	Cash dividends	(966,481)	(1,449,721)
Other receivables	24	(13)	Net cash used in financing activities	(972,097)	(1,454,843)
Inventories	295,776	(100,203)			
Prepayments	(4,198)	(4,575)			
Other current assets	14	57			
Contract liabilities	560	6,412			
Trade payables	158,911	(455,083)			
Trade payables to related parties	103,809	(165,634)			
Other payables	9,433	(269,856)			
Other payables to related parties	6,109	32,479			
Other current liabilities	81,519	(8,726)			
Net defined benefit liabilities	(1,106)	(1,361)			
Cash generated from operating activities:	2,224,074	1,563,573			
Interest received	18,798	4,523	Effect of exchange rate changes on cash and cash equivalents	18	(186)
Interest paid	(1,213)	(1,346)	Net increase (decrease) in cash and cash equivalents	1,093,827	(418,048)
Income tax paid	(166,275)	(500,940)	Cash and cash equivalents at the beginning of period	1,785,488	1,975,925
Net cash provided by operating activities	2,075,384	1,065,810	Cash and cash equivalents at the end of period	\$2,879,315	\$1,557,877

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

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Nine-Month Periods Ended September 30, 2023 and 2022

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

1. Organization and Operation

ITE Tech. Inc. (“the Company”) was incorporated in Hsinchu Science Park on May 29, 1996. The Company’s main products are Super I/O control (SIO) ICs for desktop computers, embedded control (EC) ICs for notebook computers, high-speed audio-video interface related ICs, system on a chip (SoC), and other customized application chips. The Company’s shares are traded in Taiwan Stock Exchange. The Company’s registered office and the main business location is at 3F, No.13, Innovation Road I, Hsinchu Science Park, Hsinchu City.

2. Date and Procedures of Authorization of Financial Statements for Issue

The consolidated financial statements of the Company and its subsidiaries (the “Group”) were authorized for issue by the Board of Directors on November 7, 2023.

3. Newly Issued or Revised Standards and Interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2023. The application of these new standards and amendments had no material effect on the Group.

- (2) Standards or interpretations issued, revised, or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 *Presentation of Financial statements* and the amended paragraphs related to the classification of liabilities as current or non-current.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessee additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. The aforementioned standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised, or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

- (b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The aforementioned standards and interpretations have no material impact on the Group.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements of the Group for the nine-month periods ended September 30, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 *Interim Financial Reporting* as endorsed and became effective by FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfers directly to retained earnings in accordance with other International Financial Reporting Standards ; and
- (f) recognizes differences in profit or loss.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The consolidated entity is listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership		
			September 30, 2023	December 31, 2022	September 30, 2022
ITE Tech. Inc.	ITE Tech. (ShenZhen) Inc.	Technological consultation services for ICs products	100.00%	100.00%	100.00%

The financial statements of the consolidated subsidiary listed above had not been reviewed by independent auditors. As of September 30, 2023 and 2022, the related asset of the subsidiary is NT\$7,099 thousand and NT\$11,892 thousand, respectively, and the related liability is NT\$3,577 thousand and NT\$7,227 thousand, respectively. The comprehensive income of the subsidiary is NT\$585 thousand, NT\$74 thousand, NT\$1,018 thousand and NT\$2,158 thousand for the three-month and nine-month periods ended September 30, 2023 and 2022, respectively.

(4) Except for the accounting policies listed in Note 4(5) to 4(6), the same accounting policies have been followed in the consolidated financial statements for the nine-month period ended September 30, 2023 as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2022. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2022.

(5) Post-employment 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 and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(6) Income taxes

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5. Significant Accounting Judgments, Estimates and Assumptions

The same significant accounting judgments, estimates and assumptions have been followed in the consolidated financial statements for the nine-month periods ended September 30, 2023 and 2022 as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2022. Please refer to the consolidated financial statements for the year ended December 31 2022.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$277	\$267	\$258
Checking and saving accounts	243,358	328,408	467,619
Time deposits	2,635,680	1,456,813	1,090,000
Total	<u>\$2,879,315</u>	<u>\$1,785,488</u>	<u>\$1,557,877</u>

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

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
Mandatorily measured at fair value through profit or loss:			
Funds	\$132,842	\$687,419	\$536,159
Capital	117,580	65,086	70,212
Total	<u>\$250,422</u>	<u>\$752,505</u>	<u>\$606,371</u>
Current	\$100,061	\$663,670	\$512,054
Non-current	150,361	88,835	94,317
Total	<u>\$250,422</u>	<u>\$752,505</u>	<u>\$606,371</u>

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at fair value through other comprehensive income, non-current

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
Equity instrument investments measured at fair value through other comprehensive income-Non-current:			
Listed company stocks	\$304,425	\$200,942	\$205,996
Unlisted company stocks	1,149,504	953,970	931,721
Total	<u>\$1,453,929</u>	<u>\$1,154,912</u>	<u>\$1,137,717</u>

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Financial assets at fair value through other comprehensive income were not pledged.

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income is as follows:

	For the three-month periods		For the nine-month periods	
	ended September 30,		ended September 30,	
	2023	2022	2023	2022
Related to investments held at the end of the reporting period	\$11,613	\$90,971	\$20,633	\$117,629
Related to investments derecognized during the period	180	-	180	-
Dividends income recognized during the period	<u>\$11,793</u>	<u>\$90,971</u>	<u>\$20,813</u>	<u>\$117,629</u>

In consideration of the Group's investment strategy, the Group disposed and derecognized certain equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments are as follows:

	For the nine-month periods	
	ended September 30,	
	2023	2022
The fair value of the investments at the date of derecognition	\$46,526	\$6,950
The cumulative gain on disposal reclassified from other equity to retained earnings	\$21,774	\$6,113

(4) Financial assets measured at amortized cost, non-current

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
Time deposits	<u>\$4,230</u>	<u>\$4,230</u>	<u>\$4,230</u>

The Group classified certain financial assets as financial assets measured at amortized cost. Since credit risk is low, expected credit losses during the duration are not significant. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge and Note 12 for more details on credit risk.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(5) Notes receivables

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivables arising from operating activities	\$6,220	\$8,665	\$10,485
Less: loss allowance	-	-	-
Total	<u>\$6,220</u>	<u>\$8,665</u>	<u>\$10,485</u>

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(15) for more details on loss allowance and Note 12 for more details on credit risk.

(6) Trade receivables and trade receivables from related parties

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
Trade receivables	\$1,234,224	\$717,584	\$667,850
Less: loss allowance	-	-	-
Subtotal	<u>1,234,224</u>	<u>717,584</u>	<u>667,850</u>
Trade receivables from related parties	909	-	-
Less: loss allowance	-	-	-
Subtotal	<u>909</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,235,133</u>	<u>\$717,584</u>	<u>\$667,850</u>

Trade receivables and trade receivables from related parties were not pledged.

