

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, 2024 AND 2023**

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, 2024 and 2023, the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2024 and 2023 and consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2024 and 2023, and notes to the consolidated financial statements, including the summary of material 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\$14,674 thousand and NT\$7,099 thousand, constituting 0.18% and 0.09% of the consolidated total assets, and total liabilities of NT\$11,894 thousand and NT\$3,577 thousand, constituting 0.62% and 0.20% of the consolidated total liabilities as of September 30, 2024 and 2023, respectively; and total comprehensive income (loss) of NT\$(379) thousand, NT\$585 thousand, NT\$613 thousand and NT\$1,018 thousand, constituting (0.08)%, 0.11%, 0.05% and 0.06% of the consolidated total comprehensive income for the three-month and nine-month periods ended September 30, 2024 and 2023, 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\$10,840 thousand and NT\$14,292 thousand as of September 30, 2024 and 2023, respectively. The related shares of profit or loss from the associates and joint ventures under the equity method amounted to NT\$109 thousand, NT\$(2,341) thousand, NT\$(964) thousand and NT\$(7,277) thousand for the three-month and nine-month periods ended September 30, 2024 and 2023, 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, 2024 and 2023, and their consolidated financial performance for the three-month and nine-month periods ended September 30, 2024 and 2023, and their consolidated cash flows for the nine-month periods ended September 30, 2024 and 2023, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Hu, Shen-Chieh

Hsu, Hsin-Min

Ernst & Young, Taiwan

November 5, 2024

Notice to Readers

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

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, 2024, December 31, 2023 and September 30, 2023
(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	September 30, 2024		December 31, 2023		September 30, 2023	
		Amount	%	Amount	%	Amount	%
Current assets							
Cash and cash equivalents	6(1)	\$3,102,091	37.27	\$3,297,069	40.14	\$2,879,315	36.93
Financial assets at fair value through profit or loss-current	6(2)	554,016	6.66	400,861	4.88	100,061	1.28
Notes receivables, net	6(5), 6(16)	6,678	0.08	7,294	0.09	6,220	0.08
Trade receivables, net	6(6), 6(16)	1,253,033	15.05	867,926	10.57	1,234,224	15.83
Trade receivables from related parties, net	6(6), 6(16), 7	1,567	0.02	847	0.01	909	0.01
Other receivables		5,555	0.07	7,783	0.09	3,856	0.05
Inventories, net	6(7)	716,431	8.61	804,480	9.79	775,435	9.94
Prepayments		84,831	1.02	75,442	0.92	78,460	1.01
Other current assets		76	-	104	-	115	-
Total current assets		5,724,278	68.78	5,461,806	66.49	5,078,595	65.13
Non-current assets							
Financial assets at fair value through profit or loss-noncurrent	6(2)	224,725	2.70	168,908	2.06	150,361	1.93
Financial assets at fair value through other comprehensive income-noncurrent	6(3)	1,229,996	14.78	1,459,037	17.76	1,453,929	18.65
Financial assets measured at amortized cost-noncurrent	6(4), 8	4,230	0.05	4,230	0.05	4,230	0.05
Investments accounted for using the equity method	6(8)	10,840	0.13	11,804	0.14	14,292	0.18
Property, plant and equipment	6(9)	654,596	7.87	662,142	8.06	632,025	8.11
Right-of-use assets	6(17)	86,281	1.04	79,888	0.97	81,925	1.05
Intangible assets	6(10)	285,988	3.44	277,680	3.38	280,404	3.60
Deferred tax assets	4, 6(21)	100,239	1.20	86,835	1.06	99,287	1.27
Other non-current assets		1,056	0.01	1,901	0.03	2,277	0.03
Total non-current assets		2,597,951	31.22	2,752,425	33.51	2,718,730	34.87
Total assets		\$8,322,229	100.00	\$8,214,231	100.00	\$7,797,325	100.00

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

ITE TECH. INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2024, December 31, 2023 and September 30, 2023
(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	September 30, 2024		December 31, 2023		September 30, 2023	
		Amount	%	Amount	%	Amount	%
Current liabilities							
Contract liabilities-current	6(15)	\$5,523	0.07	\$8,034	0.10	\$12,447	0.16
Trade payables		437,348	5.26	384,385	4.68	416,289	5.34
Trade payables to related parties	7	235,192	2.83	177,102	2.16	213,659	2.74
Other payables		595,631	7.16	546,212	6.65	481,584	6.18
Other payables to related parties	7	5,840	0.07	10,565	0.13	12,674	0.16
Current tax liabilities	4, 6(21)	193,487	2.32	286,613	3.49	228,293	2.93
Lease liabilities-current	6(17)	7,709	0.09	6,152	0.07	7,233	0.09
Other current liabilities	6(11)	245,796	2.95	185,227	2.25	201,352	2.58
Total current liabilities		1,726,526	20.75	1,604,290	19.53	1,573,531	20.18
Non-current liabilities							
Deferred tax liabilities	4, 6(21)	-	-	-	-	653	0.01
Lease liabilities-noncurrent	6(17)	81,978	0.98	77,011	0.94	77,940	1.00
Net defined benefit liabilities-noncurrent	4, 6(12)	71,521	0.86	78,347	0.95	82,429	1.06
Deposits received		28,290	0.34	28,290	0.35	28,290	0.36
Total non-current liabilities		181,789	2.18	183,648	2.24	189,312	2.43
Total liabilities		1,908,315	22.93	1,787,938	21.77	1,762,843	22.61
Equity attributable to owners of the parent							
Share capital	6(13)						
Common stock		1,660,351	19.95	1,610,801	19.61	1,610,801	20.66
Capital surplus	6(13)	1,738,817	20.89	1,229,824	14.97	1,229,824	15.77
Retained earnings	6(13)						
Legal reserve		876,184	10.53	710,912	8.65	710,912	9.12
Undistributed earnings		2,406,459	28.92	2,375,480	28.92	1,996,422	25.60
Other equity	6(14)	(267,897)	(3.22)	499,276	6.08	486,523	6.24
Total equity		6,413,914	77.07	6,426,293	78.23	6,034,482	77.39
Total liabilities and equity		\$8,322,229	100.00	\$8,214,231	100.00	\$7,797,325	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, 2024 and 2023

