

LCY Technology Corp. and Subsidiary

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
LCY Technology Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of LCY Technology Corp. and its subsidiary (collectively, the "Group") as of September 30, 2024 and 2023, the related consolidated statements of comprehensive income for the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2024 and 2023, its consolidated financial performance for the three months ended September 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Wen-Chi Kuo and Chien-Liang Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 7, 2024

Notice to Readers

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

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

LCY TECHNOLOGY CORP. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2024		December 31, 2023		September 30, 2023	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash (Note 6)	\$ 232,054	8	\$ 558,512	20	\$ 447,181	16
Trade receivable (Note 8)	824,209	30	818,184	29	969,893	34
Other receivables (Notes 8 and 26)	124,347	4	122,084	4	125,581	4
Other receivables - related parties (Note 27)	801	-	25	-	33	-
Current tax assets	2,619	-	1,351	-	-	-
Inventories (Note 9)	793,996	29	587,404	21	621,503	22
Prepayments (Note 14)	28,607	1	3,102	-	19,497	1
Other current assets (Note 14)	44,669	2	42,822	2	43,440	1
Total current assets	2,051,302	74	2,133,484	76	2,227,128	78
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income (Note 7)	132,667	5	81,716	3	53,347	2
Investments accounted for using the equity method (Note 11)	2,021	-	2,022	-	2,016	-
Property, plant and equipment (Notes 12 and 27)	373,757	14	410,525	15	428,084	15
Right-of-use assets (Notes 13 and 27)	111,544	4	117,954	4	120,567	4
Other intangible assets	3,825	-	4,277	-	3,888	-
Deferred tax assets	78,325	3	39,762	2	26,696	1
Refundable deposits (Note 27)	3,020	-	3,687	-	3,687	-
Long-term prepayments	147	-	241	-	272	-
Total non-current assets	705,306	26	660,184	24	638,557	22
TOTAL	\$ 2,756,608	100	\$ 2,793,668	100	\$ 2,865,685	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 15)	\$ 110,000	4	\$ 37,500	1	\$ 50,000	2
Trade payables (Note 16)	257,114	9	288,855	10	266,821	9
Trade payables - related parties (Note 27)	53,495	2	41,237	2	51,013	2
Other payables (Note 17)	89,424	3	80,355	3	91,864	3
Other payables - related parties (Note 27)	14,205	1	13,607	1	14,553	1
Current tax liabilities	-	-	-	-	3,116	-
Lease liabilities (Notes 13 and 27)	8,732	-	9,961	-	10,024	-
Other current liabilities (Notes 17 and 20)	14,409	1	5,584	-	3,408	-
Total current liabilities	547,379	20	477,099	17	490,799	17
NON-CURRENT LIABILITIES						
Deferred tax liabilities	76	-	101	-	6,230	-
Lease liabilities (Notes 13 and 27)	107,702	4	112,405	4	114,776	4
Total non-current liabilities	107,778	4	112,506	4	121,006	4
Total liabilities	655,157	24	589,605	21	611,805	21
EQUITY (Note 19)						
Share capital	1,377,765	50	1,377,765	49	1,377,765	48
Capital surplus	324,451	12	323,671	12	323,448	12
Retained earnings						
Legal reserve	179,164	6	179,164	7	179,164	6
Unappropriated earnings	135,209	5	289,552	10	367,960	13
Total retained earnings	314,373	11	468,716	17	547,124	19
Other equity	84,862	3	33,911	1	5,543	-
Total equity	2,101,451	76	2,204,063	79	2,253,880	79
TOTAL	\$ 2,756,608	100	\$ 2,793,668	100	\$ 2,865,685	100