Trade receivables are generally on 30-90 day terms. The total carrying amounts were NT\$1,235,133 thousand, NT\$717,584 thousand and NT\$667,850 thousand as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively. Please refer to Note 6(15) for more details on impairment of trade receivables and Note 12 for more details on credit risk.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(7) Inventories

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$5,268	\$5,672	\$4,133
Work in progress	478,152	663,580	705,066
Finished goods	292,015	401,959	467,892
Total	<u>\$775,435</u>	<u>\$1,071,211</u>	<u>\$1,177,091</u>

The cost of inventories recognized in expenses amounted to NT\$851,711 thousand and NT\$549,075 thousand for the three-month periods ended September 30, 2023 and 2022, respectively, including the inventory valuation loss of NT\$20,370 thousand and NT\$67,956 thousand for the three-month periods ended September 30, 2023 and 2022, respectively.

The cost of inventories recognized in expenses amounted to NT\$2,202,468 thousand and NT\$1,945,297 thousand for the nine-month periods ended September 30, 2023 and 2022, respectively, including the inventory valuation gain (reversal of decline in market value, obsolete and slow-moving inventories) of NT\$29,264 thousand and the inventory valuation loss of NT\$119,417 thousand for the nine-month periods ended September 30, 2023 and 2022, respectively.

Inventories were not pledged.

(8) Investments accounted for using the equity method

The detail of investments accounted for using the equity method is as follows:

Investee	As of					
	September 30, 2023		December 31, 2022		September 30, 2022	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in an associate:						
Emright Technology Co., Ltd.	<u>\$14,292</u>	30.15%	<u>\$8,278</u>	36.32%	<u>\$9,930</u>	36.32%

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Emright Technology Co., Ltd. increased capital in March 2023, and the Company did not subscribe the new share proportionate to its original ownership interest. Its ownership was therefore reduced to 30.15%.

Although the Group is the largest shareholder of the aforementioned associate; after comprehensive assessment, the Group does not own the major voting rights as the remaining voting rights holders are able to align and prevent the Group from ruling the relevant operation. Therefore, the Group does not control but owns significant influence over the aforementioned associate.

The aggregate amount of the Group's share of the aforementioned immaterial associate that is accounted for using the equity method is as follows:

	For the three-month periods		For the nine-month periods	
	ended September 30,	ended September 30,	ended September 30,	ended September 30,
	2023	2022	2023	2022
Loss from continuing operations	\$(2,341)	\$(719)	\$(7,277)	\$(3,364)
Other comprehensive income (net of tax)	-	-	-	-
Total comprehensive loss	<u>\$(2,341)</u>	<u>\$(719)</u>	<u>\$(7,277)</u>	<u>\$(3,364)</u>

The Group did not have contingent liabilities or capital commitments to the aforementioned associate and the investment was not pledged as of September 30, 2023, December 31, 2022 and September 30, 2022.

The carrying amount of the associate under equity method amounted to NT\$14,292 thousand and NT\$9,930 thousand as of September 30, 2023 and 2022, respectively. The related shares of profit or loss from the associate under the equity method amounted to NT\$(2,341) thousand, NT\$(719) thousand, NT\$(7,277) thousand and NT\$(3,364) thousand for the three-month and nine-month periods ended September 30, 2023 and 2022, respectively. The information related to above associate accounted for under the equity method was not reviewed by independent auditors.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(9) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Research and development equipment	Office equipment	Other equipment	Total
Cost:							
As of January 1, 2023	\$311,450	\$377,001	\$41,084	\$49,072	\$5,813	\$24,499	\$808,919
Additions	-	5,282	-	20,464	318	6,921	32,985
Disposals	-	(1,236)	-	(1,910)	-	(2,969)	(6,115)
Exchange differences	-	-	-	-	2	-	2
As of September 30, 2023	\$311,450	\$381,047	\$41,084	\$67,626	\$6,133	\$28,451	\$835,791
As of January 1, 2022	\$311,450	\$397,969	\$29,584	\$58,838	\$6,626	\$24,230	\$828,697
Additions	-	3,742	11,500	5,757	252	7,268	28,519
Disposals	-	(24,710)	-	(14,992)	(300)	(1,597)	(41,599)
Exchange differences	-	-	-	-	155	-	155
As of September 30, 2022	\$311,450	\$377,001	\$41,084	\$49,603	\$6,733	\$29,901	\$815,772
Depreciation and impairment:							
As of January 1, 2023	\$-	\$129,252	\$10,636	\$22,369	\$5,199	\$12,096	\$179,552
Depreciation	-	9,655	5,136	10,463	221	4,852	30,327
Disposals	-	(1,236)	-	(1,910)	-	(2,969)	(6,115)
Exchange differences	-	-	-	-	2	-	2
As of September 30, 2023	\$-	\$137,671	\$15,772	\$30,922	\$5,422	\$13,979	\$203,766
As of January 1, 2022	\$-	\$141,408	\$3,789	\$28,165	\$5,809	\$13,461	\$192,632
Depreciation	-	9,354	5,136	8,903	382	4,649	28,424
Disposals	-	(24,710)	-	(14,992)	(300)	(1,597)	(41,599)
Exchange differences	-	-	-	-	138	-	138
As of September 30, 2022	\$-	\$126,052	\$8,925	\$22,076	\$6,029	\$16,513	\$179,595
Net carrying amount as of:							
September 30, 2023	\$311,450	\$243,376	\$25,312	\$36,704	\$711	\$14,472	\$632,025
December 31, 2022	\$311,450	\$247,749	\$30,448	\$26,703	\$614	\$12,403	\$629,367
September 30, 2022	\$311,450	\$250,949	\$32,159	\$27,527	\$704	\$13,388	\$636,177

(a) Components of buildings with different useful lives are main building structure and air conditioning units, which are depreciated over 41 years and 3 years, respectively.

(b) Property, plant and equipment were not pledged.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(10) Intangible assets