(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,			
		2024		2023		2024		2023	
		Amount	%	Amount	%	Amount	%	Amount	%
Operating revenues	6(15), 7	\$1,863,470	100.00	\$1,794,354	100.00	\$4,992,599	100.00	\$4,826,487	100.00
Operating costs	6(7), 6(17), 6(18), 7	(814,647)	(43.72)	(851,711)	(47.47)	(2,212,988)	(44.33)	(2,202,468)	(45.63)
Gross profit		1,048,823	56.28	942,643	52.53	2,779,611	55.67	2,624,019	54.37
Operating expenses	6(14), 6(16), 6(17), 6(18), 7								
Selling expenses		(106,978)	(5.74)	(106,925)	(5.96)	(308,023)	(6.17)	(284,847)	(5.90)
Administrative expenses		(98,562)	(5.29)	(80,034)	(4.46)	(242,938)	(4.87)	(214,337)	(4.44)
Research and development expenses		(271,139)	(14.55)	(251,394)	(14.01)	(775,516)	(15.53)	(704,199)	(14.59)
Expected credit losses		(46)	-	-	-	(46)	-	-	-
Total operating expenses		(476,725)	(25.58)	(438,353)	(24.43)	(1,326,523)	(26.57)	(1,203,383)	(24.93)
Operating income		572,098	30.70	504,290	28.10	1,453,088	29.10	1,420,636	29.44
Non-operating income and expenses									
Interest income	6(19)	12,143	0.65	8,282	0.46	38,721	0.78	20,352	0.42
Other income	6(19)	33,045	1.77	54,410	3.03	43,630	0.87	64,773	1.34
Other gains and losses	6(19)	(848)	(0.05)	20,635	1.15	38,901	0.78	27,318	0.57
Finance costs	6(19)	(407)	(0.02)	(391)	(0.02)	(1,109)	(0.02)	(1,213)	(0.03)
Share of profit or loss of associates and joint ventures accounted for using the equity method	6(8)	109	0.01	(2,341)	(0.13)	(964)	(0.02)	(7,277)	(0.15)
Total non-operating income and expenses		44,042	2.36	80,595	4.49	119,179	2.39	103,953	2.15
Net income before income tax		616,140	33.06	584,885	32.59	1,572,267	31.49	1,524,589	31.59
Income tax expense	4, 6(21)	(120,301)	(6.45)	(112,372)	(6.26)	(276,746)	(5.54)	(272,702)	(5.65)
Net income		495,839	26.61	472,513	26.33	1,295,521	25.95	1,251,887	25.94
Other comprehensive income (loss)	6(20)								
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		(41,493)	(2.23)	66,285	3.70	(81,339)	(1.63)	358,043	7.42
Income tax relating to those items not to be reclassified to profit or loss		268	0.02	180	0.01	1,708	0.03	(1,684)	(0.04)
Items that may be reclassified subsequently to profit or loss									
Exchange differences resulting from translating the financial statements of foreign operations		29	-	87	-	100	-	6	-
Other comprehensive income (loss), net of tax		(41,196)	(2.21)	66,552	3.71	(79,531)	(1.60)	356,365	7.38
Total comprehensive income		\$454,643	24.40	\$539,065	30.04	\$1,215,990	24.35	\$1,608,252	33.32
Net income for the periods attributable to:									
Owners of the parent		\$495,839		\$472,513		\$1,295,521		\$1,251,887	
Total comprehensive income for the periods attributable to:									
Owners of the parent		\$454,643		\$539,065		\$1,215,990		\$1,608,252	
Earning per share (in New Taiwan Dollars)	6(22)								
Basic earnings per share (in New Taiwan Dollars)		\$3.08		\$2.93		\$8.04		\$7.77	
Diluted earnings per share (in New Taiwan Dollars)		\$3.05		\$2.91		\$7.97		\$7.70	

(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, 2024 and 2023
(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	Unearned employee compensation		
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
Balance as of January 1, 2024	\$1,610,801	\$1,229,824	\$710,912	\$2,375,480	\$(247)	\$499,523	\$-	\$6,426,293	\$6,426,293
Appropriation and distribution of 2023 earnings:									
Legal reserve	-	-	165,272	(165,272)	-	-	-	-	-
Cash dividends	-	-	-	(1,208,101)	-	-	-	(1,208,101)	(1,208,101)
Changes in other capital surplus									
Cash dividends distributed from capital surplus	-	(80,540)	-	-	-	-	-	(80,540)	(80,540)
Profit for the nine-month period ended September 30, 2024	-	-	-	1,295,521	-	-	-	1,295,521	1,295,521
Other comprehensive income (loss) for the nine-month period ended September 30, 2024	-	-	-	-	100	(79,631)	-	(79,531)	(79,531)
Total comprehensive income (loss) for the nine-month period ended September 30, 2024	-	-	-	1,295,521	100	(79,631)	-	1,215,990	1,215,990
Share-based payment transactions	49,550	589,533	-	-	-	-	(578,811)	60,272	60,272
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	108,831	-	(108,831)	-	-	-
Balance as of September 30, 2024	\$1,660,351	\$1,738,817	\$876,184	\$2,406,459	\$(147)	\$311,061	\$(578,811)	\$6,413,914	\$6,413,914

(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, 2024 and 2023

(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	
	2024	2023		2024	2023
Cash flows from operating activities:			Cash flows from investing activities:		
Profit before tax	\$1,572,267	\$1,524,589	Acquisition of financial assets at fair value through other comprehensive income	(37,500)	(37,500)
Adjustments for:			Proceeds from disposal of financial assets at fair value through other comprehensive income	135,202	46,526
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	50,000
Depreciation	49,034	36,235	Acquisition of financial assets at fair value through profit or loss	(35,913)	(50,013)
Amortization	10,079	9,017	Acquisition of property, plant and equipment	(35,402)	(32,985)
Expected credit losses	46	-	Acquisition of intangible assets	(18,367)	(6,868)
Gains on financial assets at fair value through profit or loss	(27,037)	(15,631)	Decrease in other non-current assets	845	1,074
Interest expenses	1,109	1,213	Increase in prepayment for equipment	-	(525)
Interest income	(38,721)	(20,352)	Dividends received	18,505	20,813
Dividend income	(18,505)	(20,813)	Net cash provided by (used in) investing activities	77,370	(9,478)
Share-based payment expenses	16,197	-			
Share of loss of associates and joint ventures accounted for using the equity method	964	7,277			
Changes in operating assets and liabilities:			Cash flows from financing activities:		
Financial assets mandatorily measured at fair value through profit or loss	(148,803)	566,792	Cash payment for the principal portion of the lease liabilities	(5,876)	(5,616)
Notes receivables	616	2,445	Cash dividends	(1,288,641)	(966,481)
Trade receivables	(385,153)	(516,640)	Issuance of restricted share for employees	49,550	-
Trade receivables from related parties	(720)	(909)	Net cash used in financing activities	(1,244,967)	(972,097)
Other receivables	-	24			
Inventories	88,049	295,776			
Prepayments	(9,389)	(4,198)			
Other current assets	28	14			
Contract liabilities	(2,511)	560			
Trade payables	52,963	158,911			
Trade payables to related parties	58,090	103,809			
Other payables	43,944	9,433			
Other payables to related parties	(4,725)	6,109			
Other current liabilities	60,569	81,519			
Net defined benefit liabilities	(6,826)	(1,106)			
Cash generated from operating activities:	1,311,565	2,224,074			
Interest received	43,730	18,798	Effect of exchange rate changes on cash and cash equivalents	1	18
Interest paid	(1,109)	(1,213)	Net (decrease) increase in cash and cash equivalents	(194,978)	1,093,827
Income tax paid	(381,568)	(166,275)	Cash and cash equivalents at the beginning of period	3,297,069	1,785,488
Net cash provided by operating activities	972,618	2,075,384	Cash and cash equivalents at the end of period	\$3,102,091	\$2,879,315

(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, 2024 and 2023

(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 5, 2024.