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

LCY TECHNOLOGY CORP. AND SUBSIDIARY

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
SALES (Note 27)	\$ 711,981	100	\$ 895,365	100	\$ 2,418,559	100	\$ 2,717,485	100
COST OF GOODS SOLD (Notes 9, 21 and 27)	<u>821,150</u>	<u>115</u>	<u>928,596</u>	<u>104</u>	<u>2,547,878</u>	<u>105</u>	<u>2,733,362</u>	<u>100</u>
GROSS LOSS	<u>(109,169)</u>	<u>(15)</u>	<u>(33,231)</u>	<u>(4)</u>	<u>(129,319)</u>	<u>(5)</u>	<u>(15,877)</u>	<u>-</u>
OPERATING EXPENSES (Notes 21 and 27)								
Selling and marketing expenses	17,766	3	17,457	2	51,207	2	51,003	2
General and administrative expenses	16,192	2	13,246	2	62,860	3	47,069	2
Research and development expenses	<u>2,766</u>	<u>-</u>	<u>2,100</u>	<u>-</u>	<u>8,929</u>	<u>-</u>	<u>7,881</u>	<u>-</u>
Total operating expenses	<u>36,724</u>	<u>5</u>	<u>32,803</u>	<u>4</u>	<u>122,996</u>	<u>5</u>	<u>105,953</u>	<u>4</u>
LOSS FROM OPERATIONS	<u>(145,893)</u>	<u>(20)</u>	<u>(66,034)</u>	<u>(8)</u>	<u>(252,315)</u>	<u>(10)</u>	<u>(121,830)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 21 and 27)								
Interest income	2,670	-	3,473	1	12,764	-	10,311	-
Other income	5,526	1	3,215	-	13,168	1	9,005	-
Other gains and losses	(19,570)	(3)	36,135	4	35,540	1	39,734	2
Finance costs	(746)	-	(786)	-	(2,106)	-	(1,967)	-
Share of profit or loss of associates (Note 11)	<u>6</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>18</u>	<u>-</u>	<u>15</u>	<u>-</u>
Total non-operating income and expenses	<u>(12,114)</u>	<u>(2)</u>	<u>42,042</u>	<u>5</u>	<u>59,384</u>	<u>2</u>	<u>57,098</u>	<u>2</u>
LOSS BEFORE INCOME TAX	(158,007)	(22)	(23,992)	(3)	(192,931)	(8)	(64,732)	(2)
INCOME TAX BENEFIT (Note 22)	<u>(31,599)</u>	<u>(4)</u>	<u>(5,214)</u>	<u>(1)</u>	<u>(38,588)</u>	<u>(2)</u>	<u>(9,375)</u>	<u>-</u>
NET LOSS	<u>(126,408)</u>	<u>(18)</u>	<u>(18,778)</u>	<u>(2)</u>	<u>(154,343)</u>	<u>(6)</u>	<u>(55,357)</u>	<u>(2)</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	8,261	1	2,603	-	50,951	2	(3,723)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of financial statements of foreign operations	<u>(1)</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
Total other comprehensive income (loss)	<u>8,260</u>	<u>1</u>	<u>2,604</u>	<u>-</u>	<u>50,951</u>	<u>2</u>	<u>(3,722)</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS	<u>\$ (118,148)</u>	<u>(17)</u>	<u>\$ (16,174)</u>	<u>(2)</u>	<u>\$ (103,392)</u>	<u>(4)</u>	<u>\$ (59,079)</u>	<u>(2)</u>

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LCY TECHNOLOGY CORP. AND SUBSIDIARY

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
LOSS PER SHARE (Note 23)								
Basic	<u>\$ (0.92)</u>		<u>\$ (0.14)</u>		<u>\$ (1.12)</u>		<u>\$ (0.40)</u>	
Diluted	<u>\$ (0.92)</u>		<u>\$ (0.14)</u>		<u>\$ (1.12)</u>		<u>\$ (0.40)</u>	

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

(Concluded)