	Software	Goodwill	Others	Total
Cost:				
As of January 1, 2023	\$12,430	\$2,674,827	\$79,351	\$2,766,608
Additions – acquired separately	5,028	-	1,840	6,868
Disposals	(575)	-	-	(575)
Exchange differences	1	-	-	1
As of September 30, 2023	<u>\$16,884</u>	<u>\$2,674,827</u>	<u>\$81,191</u>	<u>\$2,772,902</u>
As of January 1, 2022	\$14,482	\$2,674,827	\$12,111	\$2,701,420
Additions – acquired separately	1,529	-	67,240	68,769
Disposals	(1,926)	-	-	(1,926)
Exchange differences	84	-	-	84
As of September 30, 2022	<u>\$14,169</u>	<u>\$2,674,827</u>	<u>\$79,351</u>	<u>\$2,768,347</u>
Amortization and impairment:				
As of January 1, 2023	\$7,943	\$2,468,504	\$7,608	\$2,484,055
Amortization	2,792	-	6,225	9,017
Disposals	(575)	-	-	(575)
Exchange differences	1	-	-	1
As of September 30, 2023	<u>\$10,161</u>	<u>\$2,468,504</u>	<u>\$13,833</u>	<u>\$2,492,498</u>
As of January 1, 2022	\$9,294	\$2,468,504	\$1,915	\$2,479,713
Amortization	2,807	-	3,235	6,042
Disposals	(1,926)	-	-	(1,926)
Exchange differences	60	-	-	60
As of September 30, 2022	<u>\$10,235</u>	<u>\$2,468,504</u>	<u>\$5,150</u>	<u>\$2,483,889</u>
Net carrying amount as of:				
September 30, 2023	<u>\$6,723</u>	<u>\$206,323</u>	<u>\$67,358</u>	<u>\$280,404</u>
December 31, 2022	<u>\$4,487</u>	<u>\$206,323</u>	<u>\$71,743</u>	<u>\$282,553</u>
September 30, 2022	<u>\$3,934</u>	<u>\$206,323</u>	<u>\$74,201</u>	<u>\$284,458</u>

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Amortization expenses of intangible assets under the statement of comprehensive income are as follows:

	For the three-month periods		For the nine-month periods	
	ended September 30,		ended September 30,	
	2023	2022	2023	2022
Selling expenses	\$64	\$104	\$288	\$295
Administrative expenses	\$38	\$53	\$133	\$171
Research and development expenses	\$2,995	\$3,105	\$8,596	\$5,576

(11) Other current liabilities

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
Refund liabilities	\$188,424	\$110,939	\$160,806
Others	12,928	8,894	12,912
Total	\$201,352	\$119,833	\$173,718

(12) Post-employment benefits plans

Defined contribution plan

For the three-month periods ended September 30, 2023 and 2022, the pension expenses recognized under the defined contribution plan are NT\$8,090 thousand and NT\$7,971 thousand, respectively. For the nine-month periods ended September 30, 2023 and 2022, the pension expenses recognized under the defined contribution plan are NT\$24,131 thousand and NT\$23,281 thousand, respectively.

Defined benefit plan

For the three-month periods ended September 30, 2023 and 2022, the pension expenses recognized under the defined benefit plan are NT\$729 thousand and NT\$534 thousand, respectively. For the nine-month periods ended September 30, 2023 and 2022, the pension expenses recognized under the defined benefit plan are NT\$2,189 thousand and NT\$1,601 thousand, respectively.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(13) Equity

(a) Common stock

The Company's authorized capital as of September 30, 2023, December 31, 2022 and September 30, 2022 was NT\$2,500,000 thousand divided into 250,000,000 shares (including 30,000,000 shares reserved for exercise of employee stock options at each period), each at a par value of NT\$10. The Company's issued capital was NT\$1,610,801 thousand divided into 161,080,124 shares as of September 30, 2023, December 31, 2022 and September 30, 2022. Each share has one voting right and a right to receive dividends.

(b) Capital surplus

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
Premium from merger	\$737,417	\$817,957	\$817,957
Restricted stocks for employees	191,764	191,764	191,764
Employee stock options	112,008	112,008	112,008
Treasury share transactions	19,238	19,238	19,238
Premium from issuance of common stock	16,424	16,424	16,424
Change in subsidiaries' ownership	1,977	1,977	1,977
Share of changes in net assets of associates and joint ventures accounted for using equity method	14,299	1,008	1,008
Others	136,697	136,697	136,697
Total	<u>\$1,229,824</u>	<u>\$1,297,073</u>	<u>\$1,297,073</u>

According to the Company Act, the capital surplus shall not be used except for offset a deficit of the company. When a company incurs no loss, it may distribute the capital surplus derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(c) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- I. Income tax obligation;
- II. Offsetting accumulated deficits, if any;
- III. Legal reserve at 10% of net income after tax;
- IV. Allocation or reverse of special reserves as required by law;
- V. After deducting the respective amount specified from item I to IV, at least 50% of the remaining earnings will be distributed, together with the undistributed earnings at the beginning of the period, and the capital surplus. However, if the total distribution divided by all the issued shares is less than NTD\$0.1 per share, all the remaining and surplus shall not be distributed.

According to Article 240, Paragraph 5, and Article 241, Paragraph 2 of the Company Act, the Company authorizes the distributable dividends, legal reserve, and capital surplus in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The distribution of dividends to shareholders of the company can be paid in cash or shares. The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets. And the dividends in cash shouldn't less than 30% of the distributable earnings, as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve, which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

On March 31, 2021, FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance: On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

The amount of special reserve provided by the Company for the first time in adopting IFRS is nil.

The appropriation of earnings for 2021 was approved by the shareholders' meeting held on June 21, 2022, while the appropriation of earnings for 2022 was resolved by the Board of Directors' meeting on February 23, 2023. The details of distribution are as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	<u>Years Ended December 31,</u>			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Legal reserve	\$122,737	\$173,228		
Common stock– cash dividends (Note)	885,941	1,288,641	\$5.5	\$8.0

In addition, the Board of Directors' meeting on February 23, 2023 and the shareholders' meeting on June 21, 2022 resolved to distribute the capital surplus by cash in the amount of NT\$80,540 thousand and NT\$161,080 thousand, or NT\$0.5 per share and NT\$1 per share, respectively.

Note: According to the Company's Articles of Incorporation, a special resolution was passed at the Board of Directors' meeting held on February 23, 2023 to distribute the 2022 common stock cash dividends from earnings and capital surplus, and such distribution had been submitted to the shareholders' meeting in 2023.

Please refer to Note 6(17) for more details on employees' compensations and the remunerations to directors.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(14) Operating revenues

	For the three-month periods		For the nine-month periods	
	ended September 30,		ended September 30,	
	2023	2022	2023	2022
Revenue from contracts with customers				
Sale of goods	\$1,793,063	\$1,082,545	\$4,817,422	\$4,063,978
Other operating revenues	1,291	789	9,065	2,637
Total	<u>\$1,794,354</u>	<u>\$1,083,334</u>	<u>\$4,826,487</u>	<u>\$4,066,615</u>

Revenue recognition point of the Group is at a point in time. Analysis of revenue from contracts with customers for the nine-month periods ended September 30, 2023 and 2022 is as follows:

(a) Contract balances

Contract liabilities – current

	As of			
	September 30,	December 31,	September 30,	January 1,
	2023	2022	2022	2022
Sale of goods	<u>\$12,447</u>	<u>\$11,887</u>	<u>\$11,408</u>	<u>\$4,996</u>

The significant changes in the Group's balances of contract liabilities for the nine-month periods ended September 30, 2023 and 2022 are as follows:

	For the nine-month periods	
	ended September 30,	
	2023	2022
The opening balance transferred to revenue	\$(11,885)	\$(4,996)
Increase in receipts in advance during the period (deducting the amount incurred and transferred to revenue during the period)	12,445	11,408
Total	<u>\$560</u>	<u>\$6,412</u>