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, 2024. 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	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

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, 2025. 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.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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	IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
d	Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures (IFRS 19)	January 1, 2027
e	Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	January 1, 2026
f	Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026

IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 replaces IAS 1 Presentation of Financial Statements. The main changes are as below:

(1) Improved comparability in the statement of profit or loss (income statement)

IFRS 18 requires entities to classify all income and expenses within their statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. The first three categories are new, to improve the structure of the income statement, and requires all entities to provide new defined subtotals, including operating profit or loss. The improved structure and new subtotals will give investors a consistent starting point for analyzing entities’ performance and make it easier to compare entities.

(2) Enhanced transparency of management-defined performance measures

IFRS 18 requires entities to disclose explanations of those entity-specific measures that are related to the income statement, referred to as management-defined performance measures.

(3) Useful grouping of information in the financial statements

IFRS 18 sets out enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes. The changes are expected to provide more detailed and useful information. IFRS 18 also requires entities to provide more transparency about operating expenses, helping investors to find and understand the information they need.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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. As the Group is still currently determining the potential impact of the new or amended standards and interpretations listed under (c), it is not practicable to estimate their impact on the Group at this point in time. The remaining new or amended standards and interpretations have no material impact on the Group.

4. Summary of Material Accounting Policies

(1) Statement of compliance

The consolidated financial statements of the Group for the nine-month periods ended September 30, 2024 and 2023 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

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:

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

- (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 if required by other IFRSs ; and
- (f) recognizes any resulting difference in profit or loss.

The consolidated entity is listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership		
			September 30, 2024	December 31, 2023	September 30, 2023
ITE Tech. Inc.	ITE Tech. (Shenzhen) Inc.	Technological consultation services for ICs products	100.00%	100.00%	100.00%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

The financial statements of the consolidated subsidiary listed above had not been reviewed by independent auditors. As of September 30, 2024 and 2023, the related asset of the subsidiary is NT\$14,674 thousand and NT\$7,099 thousand, respectively, and the related liability is NT\$11,894 thousand and NT\$3,577 thousand, respectively. The comprehensive income (loss) of the subsidiary is NT\$(379) thousand, NT\$585 thousand, NT\$613 thousand and NT\$1,018 thousand for the three-month and nine-month periods ended September 30, 2024 and 2023, 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, 2024 as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2023. For the summary of other material accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2023.

(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, 2024 and 2023 as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2023. Please refer to the consolidated financial statements for the year ended December 31 2023.

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, 2024	December 31, 2023	September 30, 2023
Cash on hand	\$322	\$316	\$277
Checking and saving accounts	349,009	215,760	243,358
Time deposits	2,752,760	3,080,993	2,635,680
Total	<u>\$3,102,091</u>	<u>\$3,297,069</u>	<u>\$2,879,315</u>

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

	As of		
	September 30, 2024	December 31, 2023	September 30, 2023
Mandatorily measured at fair value through profit or loss:			
Funds	\$590,163	\$435,830	\$132,842
Capital	188,578	133,939	117,580
Total	<u>\$778,741</u>	<u>\$569,769</u>	<u>\$250,422</u>
Current	\$554,016	\$400,861	\$100,061
Non-current	224,725	168,908	150,361
Total	<u>\$778,741</u>	<u>\$569,769</u>	<u>\$250,422</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, 2024	December 31, 2023	September 30, 2023
Equity instrument investments measured at fair value through other comprehensive income-non-current:			
Listed company stocks	\$141,110	\$333,627	\$304,425
Unlisted company stocks	1,088,886	1,125,410	1,149,504
Total	<u>\$1,229,996</u>	<u>\$1,459,037</u>	<u>\$1,453,929</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,	
	2024	2023	2024	2023
Related to investments held at the end of the reporting period	\$9,458	\$11,613	\$18,505	\$20,633
Related to investments derecognized during the period	-	180	-	180
Dividends income recognized during the period	<u>\$9,458</u>	<u>\$11,793</u>	<u>\$18,505</u>	<u>\$20,813</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,	
	2024	2023
The fair value of the investments at the date of derecognition	\$135,202	\$46,526
The cumulative gain on disposal reclassified from other equity to retained earnings	\$108,831	\$21,774

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

	As of		
	September 30,	December 31,	September 30,
	2024	2023	2023
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.

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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, 2024	December 31, 2023	September 30, 2023
Notes receivables arising from operating activities	\$6,678	\$7,294	\$6,220
Less: loss allowance	-	-	-
Total	<u>\$6,678</u>	<u>\$7,294</u>	<u>\$6,220</u>

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(16) 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, 2024	December 31, 2023	September 30, 2023
Trade receivables	\$1,253,079	\$867,926	\$1,234,224
Less: loss allowance	(46)	-	-
Subtotal	<u>1,253,033</u>	<u>867,926</u>	<u>1,234,224</u>
Trade receivables from related parties	1,567	847	909
Less: loss allowance	-	-	-
Subtotal	<u>1,567</u>	<u>847</u>	<u>909</u>
Total	<u>\$1,254,600</u>	<u>\$868,773</u>	<u>\$1,235,133</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\$1,254,646 thousand, NT\$868,773 thousand and NT\$1,235,133 thousand as of September 30, 2024, December 31, 2023 and September 30, 2023, respectively. Please refer to Note 6(16) 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, 2024	December 31, 2023	September 30, 2023
Raw materials	\$8,205	\$2,467	\$5,268
Work in progress	377,930	395,164	478,152
Finished goods	330,296	406,849	292,015
Total	<u>\$716,431</u>	<u>\$804,480</u>	<u>\$775,435</u>

The cost of inventories recognized in expenses amounted to NT\$814,647 thousand and NT\$851,711 thousand for the three-month periods ended September 30, 2024 and 2023, respectively, including the inventory valuation gain (reversal of decline in market value, obsolete and slow-moving inventories) of NT\$4,262 thousand and the inventory valuation loss of NT\$20,370 thousand for the three-month periods ended September 30, 2024 and 2023, respectively.