LCY TECHNOLOGY CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus	Retained Earnings		Other Equity		Total Equity
	Number of Shares (In Thousands)	Ordinary Share		Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2023	137,776	\$ 1,377,765	\$ 318,594	\$ 158,865	\$ 512,504	\$ 136	\$ 9,129	\$ 2,376,993
Appropriation of 2022 earnings								
Legal reserve	-	-	-	20,299	(20,299)	-	-	-
Cash dividends	-	-	-	-	(68,888)	-	-	(68,888)
Share-based payment	-	-	4,854	-	-	-	-	4,854
Net loss for the nine months ended September 30, 2023	-	-	-	-	(55,357)	-	-	(55,357)
Other comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	-	1	(3,723)	(3,722)
Total comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	(55,357)	1	(3,723)	(59,079)
BALANCE AT SEPTEMBER 30, 2023	<u>137,776</u>	<u>\$ 1,377,765</u>	<u>\$ 323,448</u>	<u>\$ 179,164</u>	<u>\$ 367,960</u>	<u>\$ 137</u>	<u>\$ 5,406</u>	<u>\$ 2,253,880</u>
BALANCE AT JANUARY 1, 2024	137,776	\$ 1,377,765	\$ 323,671	\$ 179,164	\$ 289,552	\$ 136	\$ 33,775	\$ 2,204,063
Share-based payment	-	-	780	-	-	-	-	780
Net loss for the nine months ended September 30, 2024	-	-	-	-	(154,343)	-	-	(154,343)
Other comprehensive income for the nine months ended September 30, 2024	-	-	-	-	-	-	50,951	50,951
Total comprehensive income (loss) for the nine months ended September 30, 2024	-	-	-	-	(154,343)	-	50,951	(103,392)
BALANCE AT SEPTEMBER 30, 2024	<u>137,776</u>	<u>\$ 1,377,765</u>	<u>\$ 324,451</u>	<u>\$ 179,164</u>	<u>\$ 135,209</u>	<u>\$ 136</u>	<u>\$ 84,726</u>	<u>\$ 2,101,451</u>

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

LCY TECHNOLOGY CORP. AND SUBSIDIARY

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

	For the Nine Months Ended September 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (192,931)	\$ (64,732)
Adjustments for:		
Depreciation expenses	62,188	66,394
Amortization expenses	874	1,021
Expected credit loss reversed on trade receivables	-	(2)
Amortization of prepayments	602	2,569
Share-based payment	780	4,854
Finance costs	2,106	1,967
Interest income	(12,764)	(10,311)
Share of profit of associates accounted for using equity method	(18)	(15)
Write-down of inventories	55,231	11,815
Net gain on unrealized foreign currency exchange	(18,212)	(42,100)
Gain on lease modification	(6)	-
Changes in operating assets and liabilities		
Trade receivables	7,487	(75,024)
Trade receivables - related parties	-	2,339
Other receivables	(1,713)	24,233
Other receivables - related parties	(776)	227
Inventories	(261,823)	20,476
Prepayments	(26,013)	(10,930)
Other current assets	(1,847)	(5,737)
Trade payables	(33,667)	(43,751)
Trade payables - related parties	11,694	9,496
Other payables	10,149	(14,679)
Other payables - related parties	598	(6,488)
Other current liabilities	8,825	(3,944)
Cash used in operations	(389,236)	(132,322)
Interest paid	(2,068)	(1,967)
Income tax paid	(1,268)	(66,934)
Net cash used in operating activities	(392,572)	(201,223)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(19,113)	(66,200)
Decrease (increase) in refundable deposits	667	(460)
Interest received	12,764	10,311
Dividends received	19	5
Net cash used in investing activities	(5,663)	(56,344)

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LCY TECHNOLOGY CORP. AND SUBSIDIARY

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

	For the Nine Months Ended September 30	
	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	\$ 110,000	\$ 50,000
Decrease in short-term loans	(37,500)	-
Repayment of the principal portion of lease liabilities	(7,363)	(7,186)
Payment of cash dividends	<u>-</u>	<u>(68,888)</u>
Net cash generated from (used in) financing activities	<u>65,137</u>	<u>(26,074)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>6,640</u>	<u>9,767</u>
NET DECREASE IN CASH	(326,458)	(273,874)
CASH AT THE BEGINNING OF THE PERIOD	<u>558,512</u>	<u>721,055</u>
CASH AT THE END OF THE PERIOD	<u>\$ 232,054</u>	<u>\$ 447,181</u>

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

(Concluded)

LCY TECHNOLOGY CORP. AND SUBSIDIARY

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

1. GENERAL INFORMATION

LCY Technology Corp. (the “Corporation”), incorporated on January 16, 1997, mainly manufactures and sells electrolytic copper foil, an upstream material for printed circuit boards (PCBs).

The Corporation’s shares have been listed on the Taiwan Stock Exchange since June 28, 2018.

These consolidated financial statements of the Corporation and its subsidiary (collectively, the “Group”) are presented in the Corporation’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on November 7, 2024.