(b) Assets recognized from costs to fulfil a contract

None.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(15) Expected credit gains

	For the three-month periods		For the nine-month periods	
	ended September 30,		ended September 30,	
	2023	2022	2023	2022
Operating expenses –				
Expected credit gains				
Trade receivables	\$-	\$-	\$-	\$-

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including notes receivables, trade receivables and trade receivables from related parties) at an amount equal to lifetime expected credit losses. The assessments of the Group's loss allowance as of September 30, 2023, December 31, 2022 and September 30, 2022 are as follows:

The trade receivables loss allowance is measured by using a provision matrix, details are as follows:

September 30, 2023

	Not past due (Note)	Past due			Total
		Within 30 days	31-120 days	After 121 days	
Gross carrying amount	\$1,219,853	\$21,500	\$-	\$-	\$1,241,353
Loss ratio	-	-	-	1%-100%	
Lifetime expected credit losses	-	-	-	-	-
Carrying amount of trade receivables	\$1,219,853	\$21,500	\$-	\$-	\$1,241,353

December 31, 2022

	Not past due (Note)	Past due			Total
		Within 30 days	31-120 days	After 121 days	
Gross carrying amount	\$723,794	\$2,455	\$-	\$-	\$726,249
Loss ratio	-	-	-	1%-100%	
Lifetime expected credit losses	-	-	-	-	-
Carrying amount of trade receivables	\$723,794	\$2,455	\$-	\$-	\$726,249

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

September 30, 2022

	Not past due	Past due			Total
	(Note)	Within 30 days	31-120 days	After 121 days	
Gross carrying amount	\$672,623	\$5,502	\$210	\$-	\$678,335
Loss ratio	-	-	-	1%-100%	
Lifetime expected credit losses	-	-	-	-	-
Carrying amount of trade receivables	\$672,623	\$5,502	\$210	\$-	\$678,335

Note: All of the Group's notes receivables are not yet due.

(16) Leases

Group as a lessee

The Group leases various properties, including real estate such as land and buildings, and furniture and fixtures. The lease terms range from 3 to 33 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
Land	\$75,616	\$78,128	\$78,965
Buildings	5,731	5,648	6,774
Furniture and fixtures	578	773	838
Total	\$81,925	\$84,549	\$86,577

During the nine-month periods ended September 30, 2023 and 2022, the additions to right-of-use assets of the Group amounted to NT\$3,296 thousand and NT\$746 thousand, respectively.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

II. Lease liabilities

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
Current	\$7,233	\$6,860	\$6,958
Non-current	77,940	80,633	82,438
Total	<u>\$85,173</u>	<u>\$87,493</u>	<u>\$89,396</u>

Please refer to Note 6(18)(c) for the interest on lease liabilities recognized during the nine-month periods ended September 30, 2023 and 2022, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	2023	2022
Land	\$838	\$837	\$2,512	\$2,512
Buildings	1,089	1,051	3,201	3,147
Furniture and fixtures	65	65	195	182
Total	<u>\$1,992</u>	<u>\$1,953</u>	<u>\$5,908</u>	<u>\$5,841</u>

(c) Income and costs relating to leasing activities

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	2023	2022
The expenses relating to short-term leases	\$383	\$424	\$1,232	\$1,254
The expenses relating to leases of low-value assets (Not including the short- term leases)	43	-	87	25
The expenses relating to variable lease payments not included in the measurement of lease liabilities	347	295	973	938
Total	<u>\$773</u>	<u>\$719</u>	<u>\$2,292</u>	<u>\$2,217</u>
Income from subleasing right-of-use assets	<u>\$158</u>	<u>\$158</u>	<u>\$475</u>	<u>\$475</u>

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(d) Cash outflow relating to leasing activities

During the nine-month periods ended September 30, 2023 and 2022, the Group's total cash outflows for leases amounted to NT\$9,150 thousand and NT\$8,594 thousand, respectively.

(e) Extension options

Some of the Group's property rental agreements contain extension options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option. The option is used to maximize operational flexibility in terms of managing contracts. The majority of extension option held is exercisable only by the Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

(17) Summary statement of employee benefits, depreciation and amortization expenses by function:

	For the three-month periods ended September 30,					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$11,779	\$305,472	\$317,251	\$8,095	\$160,216	\$168,311
Labor and health insurance	921	14,877	15,798	942	15,477	16,419
Pension	503	8,316	8,819	479	8,026	8,505
Other employee benefits	194	2,609	2,803	194	2,646	2,840
Total	\$13,397	\$331,274	\$344,671	\$9,710	\$186,365	\$196,075
Depreciation	\$2,006	\$10,798	\$12,804	\$2,127	\$9,425	\$11,552
Amortization	\$-	\$3,097	\$3,097	\$-	\$3,262	\$3,262

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	For the nine-month periods ended September 30,					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$34,093	\$845,485	\$879,578	\$33,413	\$687,614	\$721,027
Labor and health insurance	2,595	41,445	44,040	2,682	42,217	44,899
Pension	1,498	24,822	26,320	1,427	23,455	24,882
Other employee benefits	580	7,829	8,409	577	7,770	8,347
Total	\$38,766	\$919,581	\$958,347	\$38,099	\$761,056	\$799,155
Depreciation	\$6,020	\$30,215	\$36,235	\$6,265	\$28,000	\$34,265
Amortization	\$-	\$9,017	\$9,017	\$-	\$6,042	\$6,042

According to the Articles of Incorporation, between 8% to 20% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the Taiwan Stock Exchange (TWSE).

Based on a specific rate of profit of current year, the Company estimated the amounts of the employees' compensation and remuneration to directors for the three-month periods ended September 30, 2023 and September 30, 2022 to be NT\$65,604 thousand, NT\$5,550 thousand, NT\$(17,846) thousand and NT\$3,314 thousand, respectively. The amounts of the employees' compensation and remuneration to directors for the nine-month periods ended September 30, 2023 and September 30, 2022 were NT\$171,187 thousand, NT\$16,108 thousand, NT\$135,086 thousand and NT\$13,509 thousand, respectively. The employees' compensation and remuneration to directors recognized as salary expense. If the board of directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution. If the estimated amounts differ from the actual distribution resolved by the board of directors, the Company will recognize the change as an adjustment to income of next year.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The distributions of the employees' compensation and remuneration to directors in cash for 2022 and 2021 were approved through the Board of Directors' meeting on February 23, 2023 and February 24, 2022, respectively. There were no differences between the aforementioned approved amounts and the actual distribution of the employees' compensation and remuneration to directors.