The cost of inventories recognized in expenses amounted to NT\$2,212,988 thousand and NT\$2,202,468 thousand for the nine-month periods ended September 30, 2024 and 2023, respectively, including the inventory valuation loss of NT\$11,407 thousand and the inventory valuation gain (reversal of decline in market value, obsolete and slow-moving inventories) of NT\$29,264 thousand for the nine-month periods ended September 30, 2024 and 2023, 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, 2024		December 31, 2023		September 30, 2023	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in an associate:						
Emright Technology Co., Ltd.	<u>\$10,840</u>	30.15%	<u>\$11,804</u>	30.15%	<u>\$14,292</u>	30.15%

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,	
	2024	2023	2024	2023
Income (loss) from continuing operations	\$109	\$(2,341)	\$(964)	\$(7,277)
Other comprehensive income (net of tax)	-	-	-	-
Total comprehensive income (loss)	\$109	\$(2,341)	\$(964)	\$(7,277)

The Group did not have contingent liabilities or capital commitments to the aforementioned associate and the investment was not pledged as of September 30, 2024, December 31, 2023 and September 30, 2023.

The carrying amount of the associate under equity method amounted to NT\$10,840 thousand and NT\$14,292 thousand as of September 30, 2024 and 2023, respectively. The related shares of profit or loss from the associate under the equity method amounted to NT\$109 thousand, NT\$(2,341) thousand, NT\$(964) thousand and NT\$(7,277) thousand for the three-month and nine-month periods ended September 30, 2024 and 2023, respectively. The information related to above associate accounted for under the equity method was not reviewed by independent auditors.

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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, 2024	\$311,450	\$387,143	\$41,084	\$99,713	\$7,763	\$28,451	\$875,604
Additions	-	2,097	-	27,186	780	5,339	35,402
Disposals	-	(1,981)	-	(3,779)	-	(6,866)	(12,626)
Exchange differences	-	-	-	-	263	-	263
As of September 30, 2024	\$311,450	\$387,259	\$41,084	\$123,120	\$8,806	\$26,924	\$898,643
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
Depreciation and impairment:							
As of January 1, 2024	\$-	\$141,598	\$17,484	\$33,253	\$5,423	\$15,704	\$213,462
Depreciation	-	12,043	5,135	20,453	582	4,757	42,970
Disposals	-	(1,981)	-	(3,779)	-	(6,866)	(12,626)
Exchange differences	-	-	-	-	241	-	241
As of September 30, 2024	\$-	\$151,660	\$22,619	\$49,927	\$6,246	\$13,595	\$244,047
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
Net carrying amount as of:							
September 30, 2024	\$311,450	\$235,599	\$18,465	\$73,193	\$2,560	\$13,329	\$654,596
December 31, 2023	\$311,450	\$245,545	\$23,600	\$66,460	\$2,340	\$12,747	\$662,142
September 30, 2023	\$311,450	\$243,376	\$25,312	\$36,704	\$711	\$14,472	\$632,025

(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, 2024	\$12,558	\$2,674,827	\$81,191	\$2,768,576
Additions — acquired separately	2,286	-	16,081	18,367
Disposals	(190)	-	-	(190)
Exchange differences	130	-	-	130
As of September 30, 2024	<u>\$14,784</u>	<u>\$2,674,827</u>	<u>\$97,272</u>	<u>\$2,786,883</u>
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>
Amortization and impairment:				
As of January 1, 2024	\$6,302	\$2,468,504	\$16,090	\$2,490,896
Amortization	2,692	-	7,387	10,079
Disposals	(190)	-	-	(190)
Exchange differences	110	-	-	110
As of September 30, 2024	<u>\$8,914</u>	<u>\$2,468,504</u>	<u>\$23,477</u>	<u>\$2,500,895</u>
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>
Net carrying amount as of:				
September 30, 2024	<u>\$5,870</u>	<u>\$206,323</u>	<u>\$73,795</u>	<u>\$285,988</u>
December 31, 2023	<u>\$6,256</u>	<u>\$206,323</u>	<u>\$65,101</u>	<u>\$277,680</u>
September 30, 2023	<u>\$6,723</u>	<u>\$206,323</u>	<u>\$67,358</u>	<u>\$280,404</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,	
	2024	2023	2024	2023
Selling expenses	\$49	\$64	\$157	\$288
Administrative expenses	\$34	\$38	\$106	\$133
Research and development expenses	\$3,550	\$2,995	\$9,816	\$8,596

(11) Other current liabilities

	As of		
	September 30, 2024	December 31, 2023	September 30, 2023
Refund liabilities	\$232,191	\$173,638	\$188,424
Others	13,605	11,589	12,928
Total	\$245,796	\$185,227	\$201,352

(12) Post-employment benefits plans

Defined contribution plan

For the three-month periods ended September 30, 2024 and 2023, the pension expenses recognized under the defined contribution plan are NT\$8,532 thousand and NT\$8,090 thousand, respectively. For the nine-month periods ended September 30, 2024 and 2023, the pension expenses recognized under the defined contribution plan are NT\$25,257 thousand and NT\$24,131 thousand, respectively.

Defined benefit plan

For the three-month periods ended September 30, 2024 and 2023, the pension expenses recognized under the defined benefit plan are NT\$725 thousand and NT\$729 thousand, respectively. For the nine-month periods ended September 30, 2024 and 2023, the pension expenses recognized under the defined benefit plan are NT\$2,176 thousand and NT\$2,189 thousand, respectively.

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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, 2024, December 31, 2023 and September 30, 2023 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\$1,660,351 thousand, NT\$1,610,801 thousand and NT\$1,610,801 thousand, divided into 166,035,124 shares, 161,080,124 shares and 161,080,124 shares as of September 30, 2024, December 31, 2023 and September 30, 2023, respectively. Each share has one voting right and a right to receive dividends.

On June 16, 2023, the general shareholders' meeting approved to issue restricted shares for employees. As of September 30, 2024, 4,955,000 shares of restricted shares for employees were issued. Relevant regulators' approvals have been obtained and related registration processes have been completed.

(b) Capital surplus

	As of		
	September 30, 2024	December 31, 2023	September 30, 2023
Premium from merger	\$656,877	\$737,417	\$737,417
Restricted shares for employees	781,297	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	14,299	14,299
Others	136,697	136,697	136,697
Total	<u>\$1,738,817</u>	<u>\$1,229,824</u>	<u>\$1,229,824</u>

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

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.

(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 NT\$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.

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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.