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

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

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

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

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

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

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note)
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

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

IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 will supersede IAS 1 “Presentation of Financial Statements”. The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as “other” only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for an asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

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

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and
- c. Liabilities for which the Group does not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (its subsidiary, including special purpose entities).

When necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 10 and Table 3 for the detailed information of the subsidiary (including the percentages of ownership and main businesses).

Foreign Currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting consolidated financial statements, the financial statements of the Corporation and other entities in the Group (including subsidiary in other country or those that use currencies which are different from the currency of the Corporation) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date. The cost of inventory received in a swap is based on the carrying amount of inventory given out.

Investments in Associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Property, Plant and Equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Property, Plant and Equipment, Right-of-use Asset and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units or to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is assessed by discounting the estimated future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a. Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost, investments in debt instruments and equity instruments at FVTOCI.

1) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

2) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- a) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- b) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

3) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- 1) Internal or external information show that the debtor is unlikely to pay its creditors.
- 2) When a financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c. **Derecognition of financial assets**

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Equity instruments

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

a. **Subsequent measurement**

All financial liabilities are measured at amortized cost using the effective interest method.

b. **Derecognition of financial liabilities**

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Revenue Recognition

The Group identifies contracts and performance obligations in each contract, allocates the transaction price to the performance obligations in each contract, and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of electrolytic copper foil products. Sales of goods are recognized as revenue when the goods are delivered to the customer's specified location (destination or shipping port) because it is the time when the customer has full control over the products and the Group's performance obligations are satisfied. Trade receivables are recognized concurrently. The Group recognizes contract liabilities for payments received before the delivery of the goods and assumes the responsibility to transfer the goods.

Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in the lease or other terms, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Share-based Payment Arrangements

The Corporation's parent grants cash-settled share-based payment to the employees of the Corporation

The Corporation's parent grants the cash-settled share-based payment to the Corporation's employees and the parent has the obligation to settle the share-based transaction by cash, which is treated as a capital contribution to the Corporation. The fair value at the grant date of the cash-settled share-based payments is expensed on a straight-line basis over the vesting period, with a corresponding recognition of capital surplus - share-based payments.

Taxation

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Based on the assessment of the Group's management, the accounting policies, estimates, and assumptions adopted by the Group have not been subject to material accounting judgments, estimates and assumptions uncertainty.

6. CASH

	September 30, 2024	December 31, 2023	September 30, 2023
Cash on hand	\$ 92	\$ 19	\$ 86
Checking accounts and demand deposits	<u>231,962</u>	<u>558,493</u>	<u>447,095</u>
	<u>\$ 232,054</u>	<u>\$ 558,512</u>	<u>\$ 447,181</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Non-current</u>			
Domestic investments			
Unlisted shares	\$ 132,667	\$ 81,716	\$ 53,347

These investments in equity instruments are held for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

8. TRADE RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Trade receivables</u>			
At amortized cost			
Carrying amount	\$ 805,733	\$ 790,470	\$ 944,093
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	805,733	790,470	944,093
At FVTOCI	<u>18,476</u>	<u>27,714</u>	<u>25,800</u>
	<u>\$ 824,209</u>	<u>\$ 818,184</u>	<u>\$ 969,893</u>
<u>Other receivables</u>			
Factored accounts receivable	\$ 39,910	\$ 34,219	\$ 51,484
Sales tax refund receivable	22,917	30,893	26,741
Others	<u>61,520</u>	<u>56,972</u>	<u>47,356</u>
	<u>\$ 124,347</u>	<u>\$ 122,084</u>	<u>\$ 125,581</u>

Trade receivables

a. At amortized cost

The average credit period of sales of goods was 90-120 days.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In determining the recoverable amount of trade receivables, the Group considers any changes in the credit quality of trade receivables from the original credit grant date to the balance sheet date. Accordingly, the management of the Group believes that the credit risk of the Group has been significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. The Group establishes credit loss rates based on historical credit loss experience and the loss patterns of different customer segments supplemented by the number of days past due on trade receivables.