Information relevant to the aforementioned employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

(18) Non-operating income and expenses

(a) Other income

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	2023	2022
Rental income	\$158	\$363	\$475	\$1,907
Dividend income	11,793	90,971	20,813	117,629
Others	42,459	174	43,485	1,201
Total	<u>\$54,410</u>	<u>\$91,508</u>	<u>\$64,773</u>	<u>\$120,737</u>

(b) Other gains and losses

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	2023	2022
Foreign exchange gains, net	\$8,022	\$3,717	\$11,692	\$6,241
Gains (losses) on financial assets at fair value through profit or loss (Note)	12,613	1,886	15,631	(9,412)
Others	-	(24)	(5)	(126)
Total	<u>\$20,635</u>	<u>\$5,579</u>	<u>\$27,318</u>	<u>\$(3,297)</u>

Note: Balances were arising from financial assets mandatorily measured at fair value through profit or loss, including valuation adjustment, dividend income, interest income and exchange difference, etc.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(c) Finance costs

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	2023	2022
Interest expenses on lease liabilities	\$391	\$435	\$1,213	\$1,345
Interest expenses on deposits received	-	-	-	1
Total	\$391	\$435	\$1,213	\$1,346

(19) Components of other comprehensive income (loss)

For the three-month period ended September 30, 2023

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income	Other comprehensive income (loss), net of tax
Items that may not be reclassified subsequently to profit or loss					
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	\$66,285	\$-	\$66,285	\$180	\$66,465
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of foreign operations	87	-	87	-	87
Total	\$66,372	\$-	\$66,372	\$180	\$66,552

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For the three-month period ended September 30, 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income	Other comprehensive income (loss), net of tax
Items that may not be reclassified subsequently to profit or loss					
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	\$(162,274)	\$-	\$(162,274)	\$2,228	\$(160,046)
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of foreign operations	26	-	26	-	26
Total	\$(162,248)	\$-	\$(162,248)	\$2,228	\$(160,020)

For the nine-month period ended September 30, 2023

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income	Other comprehensive income (loss), net of tax
Items that may not be reclassified subsequently to profit or loss					
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	\$358,043	\$-	\$358,043	\$(1,684)	\$356,359
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of foreign operations	6	-	6	-	6
Total	\$358,049	\$-	\$358,049	\$(1,684)	\$356,365

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For the nine-month period ended September 30, 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income	Other comprehensive income (loss), net of tax
Items that may not be reclassified subsequently to profit or loss					
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	\$(694,291)	\$-	\$(694,291)	\$9,976	\$(684,315)
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of foreign operations	88	-	88	-	88
Total	<u>\$(694,203)</u>	<u>\$-</u>	<u>\$(694,203)</u>	<u>\$9,976</u>	<u>\$(684,227)</u>

(20) Income tax

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

Income tax expense (income) recognized in profit or loss

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	2023	2022
Current income tax expense (income):				
Current income tax charge	\$122,956	\$46,264	\$318,652	\$241,116
Adjustments in respect of current income tax of prior periods	(1)	(9)	(37,123)	(28,088)
Deferred tax expense (income):				
Deferred tax income relating to origination and reversal of temporary differences	(10,583)	(11,833)	(8,827)	(21,789)
Total income tax expense	<u>\$112,372</u>	<u>\$34,422</u>	<u>\$272,702</u>	<u>\$191,239</u>

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Income tax relating to components of other comprehensive income

	For the three-month periods		For the nine-month periods	
	ended September 30,		ended September 30,	
	2023	2022	2023	2022
Deferred tax expense (income):				
Unrealized gains or losses				
from equity instrument				
investments measured at				
fair value through other				
comprehensive income	<u>\$ (180)</u>	<u>\$ (2,228)</u>	<u>\$ 1,684</u>	<u>\$ (9,976)</u>

(b) The assessment of income tax returns

As of September 30, 2023, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
ITE Tech. Inc.	Assessed and approved up to 2021
Subsidiary - ITE Tech. (ShenZhen) Inc.	Assessed to 2022

(21) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	For the three-month periods		For the nine-month periods	
	ended September 30,		ended September 30,	
	2023	2022	2023	2022
(a) Basic earnings per share				
Profit attributable to ordinary equity holders of the parent company (in thousand NT\$)	<u>\$472,513</u>	<u>\$311,414</u>	<u>\$1,251,887</u>	<u>\$1,011,078</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	<u>161,080,124</u>	<u>161,080,124</u>	<u>161,080,124</u>	<u>161,080,124</u>
Basic earnings per share (NT\$)	<u>\$2.93</u>	<u>\$1.93</u>	<u>\$7.77</u>	<u>\$6.28</u>
(b) Diluted earnings per share				
Profit attributable to ordinary equity holders of the parent company after dilution (in thousand NT\$)	<u>\$472,513</u>	<u>\$311,414</u>	<u>\$1,251,887</u>	<u>\$1,011,078</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	161,080,124	161,080,124	161,080,124	161,080,124
Effect of dilution:				
Employees' compensation-stock (share)	<u>1,090,361</u>	<u>2,305,218</u>	<u>1,458,131</u>	<u>2,960,089</u>
Weighted average number of ordinary shares outstanding after dilution (share)	<u>162,170,485</u>	<u>163,385,342</u>	<u>162,538,255</u>	<u>164,040,213</u>
Diluted earnings per share (NT\$)	<u>\$2.91</u>	<u>\$1.91</u>	<u>\$7.70</u>	<u>\$6.16</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the issuance date of the financial statements.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

7. Related Party Transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Names of related parties</u>	<u>Nature of relationship of the related parties</u>
United Microelectronics Corp.	Director of the Group
HeJian Technology (Suzhou) Co., Ltd.	Other related party
Wavetek Microelectronics Corporation	Other related party
United DS Semiconductor (Shandong) Co., Ltd.	Other related party
Emright Technology Co., Ltd.	Associate

Significant transactions with the related parties

(1) Sales

	<u>For the three-month periods</u>		<u>For the nine-month periods</u>	
	<u>ended September 30,</u>		<u>ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Associate	<u>\$855</u>	<u>\$-</u>	<u>\$1,990</u>	<u>\$2,263</u>

The sales price to the above related party was determined through mutual agreement in reference to market conditions. The payment term for the related party was 30 days after month-end.

(2) Purchases

	<u>For the three-month periods</u>		<u>For the nine-month periods</u>	
	<u>ended September 30,</u>		<u>ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
United Microelectronics Corp.	\$216,556	\$132,987	\$441,652	\$662,463
HeJian Technology (Suzhou) Co., Ltd.	105,949	64,381	287,247	303,096
Other related party	293	-	293	1,048
Total	<u>\$322,798</u>	<u>\$197,368</u>	<u>\$729,192</u>	<u>\$966,607</u>

The purchase prices to the above related parties were not comparable to the market due to differentiation of manufacturing process and product specification. Payment terms to related parties were 45 days after month-end.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(3) Trade receivables from related parties

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
Associate	\$909	\$-	\$-

(4) Trade payables to related parties

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
United Microelectronics Corp.	\$132,304	\$77,846	\$90,063
HeJian Technology (Suzhou) Co., Ltd.	81,052	32,004	42,490
Other related party	303	-	-
Total	\$213,659	\$109,850	\$132,553

(5) Other payables to related parties

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
United Microelectronics Corp.	\$12,674	\$6,565	\$35,584

(6) The Group purchased masks and other from the director of the Group and recognized NT\$14,057 thousand, NT\$33,902 thousand, NT\$51,214 thousand and NT\$76,740 thousand as manufacturing expenses and operating expenses for the three-month and nine-month periods ended September 30, 2023 and 2022, respectively. Payment term for the related party was 45 days after month-end.