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 appropriations of earnings for 2023 and 2022 were resolved by the Board of Directors' meeting on February 23, 2024 and February 23, 2023, respectively. 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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Legal reserve(Note)	\$165,272	\$122,737		
Common stock– cash dividends	1,208,101	885,941	\$7.5	\$5.5

Note: The amount of legal reserve in 2023 and 2022 was approved by the shareholders at the regular shareholders' meeting held on May 28, 2024 and June 16, 2023, respectively.

In addition, the Board of Directors' meeting on February 23, 2024 and February 23, 2023 resolved to distribute the capital surplus by cash in the amount of NT\$80,540 thousand, each share at NT\$0.5.

Please refer to Note 6(18) 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) Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

Restricted shares plans for employees

On June 16, 2023, a compensation plan was approved by the shareholders' meeting to issue 5,000,000 restricted shares to qualified employees, each share were subscribed at par value, and the plan was approved by the competent authority on October 12, 2023. There were 4,955,000 restricted shares issued on September 3, 2024.

The fair value of the restricted shares issued was NT\$135 per share. The estimated compensation expenses amounted to NT\$595,008 thousand in total based on the vesting conditions and will be recognized during the vesting period. As of September 30, 2024, the Company had recognized NT\$16,197 thousand as compensation expense and NT\$578,811 thousand as unearned employee compensation, which were recognized as salary expense and other equity, respectively.

Restrictions on the rights and vesting conditions of restricted shares for employees are as follows:

These employee restricted shares are common shares, the relevant shareholder rights on such shares are subject to restrictions under securities issuance regulations. That is, such shares shall be kept while the vesting period has not been fulfilled, but can have other rights including (but not limited to) dividends and allocation rights of legal reserves and capital surplus (the distributions are not involved in custody), the rights to subscription of new shares and voting rights are all the same as the common shares issued by the Company. Such shares shall also be subject to restrictions on any right to dispose of shares, including (but not limited to) trading and transfer, pledge, mortgaging, gifting, contingent inheritance, etc.

Vesting conditions after issuance and allotment of shares to employees, employees still employed during the vesting period and achieved the personal performance criteria of "good" (or above) with no violation of work rules are eligible to receive the vesting shares by the portion of:

After 2 years of employee's continuous employment: 30%

After 3 years of employee's continuous employment: 30%

After 4 years of employee's continuous employment: 40%

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

For those employees who fail to fulfil the vesting conditions, the Company can reacquire their shares at par value. Non-employment includes (but is not limited to) resignation, layoff, dismissal, self-appointed early retirement, and furlough.

(15) Operating revenues

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2024	2023	2024	2023
Revenue from contracts with customers				
Sale of goods	\$1,846,526	\$1,793,063	\$4,973,204	\$4,817,422
Other operating revenues	16,944	1,291	19,395	9,065
Total	<u>\$1,863,470</u>	<u>\$1,794,354</u>	<u>\$4,992,599</u>	<u>\$4,826,487</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, 2024 and 2023 is as follows:

(a) Contract balances

Contract liabilities – current

	As of			
	September 30, 2024	December 31, 2023	September 30, 2023	January 1, 2023
Sale of goods	<u>\$5,523</u>	<u>\$8,034</u>	<u>\$12,447</u>	<u>\$11,887</u>

The significant changes in the Group's balances of contract liabilities for the nine-month periods ended September 30, 2024 and 2023 are as follows:

	For the nine-month periods ended September 30,	
	2024	2023
The opening balance transferred to revenue	\$(8,031)	\$(11,885)
Increase in receipts in advance during the period (deducting the amount incurred and transferred to revenue during the period)	5,520	12,445
Total	<u>\$(2,511)</u>	<u>\$560</u>

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(b) Transaction price allocated to unsatisfied performance obligations

As of September 30, 2024 and 2023, it was not required to disclose relevant information of the unsatisfied performance obligations as the contract terms with customers about the sales of goods are all shorter than one year.

(c) Assets recognized from costs to fulfil a contract

None.

(16) Expected credit losses

	For the three-month periods		For the nine-month periods	
	ended September 30,		ended September 30,	
	2024	2023	2024	2023
Operating expenses – expected credit losses				
Notes receivables	\$-	\$-	\$-	\$-
Trade receivables	46	-	46	-
Total	<u>\$46</u>	<u>\$-</u>	<u>\$46</u>	<u>\$-</u>

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, 2024, December 31, 2023 and September 30, 2023 are as follows:

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

September 30, 2024

	Not past due (Note)	Past due			Total
		Within 30 days	31-120 days	After 121 days	
Gross carrying amount	\$1,256,786	\$4,183	\$198	\$157	\$1,261,324
Loss ratio	-	-	-	1%-100%	
Lifetime expected credit losses	-	-	-	(46)	(46)
Carrying amount of trade receivables	<u>\$1,256,786</u>	<u>\$4,183</u>	<u>\$198</u>	<u>\$111</u>	<u>\$1,261,278</u>

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

December 31, 2023

	Not past due	Past due			Total
	(Note)	Within 30 days	31-120 days	After 121 days	
Gross carrying amount	\$870,974	\$5,093	\$-	\$-	\$876,067
Loss ratio	-	-	-	1%-100%	
Lifetime expected credit losses	-	-	-	-	-
Carrying amount of trade receivables	\$870,974	\$5,093	\$-	\$-	\$876,067

September 30, 2023

	Not past due	Past due			Total
	(Note)	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

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

(17) 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

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, 2024	December 31, 2023	September 30, 2023
Land	\$72,267	\$74,779	\$75,616
Buildings	13,695	4,596	5,731
Furniture and fixtures	319	513	578
Total	<u>\$86,281</u>	<u>\$79,888</u>	<u>\$81,925</u>

During the nine-month periods ended September 30, 2024 and 2023, the additions to right-of-use assets of the Group amounted to NT\$12,400 thousand and NT\$3,296 thousand, respectively.