The aging of receivables was as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Not past due	\$ 792,957	\$ 790,470	\$ 939,266
Up to 90 days	<u>12,776</u>	<u>-</u>	<u>4,827</u>
	<u>\$ 805,733</u>	<u>\$ 790,470</u>	<u>\$ 944,093</u>

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

b. At FVTOCI

The Group will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets.

As of September 30, 2024, December 31, 2023 and September 30, 2023, there was no past due trade receivables and no allowance was provided for losses.

Refer to Note 26 for details of the factoring agreements for trade receivables.

9. INVENTORIES

	September 30, 2024	December 31, 2023	September 30, 2023
Finished goods	\$ 406,683	\$ 230,583	\$ 317,459
Work in process	296,087	290,762	264,148
Raw materials and supplies	<u>91,226</u>	<u>66,059</u>	<u>39,896</u>
	<u>\$ 793,996</u>	<u>\$ 587,404</u>	<u>\$ 621,503</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Cost of inventories sold	\$ 750,986	\$ 903,805	\$ 2,433,754	\$ 2,686,826
Inventory write-downs	49,890	3,573	55,231	11,815
Unallocated manufacturing overhead	<u>20,274</u>	<u>21,218</u>	<u>58,893</u>	<u>34,721</u>
	<u>\$ 821,150</u>	<u>\$ 928,596</u>	<u>\$ 2,547,878</u>	<u>\$ 2,733,362</u>

10. SUBSIDIARY

Subsidiary included in the consolidated financial statements:

Investor	Investee	Nature of Activities	% of Ownership			Remark
			September 30, 2024	December 31, 2023	September 30, 2023	
LCY Technology Corp.	LCY Holdings Corp.	Investment	100.0	100.0	100.0	-

Based on the Corporation's evaluation, the abovementioned foreign subsidiary does not have any anticipated significant business risk.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associate

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Associate that is not individually material</u>			
Unlisted company			
Kaohsiung Cogen Co., Ltd.	<u>\$ 2,021</u>	<u>\$ 2,022</u>	<u>\$ 2,016</u>

Percentage of ownership interest and voting rights of the Group in the associate as of the balance sheet date.

Investee	September 30, 2024	December 31, 2023	September 30, 2023
Kaohsiung Cogen Co., Ltd.	20%	20%	20%

Aggregate information of associate that is not individually material

	For the Nine Months Ended September 30	
	2024	2023
The Group's share of:		
Net profit	<u>\$ 18</u>	<u>\$ 15</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Property in Construction	Total
<u>Cost</u>						
Balance at January 1, 2024	\$ 447,044	\$ 3,360,463	\$ 7,702	\$ 94,316	\$ 7,680	\$ 3,917,205
Additions	-	733	-	2,605	17,506	20,844
Disposals	-	(9,675)	-	(1,335)	-	(11,010)
Reclassified to expenses	-	-	-	(2,865)	-	(2,865)
Reclassified property in construction	-	4,500	-	3,980	(8,480)	-
Reclassified intangible assets	-	-	-	-	(422)	(422)
Balance at September 30, 2024	<u>\$ 447,044</u>	<u>\$ 3,356,021</u>	<u>\$ 7,702</u>	<u>\$ 96,701</u>	<u>\$ 16,284</u>	<u>\$ 3,923,752</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2024	\$ 359,936	\$ 3,090,338	\$ 6,643	\$ 49,763	\$ -	\$ 3,506,680
Disposals	-	(9,675)	-	(1,335)	-	(11,010)
Depreciation expense	12,398	36,035	148	5,744	-	54,325
Balance at September 30, 2024	<u>\$ 372,334</u>	<u>\$ 3,116,698</u>	<u>\$ 6,791</u>	<u>\$ 54,172</u>	<u>\$ -</u>	<u>\$ 3,549,995</u>
Carrying amount at September 30, 2024	<u>\$ 74,710</u>	<u>\$ 239,323</u>	<u>\$ 911</u>	<u>\$ 42,529</u>	<u>\$ 16,284</u>	<u>\$ 373,757</u>
<u>Cost</u>						
Balance at January 1, 2023	\$ 449,111	\$ 3,277,783	\$ 8,333	\$ 81,565	\$ 72,016	\$ 3,888,808
Additions	-	390	-	3,002	28,290	31,682
Disposals	-	(2,406)	(631)	(78)	-	(3,115)
Reclassified to expenses	-	-	-	(1,463)	-	(1,463)
Reclassified property in construction	-	74,022	-	9,384	(83,406)	-
Balance at September 30, 2023	<u>\$ 449,111</u>	<u>\$ 3,349,789</u>	<u>\$ 7,702</u>	<u>\$ 92,410</u>	<u>\$ 16,900</u>	<u>\$ 3,915,912</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ 341,650	\$ 3,041,884	\$ 7,063	\$ 41,754	\$ -	\$ 3,432,351
Disposals	-	(2,406)	(631)	(78)	-	(3,115)
Depreciation expense	14,847	37,561	158	6,026	-	58,592
Balance at September 30, 2023	<u>\$ 356,497</u>	<u>\$ 3,077,039</u>	<u>\$ 6,590</u>	<u>\$ 47,702</u>	<u>\$ -</u>	<u>\$ 3,487,828</u>
Carrying amount at September 30, 2023	<u>\$ 92,614</u>	<u>\$ 272,750</u>	<u>\$ 1,112</u>	<u>\$ 44,708</u>	<u>\$ 16,900</u>	<u>\$ 428,084</u>