(7) The Group had transactions with other related parties and recognized NT\$3,928 thousand, NT\$0, NT\$4,020 thousand and NT\$277 thousand as manufacturing expenses and operating expenses for the three-month and nine-month periods ended September 30, 2023 and 2022, respectively. Payment terms for related parties were 45 days after month-end and on demand.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(8) Key management personnel compensation

	For the three-month periods		For the nine-month periods	
	ended September 30,		ended September 30,	
	2023	2022	2023	2022
Short-term employee benefits	\$31,409	\$13,110	\$79,462	\$67,050
Post-employment benefits	484	558	1,455	1,438
Total	\$31,893	\$13,668	\$80,917	\$68,488

8. Assets Pledged as Security

The following table lists assets of the Group pledged as security:

Assets pledged for security	As of			Secured liabilities
	September 30, 2023	December 31, 2022	September 30, 2022	
Financial assets measured at amortized cost – non-current	\$4,230	\$4,230	\$4,230	Guarantee for land

9. Significant Contingencies and Unrecognized Contractual Commitments

The Group uses patents of other companies for certain products, and has paid royalty fees based on sales amounts or quantities of these products in accordance with the agreements.

10. Losses Due to Major Disasters

None.

11. Significant Subsequent Events

None.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

12. Others

(1) Categories of financial instruments

Financial assets

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through profit or loss	\$250,422	\$752,505	\$606,371
Financial assets at fair value through other comprehensive income	1,453,929	1,154,912	1,137,717
Financial assets measured at amortized cost (Note)	4,129,479	2,518,492	2,241,649
Total	\$5,833,830	\$4,425,909	\$3,985,737

Financial liabilities

	As of		
	September 30, 2023	December 31, 2022	September 30, 2022
Financial liabilities at amortized cost:			
Trade and other payables (including related parties)	\$1,124,206	\$845,944	\$762,891
Lease liabilities	85,173	87,493	89,396
Deposits received	28,290	28,290	28,483
Total	\$1,237,669	\$961,727	\$880,770

Note: Including cash and cash equivalents (excluding cash on hand), financial assets measured at amortized cost, notes receivables, trade receivables (including related parties), other receivables and other non-current assets (refundable deposits).

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risks comprise currency risk, interest rate risk and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenues or expenses are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

When NTD strengthens/weakens against USD by 5%, the profit for the nine-month periods ended September 30, 2023 and 2022 decrease/increase by NT\$14,075 thousand and NT\$4,068 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group doesn't have any liabilities risk of changes in market interest rates. Therefore, the Group expects no fair value and cash flow risks due to significant interest rate fluctuations.

All of the Group's financial assets and financial liabilities that are exposed to cash flow risk due to fluctuating interest rate are under short term contracts, thus the cash flow risk of fluctuate interest is considerably low.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments with variable interest rate. At the reporting date, an increase/decrease of 10 basis points (0.1%) of interest rate in a reporting period could cause the profit for the nine-month periods ended September 30, 2023 and 2022 to increase/decrease by NT\$0 and NT\$2 thousand, respectively.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment objectives. The Group's listed and unlisted equity securities are classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors reviews and approves certain equity investments according to level of authority.

For the nine-month periods ended September 30, 2023 and 2022, a change of 10% in the price of the listed equity instrument investments measured at fair value through other comprehensive income could increase/decrease by NT\$30,443 thousand and NT\$20,600 thousand, respectively.

Please refer to Note 12(8) for sensitivity analysis information of other equity instruments that are linked to such equity instruments whose fair value measurement is categorized under Level 3 of the fair value hierarchy.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of September 30, 2023, December 31, 2022 and September 30, 2022, trade receivables from top ten customers represented 95.50%, 98.04% and 94.40% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivables is insignificant.

Credit risk from balances with banks and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions and companies with good credit rating. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, for debt instrument investments which are not measured at fair value through profit or loss and are at low credit risk upon acquisition, an assessment is made at each reporting date as to whether the credit risk has substantially increased in order to determine the method of measuring the loss allowance and the loss ratio. The measurement indicators of the Group are described as follows:

Level of credit risk	Indicator	Measurement method for expected credit losses	Gross carrying amount as of		
			September 30, 2023	December 31, 2022	September 30, 2022
Simplified approach (Note)	(Note)	Lifetime expected credit losses	\$1,241,353	\$726,249	\$678,335

Note: By using simplified approach (loss allowance is measured at lifetime expected credit losses), including notes receivables, trade receivables and trade receivables from related parties.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Financial assets are written off when there is no realistic prospect of future recovery.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and financial assets and liabilities at fair value through profit or loss. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	5 to 15 years	15 to 20 years	> 20 years	Total
September 30, 2023							
Payables (including related parties)	\$1,124,206	\$-	\$-	\$-	\$-	\$-	\$1,124,206
Lease liabilities	\$8,641	\$9,936	\$9,195	\$41,856	\$14,225	\$18,665	\$102,518
Deposits received	\$-	\$28,290	\$-	\$-	\$-	\$-	\$28,290
December 31, 2022							
Payables (including related parties)	\$845,944	\$-	\$-	\$-	\$-	\$-	\$845,944
Lease liabilities	\$8,402	\$11,148	\$8,495	\$41,856	\$15,733	\$20,296	\$105,930
Deposits received	\$-	\$28,290	\$-	\$-	\$-	\$-	\$28,290
September 30, 2022							
Payables (including related parties)	\$762,891	\$-	\$-	\$-	\$-	\$-	\$762,891
Lease liabilities	\$8,559	\$12,240	\$8,527	\$41,856	\$16,236	\$20,839	\$108,257
Deposits received	\$-	\$28,483	\$-	\$-	\$-	\$-	\$28,483

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the nine-month periods ended September 30, 2023 and 2022:

	Deposits received	Lease liabilities	Total liabilities from financing activities
As of January 1, 2023	\$28,290	\$87,493	\$115,783
Cash flows	-	(5,616)	(5,616)
Non-cash changes	-	3,296	3,296
As of September 30, 2023	<u>\$28,290</u>	<u>\$85,173</u>	<u>\$113,463</u>
As of January 1, 2022	\$28,483	\$93,772	\$122,255
Cash flows	-	(5,122)	(5,122)
Non-cash changes	-	746	746
As of September 30, 2022	<u>\$28,483</u>	<u>\$89,396</u>	<u>\$117,879</u>