II. Lease liabilities

	As of		
	September 30, 2024	December 31, 2023	September 30, 2023
Current	\$7,709	\$6,152	\$7,233
Non-current	81,978	77,011	77,940
Total	<u>\$89,687</u>	<u>\$83,163</u>	<u>\$85,173</u>

Please refer to Note 6(19)(d) for the interest on lease liabilities recognized during the nine-month periods ended September 30, 2024 and 2023, 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,	
	2024	2023	2024	2023
Land	\$838	\$838	\$2,512	\$2,512
Buildings	1,163	1,089	3,358	3,201
Furniture and fixtures	64	65	194	195
Total	<u>\$2,065</u>	<u>\$1,992</u>	<u>\$6,064</u>	<u>\$5,908</u>

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(c) Income and costs relating to leasing activities

	For the three-month periods		For the nine-month periods	
	ended September 30,		ended September 30,	
	2024	2023	2024	2023
The expenses relating to short-term leases	\$448	\$383	\$1,342	\$1,232
The expenses relating to leases of low-value assets (Not including the short-term leases)	42	43	88	87
The expenses relating to variable lease payments not included in the measurement of lease liabilities	340	347	1,058	973
Total	<u>\$830</u>	<u>\$773</u>	<u>\$2,488</u>	<u>\$2,292</u>
Income from subleasing right-of-use assets	<u>\$158</u>	<u>\$158</u>	<u>\$475</u>	<u>\$475</u>

(d) Cash outflow relating to leasing activities

During the nine-month periods ended September 30, 2024 and 2023, the Group's total cash outflows for leases amounted to NT\$9,409 thousand and NT\$9,150 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.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

	For the three-month periods ended September 30,					
	2024			2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$11,974	\$336,751	\$348,725	\$11,779	\$305,472	\$317,251
Labor and health insurance	820	14,705	15,525	921	14,877	15,798
Pension	522	8,735	9,257	503	8,316	8,819
Other employee benefits	301	4,187	4,488	194	2,609	2,803
Total	<u>\$13,617</u>	<u>\$364,378</u>	<u>\$377,995</u>	<u>\$13,397</u>	<u>\$331,274</u>	<u>\$344,671</u>
Depreciation	<u>\$2,035</u>	<u>\$14,983</u>	<u>\$17,018</u>	<u>\$2,006</u>	<u>\$10,798</u>	<u>\$12,804</u>
Amortization	<u>\$-</u>	<u>\$3,633</u>	<u>\$3,633</u>	<u>\$-</u>	<u>\$3,097</u>	<u>\$3,097</u>
	For the nine-month periods ended September 30,					
	2024			2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$35,223	\$911,996	\$947,219	\$34,093	\$845,485	\$879,578
Labor and health insurance	2,564	42,641	45,205	2,595	41,445	44,040
Pension	1,563	25,870	27,433	1,498	24,822	26,320
Other employee benefits	910	12,490	13,400	580	7,829	8,409
Total	<u>\$40,260</u>	<u>\$992,997</u>	<u>\$1,033,257</u>	<u>\$38,766</u>	<u>\$919,581</u>	<u>\$958,347</u>
Depreciation	<u>\$6,099</u>	<u>\$42,935</u>	<u>\$49,034</u>	<u>\$6,020</u>	<u>\$30,215</u>	<u>\$36,235</u>
Amortization	<u>\$-</u>	<u>\$10,079</u>	<u>\$10,079</u>	<u>\$-</u>	<u>\$9,017</u>	<u>\$9,017</u>

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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, 2024 and September 30, 2023 to be NT\$69,109 thousand, NT\$5,861 thousand, NT\$65,604 thousand and NT\$5,550 thousand, respectively. The amounts of the employees' compensation and remuneration to directors for the nine-month periods ended September 30, 2024 and September 30, 2023 were NT\$176,541 thousand, NT\$16,604 thousand, NT\$171,187 thousand and NT\$16,108 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 shares, then the number of shares 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.

The distributions of the employees' compensation and remuneration to directors in cash for 2023 and 2022 were approved through the Board of Directors' meeting on February 23, 2024 and February 23, 2023, 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.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(19) Non-operating income and expenses

(a) Interest income

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2024	2023	2024	2023
Financial assets measured at amortized cost	\$12,143	\$8,282	\$38,721	\$20,352

(b) Other income

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2024	2023	2024	2023
Rental income	\$158	\$158	\$475	\$475
Dividend income	9,458	11,793	18,505	20,813
Others	23,429	42,459	24,650	43,485
Total	\$33,045	\$54,410	\$43,630	\$64,773

(c) Other gains and losses

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2024	2023	2024	2023
Foreign exchange gains (losses), net	\$(6,438)	\$8,022	\$11,869	\$11,692
Gains on financial assets at fair value through profit or loss (Note)	5,595	12,613	27,037	15,631
Others	(5)	-	(5)	(5)
Total	\$(848)	\$20,635	\$38,901	\$27,318

Note: Balances were arising from financial assets mandatorily measured at fair value through profit or loss, including valuation adjustment, dividend 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)

(d) Finance costs

	For the three-month periods		For the nine-month periods	
	ended September 30,		ended September 30,	
	2024	2023	2024	2023
Interest expenses on lease liabilities	\$407	\$391	\$1,109	\$1,213

(20) Components of other comprehensive income (loss)

For the three-month period ended September 30, 2024

	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	\$(41,493)	\$-	\$(41,493)	\$268	\$(41,225)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations	29	-	29	-	29
Total	\$(41,464)	\$-	\$(41,464)	\$268	\$(41,196)

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

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	<u>\$66,372</u>	<u>\$-</u>	<u>\$66,372</u>	<u>\$180</u>	<u>\$66,552</u>

For the nine-month period ended September 30, 2024

	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	\$(81,339)	\$-	\$(81,339)	\$1,708	\$(79,631)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations	100	-	100	-	100
Total	<u>\$(81,239)</u>	<u>\$-</u>	<u>\$(81,239)</u>	<u>\$1,708</u>	<u>\$(79,531)</u>

ITE TECH. INC. AND SUBSIDIARIES

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

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	<u>\$358,049</u>	<u>\$-</u>	<u>\$358,049</u>	<u>\$(1,684)</u>	<u>\$356,365</u>

(21) 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,	
	2024	2023	2024	2023
Current income tax expense (income):				
Current income tax charge	\$130,198	\$122,956	\$331,365	\$318,652
Adjustments in respect of current income tax of prior periods	-	(1)	(42,923)	(37,123)
Deferred tax expense (income):				
Deferred tax income relating to origination and reversal of temporary differences	(9,897)	(10,583)	(11,696)	(8,827)
Total income tax expense	<u>\$120,301</u>	<u>\$112,372</u>	<u>\$276,746</u>	<u>\$272,702</u>

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(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,	
	2024	2023	2024	2023
Deferred tax expense (income):				
Unrealized gains or losses				
from equity instrument				
investments measured at				
fair value through other				
comprehensive income	<u>\$ (268)</u>	<u>\$ (180)</u>	<u>\$ (1,708)</u>	<u>\$ 1,684</u>

(b) The assessment of income tax returns

As of September 30, 2024, 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 2022
Subsidiary - ITE Tech. (Shenzhen) Inc.	Assessed to 2023

(22) Earnings per share

Basic earnings per share 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 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