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

Building	
Main buildings	26 years
Plant accessories and office renovation	3-11 years
Machinery and equipment	2-20 years
Transportation equipment	5-10 years
Other equipment	2-20 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Carrying amount</u>			
Land	\$ 109,324	\$ 115,193	\$ 117,149
Buildings	490	1,962	2,453
Office equipment	119	163	178
Transportation equipment	<u>1,611</u>	<u>636</u>	<u>787</u>
	<u>\$ 111,544</u>	<u>\$ 117,954</u>	<u>\$ 120,567</u>
	For the Three Months Ended September 30		For the Nine Months Ended September 30
	2024	2023	2024
2023			
Additions to right-of-use assets	<u>\$ 681</u>	<u>\$ -</u>	<u>\$ 1,865</u>
Depreciation charge for right-of-use assets			
Land	\$ 1,956	\$ 1,956	\$ 5,869
Buildings	491	490	1,472
Office equipment	14	14	44
Transportation equipment	<u>155</u>	<u>152</u>	<u>478</u>
	<u>\$ 2,616</u>	<u>\$ 2,612</u>	<u>\$ 7,863</u>
			<u>\$ 7,802</u>

Except for the recognized depreciation, the Group did not have significant addition, sublease or impairment of right-of-use assets for the nine months ended September 30, 2024 and 2023.

b. Lease liabilities

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Carrying amount</u>			
Current	<u>\$ 8,732</u>	<u>\$ 9,961</u>	<u>\$ 10,024</u>
Non-current	<u>\$ 107,702</u>	<u>\$ 112,405</u>	<u>\$ 114,776</u>

Range of discount rates for lease liabilities was as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Land	1.41%-1.85%	1.41%-1.85%	1.41%-1.85%
Buildings	1.41%	1.41%	1.41%
Office equipment	1.38%	1.38%	1.38%
Transportation equipment	2.30%	1.37%-2.66%	1.37%-2.66%

c. Material leasing activities and terms

The Group mainly leases office and land with lease terms of 3 to 10 years. The Group does not have bargain purchase options to acquire the leasehold office and land at the end of the lease terms; the lease term of the land has option to extend for another 10 years.

d. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Expenses relating to short-term leases	\$ -	\$ 222	\$ -	\$ 831
Expenses relating to low-value asset leases	\$ 6	\$ 14	\$ 27	\$ 35
Total cash outflow for leases	\$ (3,009)	\$ (3,233)	\$ (9,050)	\$ (9,825)

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

14. OTHER ASSETS

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Current</u>			
Prepayments			
Input tax	\$ 11,721	\$ 1	\$ 9,253
Prepaid expenses	7,040	3,053	7,391
Others	<u>9,846</u>	<u>48</u>	<u>2,853</u>
	<u>\$ 28,607</u>	<u>\$ 3,102</u>	<u>\$ 19,497</u>
Other current assets			
Spare parts	\$ 44,477	\$ 42,242	\$ 43,146
Others	<u>192</u>	<u>580</u>	<u>294</u>
	<u>\$ 44,669</u>	<u>\$ 42,822</u>	<u>\$ 43,440</u>

15. SHORT-TERM BORROWINGS

	September 30, 2024	December 31, 2023	September 30, 2023
Unsecured borrowings			
Line of credit borrowings	<u>\$ 110,000</u>	<u>\$ 37,500</u>	<u>\$ 50,000</u>

The weighted average effective interest rates on bank loans were 1.98%-2.0%, 1.9% and 1.9% per annum as of September 30, 2024, December 31, 2023 and September 30, 2023, respectively.