(7) Fair value of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- I. The carrying amount of cash and cash equivalents, trade receivables (including related parties), other receivables, other non-current assets, payables (including related parties) and deposits received approximate their fair value due to their short maturities.
- II. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and funds) at the reporting date.
- III. Fair value of equity instruments without market quotations (including private company equity securities) is estimated using the market approach valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(b) Fair value of financial instruments measured at amortized cost

The carrying amounts of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

Level 3 — Unobservable inputs for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As of September 30, 2023:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Funds	\$132,842	\$-	\$-	\$132,842
Capital	-	-	117,580	117,580
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	304,425	-	1,149,504	1,453,929
Total	<u>\$437,267</u>	<u>\$-</u>	<u>\$1,267,084</u>	<u>\$1,704,351</u>

As of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Funds	\$687,419	\$-	\$-	\$687,419
Capital	-	-	65,086	65,086
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	200,942	-	953,970	1,154,912
Total	<u>\$888,361</u>	<u>\$-</u>	<u>\$1,019,056</u>	<u>\$1,907,417</u>

As of September 30, 2022:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Funds	\$536,159	\$-	\$-	\$536,159
Capital	-	-	70,212	70,212
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	205,996	-	931,721	1,137,717
Total	<u>\$742,155</u>	<u>\$-</u>	<u>\$1,001,933</u>	<u>\$1,744,088</u>

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Transfers between Level 1 and Level 2 during the period

During the nine-month periods ended September 30, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Movements of fair value measurement in level 3 on recurring basis

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets		
	At fair value through profit or loss	At fair value through other comprehensive income	Total
	Capital	Stocks	
As of January 1, 2023	\$65,086	\$953,970	\$1,019,056
Total gains and losses recognized:			
Amount recognized in profit or loss ("other gains and losses")	2,481	-	2,481
Amount recognized in other comprehensive income ("Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income")	-	208,039	208,039
Additions	50,013	37,500	87,513
Disposals	-	(5)	(5)
Capital return	-	(50,000)	(50,000)
As of September 30, 2023	<u>\$117,580</u>	<u>\$1,149,504</u>	<u>\$1,267,084</u>
	Assets		
	At fair value through profit or loss	At fair value through other comprehensive income	Total
	Capital	Stocks	
As of January 1, 2022	\$-	\$1,795,607	\$1,795,607
Total gains and losses recognized:			
Amount recognized in profit or loss ("other gains and losses")	(6,692)	-	(6,692)
Amount recognized in other comprehensive income ("Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income")	-	(585,469)	(585,469)
Additions	76,904	-	76,904
Disposals	-	(6,950)	(6,950)
Transfer out of level 3	-	(271,467)	(271,467)
As of September 30, 2022	<u>\$70,212</u>	<u>\$931,721</u>	<u>\$1,001,933</u>

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Recognized as gains (losses) above, the gain (loss) from financial assets still held by the Group as of September 30, 2023 and 2022 was NT\$2,481 thousand and NT\$(6,692) thousand, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of September 30, 2023

	Valuation technique	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity analysis of the input to fair value
Financial assets:					
Financial assets at fair value through profit or loss					
Capital	Asset approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's profit (loss) by NT\$11,758 thousand
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT\$13,648 thousand
Stocks	Asset approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT\$101,302 thousand

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As of December 31, 2022

	Valuation technique	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity analysis of the input to fair value
Financial assets:					
Financial assets at fair value					
through profit or loss					
Capital	Asset approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's profit (loss) by NT\$6,509 thousand
Financial assets at fair value					
through other					
comprehensive income					
Stocks	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT\$9,368 thousand
Stocks	Asset approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT\$86,029 thousand

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As of September 30, 2022

	Valuation technique	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity analysis of the input to fair value
Financial assets:					
Financial assets at fair value					
through profit or loss					
Capital	Asset approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's profit (loss) by NT\$7,021 thousand
Financial assets at fair value					
through other					
comprehensive income					
Stocks	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT\$8,523 thousand
Stocks	Asset approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT\$84,649 thousand

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group validates the fair value measurements and ensures that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Group also analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed based on the Group's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant financial assets and liabilities denominated in foreign currencies is listed below:

	As of					
	September 30, 2023			December 31, 2022		
	Foreign currencies (In thousands)	Foreign exchange rate	NTD (In thousands)	Foreign currencies (In thousands)	Foreign exchange rate	NTD (In thousands)
<u>Financial assets</u>						
Monetary items:						
USD	\$16,656	32.285	\$537,731	\$9,972	30.725	\$306,403
<u>Financial liabilities</u>						
Monetary items:						
USD	\$7,937	32.285	\$256,246	\$4,298	30.725	\$132,061
	As of					
	September 30, 2022					
	Foreign currencies (In thousands)	Foreign exchange rate	NTD (In thousands)			
<u>Financial assets</u>						
Monetary items:						
USD	\$8,304	31.82	\$264,245			
<u>Financial liabilities</u>						
Monetary items:						
USD	\$5,748	31.82	\$182,893			

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The Group does not disclose all of information regarding the assets and liabilities denominated in foreign currencies due to the varieties of foreign currency transactions. During the three-month and nine-month periods ended September 30, 2023 and 2022, the foreign exchange gains were NT\$8,022 thousand, NT\$3,717 thousand, NT\$11,692 thousand and NT\$6,241 thousand, respectively.

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

13. Additional Disclosure

(1) Information at significant transactions

Additional disclosures for information of the Company for the nine-month period ended September 30, 2023:

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held as of September 30, 2023 (excluding subsidiaries, associates and joint ventures):

Held Company Name	Marketable Securities Type and Name		Relationship with the Company	Financial Statement Account	September 30, 2023				Note
					Shares/Units	Carrying Value/Thousands of NTD	Percentage of Ownership (%)	Fair Value/Thousands of NTD	
ITE Tech. Inc.	Common Stock	Unitech Capital, Inc.	-	Financial assets at fair value through other comprehensive income, non-current	2,000,000	\$45,040	4.00%	\$45,040	
	Common Stock	Shieh Yong Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	32,506,937	\$266,232	1.52%	\$266,232	
	Common Stock	Darjun Venture Corporation	-	Financial assets at fair value through other comprehensive income, non-current	9,280,000	\$88,160	19.61%	\$88,160	
	Common Stock	TriKnight Capital Corporation	-	Financial assets at fair value through other comprehensive income, non-current	35,841,800	\$308,239	5.00%	\$308,239	
	Common Stock	Darhe II Venture Corporation	-	Financial assets at fair value through other comprehensive income, non-current	10,000,000	\$91,900	14.29%	\$91,900	
	Common Stock	Darchan Venture Corporation	-	Financial assets at fair value through other comprehensive income, non-current	20,000,000	\$180,000	18.18%	\$180,000	
	Common Stock	Darjiun Venture Corporation	-	Financial assets at fair value through other comprehensive income, non-current	3,750,000	\$33,450	10.00%	\$33,450	
	Common Stock	Generiton Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	508,047	\$33,567	12.70%	\$33,567	
	Common Stock	Embester Technology Inc.	-	Financial assets at fair value through other comprehensive income, non-current	4,400,000	\$84,876	16.92%	\$84,876	