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(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,	
	2024	2023	2024	2023
(a) Basic earnings per share				
Profit attributable to ordinary equity holders of the parent company (in thousand NT\$)	<u>\$495,839</u>	<u>\$472,513</u>	<u>\$1,295,521</u>	<u>\$1,251,887</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>\$3.08</u>	<u>\$2.93</u>	<u>\$8.04</u>	<u>\$7.77</u>
(b) Diluted earnings per share				
Profit attributable to ordinary equity holders of the parent company after dilution (in thousand NT\$)	<u>\$495,839</u>	<u>\$472,513</u>	<u>\$1,295,521</u>	<u>\$1,251,887</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)	1,252,064	1,090,361	1,503,085	1,458,131
Restricted shares for employees (share)	<u>115,623</u>	<u>-</u>	<u>38,822</u>	<u>-</u>
Weighted average number of ordinary shares outstanding after dilution (share)	<u>162,447,811</u>	<u>162,170,485</u>	<u>162,622,031</u>	<u>162,538,255</u>
Diluted earnings per share (NT\$)	<u>\$3.05</u>	<u>\$2.91</u>	<u>\$7.97</u>	<u>\$7.70</u>

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
UnitedDS Semiconductor (Shandong) Co., Ltd. (Note)	Other related party
Emright Technology Co., Ltd.	Associate

Note: The reinvested subsidiary of United Microelectronics Corp. disposed of its 100% equity interest in UnitedDS Semiconductor (Shandong) Co., Ltd. on August 29, 2024, so it is no longer a related party of the Group since that date.

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>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Associate	\$3,219	\$855	\$3,219	\$1,990

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>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
United Microelectronics Corp.	\$290,360	\$216,556	\$719,679	\$441,652
HeJian Technology (Suzhou) Co., Ltd.	83,719	105,949	256,636	287,247
Other related party	144	293	144	293
Total	\$374,223	\$322,798	\$976,459	\$729,192

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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.

(3) Trade receivables from related parties

	As of		
	September 30, 2024	December 31, 2023	September 30, 2023
Associate	\$1,567	\$847	\$909

(4) Trade payables to related parties

	As of		
	September 30, 2024	December 31, 2023	September 30, 2023
United Microelectronics Corp.	\$179,171	\$122,916	\$132,304
HeJian Technology (Suzhou) Co., Ltd.	55,880	54,186	81,052
Other related party	141	-	303
Total	\$235,192	\$177,102	\$213,659

(5) Other payables to related parties

	As of		
	September 30, 2024	December 31, 2023	September 30, 2023
United Microelectronics Corp.	\$5,840	\$10,565	\$12,674

(6) The Group purchased masks and other from the director of the Group and recognized NT\$9,808 thousand, NT\$14,057 thousand, NT\$50,127 thousand and NT\$51,214 thousand as manufacturing expenses and operating expenses for the three-month and nine-month periods ended September 30, 2024 and 2023, 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\$0, NT\$3,928 thousand, NT\$239 thousand and NT\$4,020 thousand as manufacturing expenses and operating expenses for the three-month and nine-month periods ended September 30, 2024 and 2023, 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,	
	2024	2023	2024	2023
Short-term employee benefits	\$24,234	\$31,409	\$76,326	\$79,462
Post-employment benefits	443	484	1,348	1,455
Share-based payment	1,520	-	1,520	-
Total	\$26,197	\$31,893	\$79,194	\$80,917

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, 2024	December 31, 2023	September 30, 2023	
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 will pay 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, 2024	December 31, 2023	September 30, 2023
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through profit or loss	\$778,741	\$569,769	\$250,422
Financial assets at fair value through other comprehensive income	1,229,996	1,459,037	1,453,929
Financial assets measured at amortized cost (Note)	4,373,888	4,186,219	4,129,479
Total	\$6,382,625	\$6,215,025	\$5,833,830

Financial liabilities

	As of		
	September 30, 2024	December 31, 2023	September 30, 2023
Financial liabilities at amortized cost:			
Trade and other payables (including related parties)	\$1,274,011	\$1,118,264	\$1,124,206
Lease liabilities	89,687	83,163	85,173
Deposits received	28,290	28,290	28,290
Total	\$1,391,988	\$1,229,717	\$1,237,669

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, 2024 and 2023 would decrease/increase by NT\$10,093 thousand and NT\$14,075 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, 2024 and 2023 to increase/decrease both by NT\$0.

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, 2024 and 2023, 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\$14,111 thousand and NT\$30,443 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, 2024, December 31, 2023 and September 30, 2023, trade receivables from top ten customers represented 94.02%, 93.34% and 95.50% 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. 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, 2024	December 31, 2023	September 30, 2023
Simplified approach (Note)	(Note)	Lifetime expected credit losses	\$1,261,324	\$876,067	\$1,241,353

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.

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

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(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, 2024							
Payables (including related parties)	\$1,274,011	\$-	\$-	\$-	\$-	\$-	\$1,274,011
Lease liabilities	\$9,363	\$17,803	\$8,530	\$41,856	\$12,214	\$16,490	\$106,256
Deposits received	\$-	\$28,290	\$-	\$-	\$-	\$-	\$28,290
December 31, 2023							
Payables (including related parties)	\$1,118,264	\$-	\$-	\$-	\$-	\$-	\$1,118,264
Lease liabilities	\$7,512	\$9,904	\$9,017	\$41,856	\$13,722	\$18,121	\$100,132
Deposits received	\$-	\$28,290	\$-	\$-	\$-	\$-	\$28,290
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

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, 2024 and 2023:

	Deposits received	Lease liabilities	Total liabilities from financing activities
As of January 1, 2024	\$28,290	\$83,163	\$111,453
Cash flows	-	(5,876)	(5,876)
Non-cash changes	-	12,400	12,400
As of September 30, 2024	<u>\$28,290</u>	<u>\$89,687</u>	<u>\$117,977</u>
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>

(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.

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

III. Fair value of equity instruments without market quotations (including private company equity securities) is estimated using the market approach and asset 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).

(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, 2024:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Funds	\$590,163	\$-	\$-	\$590,163
Capital	-	-	188,578	188,578
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	141,110	-	1,088,886	1,229,996
Total	<u>\$731,273</u>	<u>\$-</u>	<u>\$1,277,464</u>	<u>\$2,008,737</u>

As of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Funds	\$435,830	\$-	\$-	\$435,830
Capital	-	-	133,939	133,939
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	333,627	-	1,125,410	1,459,037
Total	<u>\$769,457</u>	<u>\$-</u>	<u>\$1,259,349</u>	<u>\$2,028,806</u>

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>

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, 2024 and 2023, 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, 2024	\$133,939	\$1,125,410	\$1,259,349
Total gains and losses recognized:			
Amount recognized in profit or loss ("other gains and losses")	18,726	-	18,726
Amount recognized in other comprehensive income ("Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income")	-	(24,024)	(24,024)
Additions	35,913	37,500	73,413
Capital return	-	(50,000)	(50,000)
As of September 30, 2024	<u>\$188,578</u>	<u>\$1,088,886</u>	<u>\$1,277,464</u>
	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>

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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, 2024

	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\$20,953 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\$18,322 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\$106,782 thousand

As of December 31, 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\$14,882 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 technique	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity analysis of the input to fair value
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\$20,662 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\$108,975 thousand

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)

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, 2024			December 31, 2023		
	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	\$15,381	31.60	\$486,053	\$17,268	30.705	\$530,202
<u>Financial liabilities</u>						
Monetary items:						
USD	\$8,993	31.60	\$284,184	\$7,089	30.705	\$217,676
	As of					
	September 30, 2023					
	Foreign currencies (In thousands)	Foreign exchange rate	NTD (In thousands)			
<u>Financial assets</u>						
Monetary items:						
USD	\$16,656	32.285	\$537,731			
<u>Financial liabilities</u>						
Monetary items:						
USD	\$7,937	32.285	\$256,246			

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

During the three-month and nine-month periods ended September 30, 2024 and 2023, the foreign exchange gains (losses) were NT\$(6,438) thousand, NT\$8,022 thousand, NT\$11,869 thousand and NT\$11,692 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, 2024:

(a) Financing provided to others: None.

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

(c) Marketable securities held as of September 30, 2024 (excluding subsidiaries, associates and joint ventures):

Amount: Thousands of NTD

Held Company Name	Marketable Securities Type and Name		Relationship with the Company	Financial Statement Account	September 30, 2024				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
ITE Tech. Inc.	Common Stock	Unitech Capital, Inc.	-	Financial assets at fair value through other comprehensive income, non-current	2,000,000	\$45,180	4.00%	\$45,180	
	Common Stock	Shieh Yong Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	31,602,269	\$313,179	1.52%	\$313,179	
	Common Stock	Darjun Venture Corporation	-	Financial assets at fair value through other comprehensive income, non-current	9,280,000	\$85,283	19.61%	\$85,283	
	Common Stock	TriKnight Capital Corporation	-	Financial assets at fair value through other comprehensive income, non-current	23,841,800	\$177,621	5.00%	\$177,621	
	Common Stock	Darhe II Venture Corporation	-	Financial assets at fair value through other comprehensive income, non-current	10,000,000	\$92,100	14.29%	\$92,100	
	Common Stock	Darchan Venture Corporation	-	Financial assets at fair value through other comprehensive income, non-current	20,000,000	\$180,600	18.18%	\$180,600	
	Common Stock	Darjiun Venture Corporation	-	Financial assets at fair value through other comprehensive income, non-current	7,500,000	\$66,675	10.00%	\$66,675	
	Common Stock	Generiton Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	508,047	\$31,352	12.70%	\$31,352	

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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, 2024				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
ITE Tech. Inc.	Common Stock	Embester Technology Inc.	-	Financial assets at fair value through other comprehensive income, non-current	4,840,000	\$75,746	16.92%	\$75,746	
	Common Stock	Isentek Inc.	-	Financial assets at fair value through other comprehensive income, non-current	1,000,000	\$21,150	3.30%	\$21,150	
	Common Stock	Gigastone Corporation	-	Financial assets at fair value through other comprehensive income, non-current	636,841	\$27,830	1.26%	\$27,830	
	Common Stock	M3 Technology Inc.	-	Financial assets at fair value through other comprehensive income, non-current	944,000	\$113,280	2.21%	\$113,280	
	Fund	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss, current	17,873,273.90	\$251,885	-	\$251,885	
	Fund	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss, current	6,862,109.20	\$101,304	-	\$101,304	
	Fund	Nomura Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss, current	5,947,034.57	\$100,558	-	\$100,558	
	Fund	Fubon Chi-Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss, current	3,081,683.10	\$50,140	-	\$50,140	
	Fund	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss, current	3,252,370.98	\$50,129	-	\$50,129	
	Fund	Yuanta/P-shares Taiwan Dividend Plus ETF	-	Financial assets at fair value through profit or loss, non-current	935,000	\$36,147	-	\$36,147	
Capital	TGVest Asia Partners II (Taiwan), L.P.	-	Financial assets at fair value through profit or loss, non-current	-	\$188,578	-	\$188,578		

ITE TECH. INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
- (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	\$719,679	66.39%	45 days after month-end	Not comparable to the market due to differentiation of manufacturing process and product specification	Same as general trading conditions	\$(179,171)	(26.64)%	
	HeJian Technology (Suzhou) Co., Ltd.	Other related party	Purchases	\$256,636	23.67%	45 days after month-end	Not comparable to the market due to differentiation of manufacturing process and product specification	Same as general trading conditions	\$(55,880)	(8.31)%	

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, 2024: None.
- (i) Trading in derivative instruments: None.
- (j) Intercompany relationship and significant intercompany transactions:

Amount: Thousands of NTD

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	\$29,719	On demand	0.60%

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, 2024 (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, 2024			Net Income (Losses) of the Investee Company	Share of Profits /(Losses)	Note
				September 30, 2024	December 31, 2023	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%	\$10,840	\$(3,199)	\$(964)	

(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, 2024 (Note 4)	Investment Flows		Accumulated outflow of Investment from Taiwan as of September 30, 2024 (Note 4)	Percentage of Ownership	Net Income (Losses) of the Investee Company	Share of Profits /(Losses) (Note 3)	Carrying Amount as of September 30, 2024 (Note 3)	Accumulated Inward Remittance of Earnings as of September 30, 2024
					Outflow	Inflow						
ITE Tech. (Shenzhen) Inc.	Technological consultation services for ICs products	\$18,960 USD 600,000	Direct investment in Mainland China (Note 1)	\$18,960 USD 600,000	\$-	\$-	\$18,960 USD 600,000	100%	\$613	\$613	\$2,780	\$-

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, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$18,960 (Note 4) (USD600,000)	\$18,960 (Note 4) (USD600,000)	\$3,848,348 (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=31.60NTD).

(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	8.40%
Capital Tip Customized Taiwan Select High Dividend ETF	13,587,000	8.18%

Note 1: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the Company without physical registration (including treasury shares) is more than 5%. As for the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration, the calculation basis may be different or inconsistent.

Note 2: If the above data is number of trusted shares, it is disclosed by accounts of trustee. The report of shareholders who holding more than 10% ownership according to Securities and Exchange Act, includes the shares held by shareholders and trusted assets with right to use. Please refer to Market Observation Post System for insiders to report changes in shareholding to the Company.

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 Material Accounting Policies.