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Held Company Name	Marketable Securities Type and Name		Relationship with the Company	Financial Statement Account	September 30, 2023				Note
					Shares/Units	Carrying Value/Thousands of NTD	Percentage of Ownership (%)	Fair Value/Thousands of NTD	
ITE Tech. Inc.	Common Stock	Isentek Inc.	-	Financial assets at fair value through other comprehensive income, non-current	1,000,000	\$18,040	3.30%	\$18,040	
	Common Stock	Gigastone Corporation	-	Financial assets at fair value through other comprehensive income, non-current	1,734,841	\$45,730	3.42%	\$45,730	
	Common Stock	M3 Technology Inc.	-	Financial assets at fair value through other comprehensive income, non-current	1,669,000	\$258,695	3.99%	\$258,695	
	Fund	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss, current	3,435,198.40	\$50,027	-	\$50,027	
	Fund	Nomura Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss, current	2,996,991.02	\$50,034	-	\$50,034	
	Fund	Yuanta/P-shares Taiwan Dividend Plus ETF	-	Financial assets at fair value through profit or loss, non-current	935,000	\$32,781	-	\$32,781	
	Capital	TGVest Asia Partners II (Taiwan), L.P.	-	Financial assets at fair value through profit or loss, non-current	-	\$117,580	-	\$117,580	

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock:

Amount: Thousands of NTD

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning balance		Acquisition		Disposal				Ending balance	
					Units	Amount	Units	Amount	Units	Amount	Carrying Value	Gains (Losses) on Disposal	Units	Amount
ITE Tech. Inc.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss, current	-	-	29,197,160.70	\$401,905	4,356,222.86	\$60,000	33,553,383.56	\$463,993	\$460,000	\$3,993	-	\$-

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
- (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock:

Amount: Thousands of NTD

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Trade (Payable) or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
ITE Tech. Inc.	United Microelectronics Corp.	Directors of the Company	Purchases	\$441,652	52.45%	45 days after month-end	Not comparable to the market due to differentiation of manufacturing process and product specification	Same as general trading conditions	\$(132,304)	(21.00)%	
	HeJian Technology (Suzhou) Co., Ltd.	Other related party	Purchases	\$287,247	34.11%	45 days after month-end	Not comparable to the market due to differentiation of manufacturing process and product specification	Same as general trading conditions	\$(81,052)	(12.87)%	

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of September 30, 2023: None.
- (i) Trading in derivative instruments: None.
- (j) Intercompany relationship and significant intercompany transactions:

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Item	Amount	Term	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	ITE Tech. Inc.	ITE Tech. (Shenzhen) Inc.	1	Administrative expenses	\$29,448	On demand	0.61%

Note 1: Number should be input in the remark column for intercompany transactions. Here illustrate how to assign numbers to transactions.

- 1. 0 for parent company.
- 2. Subsidiaries are given a number in sequence starting with No. 1.

Note 2: There are three types of transactions. Please remark the type of transaction by giving a number to it.

- 1. Parent to Subsidiary.
- 2. Subsidiary to Parent.
- 3. Subsidiaries to Subsidiaries.

Note 3: Asset/liability items are calculated by using the ending balances of the item divided by ending balance of total consolidated assets; profit/loss items are calculated by using the amount of the transaction divided by total consolidated revenue.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(2) Information on investees

Names, locations and related information of investees as of September 30, 2023 (excluding investment in Mainland China):

Amount: Thousands of NTD

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balances as of September 30, 2023			Net Income (Losses) of the Investee Company	Share of Profits /(Losses)	Note
				September 30, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
ITE Tech. Inc.	Emright Technology Co., Ltd.	Taiwan	Communication machinery equipment, electronic components manufacturing	\$41,768	\$41,768	4,176,800	30.15%	\$14,292	\$(22,491)	\$(7,277)	

(3) Investment in Mainland China

(a) Investment situation:

Amount: US Dollars/Thousands of NTD

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 4)	Method of Investment	Accumulated outflow of Investment from Taiwan as of January 1, 2023 (Note 4)	Investment Flows		Accumulated outflow of Investment from Taiwan as of September 30, 2023 (Note 4)	Percentage of Ownership	Net Income (Losses) of the Investee Company	Share of Profits /(Losses) (Note 3)	Carrying Amount as of September 30, 2023 (Note 3)	Accumulated Inward Remittance of Earnings as of September 30, 2023
					Outflow	Inflow						
ITE Tech. (Shenzhen) Inc.	Technological consultation services for ICs products	\$19,371 USD 600,000	Direct investment in Mainland China (Note 1)	\$19,371 USD 600,000	\$-	\$-	\$19,371 USD 600,000	100%	\$1,018	\$1,018	\$3,522	\$-

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Accumulated Investment in Mainland China as of September 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$19,371 (Note 4) (USD600,000)	\$19,371 (Note 4) (USD600,000)	\$3,620,689 (Note 2)

Note 1: The Company has been approved the investment which that changed the investment structure and directly invested in ITE Tech. (Shenzhen) Inc. by the Investment Commission, MOEA.

Note 2: Based on Regulations Governing the Approval of Investment or Technical Cooperation in the Mainland China promulgated by Investment Commission, MOEA.

Note 3: According to regulations, it may be evaluated based on the financial statements of the investee company un-reviewed by the accountant during the same period.

Note 4: Converted to NTD at the exchange rate on the financial reporting date (1 USD=32.285NTD).

(b) Significant direct or indirect transactions with the investees in Mainland China:

I. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.

II. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.

III. The amount of property transactions and the amount of the resultant gains or losses: None.

IV. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.

V. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.

VI. 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 receiving of services: Please refer to Note 13(1) (j).

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(4) Information of major shareholders

Name of major shareholders	Number of shares held (shares)	Percentage of ownership
United Microelectronics Corp.	13,959,978	8.66%
Fuh Hwa Taiwan Technology Dividend Highlight ETF Investment Account in custody of Taipei Fubon Commercial Bank Co., Ltd.	12,555,000	7.79%

14. Segment information

General Information

The products of the Group are all related to integrated circuit design products and the chief operating decision maker reviews the Group's operating results as a whole to make decisions about resources to be allocated and assess its performance; therefore, the Group is considered a single segment. The preparation basis of the segment is the same with the preparation of this financial statements, and the policies are the same with those mentioned in Note 4, Summary of Significant Accounting Policies.