16. TRADE PAYABLES

Trade payables are generated from operations. The average credit period on purchases of certain goods was 29 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

17. OTHER LIABILITIES

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Current</u>			
Other payables			
Payables for utilities	\$ 35,456	\$ 25,520	\$ 29,377
Payables for salaries and bonuses	28,335	29,759	33,816
Payables for commission	5,737	4,474	4,330
Payables for equipment	1,825	2,959	4,658
Others	<u>18,071</u>	<u>17,643</u>	<u>19,683</u>
	<u>\$ 89,424</u>	<u>\$ 80,355</u>	<u>\$ 91,864</u>
Other liabilities			
Contract liabilities	\$ 9,073	\$ -	\$ -
Refund liabilities	4,642	4,895	2,723
Others	<u>694</u>	<u>689</u>	<u>685</u>
	<u>\$ 14,409</u>	<u>\$ 5,584</u>	<u>\$ 3,408</u>

Refund liabilities are recognized on the basis of historical experience, management's judgment and other known reasons for possible sales return and discount, and the relative amount is recognized as a deduction to sale of goods upon the goods were sold.

18. RETIREMENT BENEFIT PLANS

The pension plan under the Labor Pension Act is a defined contribution pension plan. Pursuant to the plan, the Corporation make monthly contributions to employees' individual pension accounts at 6% of each employee's monthly salary.

19. EQUITY

a. Ordinary shares

	September 30, 2024	December 31, 2023	September 30, 2023
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>137,776</u>	<u>137,776</u>	<u>137,776</u>
Shares issued and fully paid	<u>\$ 1,377,765</u>	<u>\$ 1,377,765</u>	<u>\$ 1,377,765</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

The \$240,000 thousand of the authorized capital share is reserved for the exercise of share options for warrants, preferred share with share options, and corporate bonds with share options.

b. Capital surplus

	September 30, 2024	December 31, 2023	September 30, 2023
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital			
Issuance of ordinary shares	\$ 307,478	\$ 307,478	\$ 307,478
<u>May not be used for any purpose</u>			
Share-based payment arrangements	<u>16,973</u>	<u>16,193</u>	<u>15,970</u>
	<u>\$ 324,451</u>	<u>\$ 323,671</u>	<u>\$ 323,448</u>

Capital surplus arising from issuance of ordinary shares may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

c. Retained earnings and dividend policy

Under the Corporation's Articles of Incorporation (the "Articles"), the proposal for profit distribution or offsetting of losses should be made at the end of each quarter of the fiscal year. The distribution should be resolved in the shareholders' meeting if the dividends and bonuses are distributed by issuance of shares, while the board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash.

Where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan. The proposal for profit distribution or offsetting of losses made at the end of each quarter should be in compliance with the aforementioned procedures. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses, legal reserve and capital surplus in cash and a report of such distribution should be submitted in the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 21 (e).

The Company's Articles also stipulate a dividends policy whereby the issuance of share dividends takes precedence over the payment of cash dividends. In principle, cash dividends are no less than 10% of the total dividends distributed.

When a special reserve is appropriated for cumulative net debit balance reserves from prior period, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient.

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

The appropriation of earnings for the year ended December 31, 2022 was as follows:

	For the Year Ended December 31, 2022
Legal reserve	\$ 20,299
Cash dividends	68,888
Dividends per share (NT\$)	0.5

The above 2022 appropriation for cash dividends was resolved by the Company's board of directors on March 24, 2023; the other proposed appropriation was resolved by the shareholders in their meeting on June 28, 2023.

The loss off-setting proposal for the year ended December 31, 2023 was resolved by the shareholders in their meeting on June 18, 2024.

20. REVENUE

Contract Balances

	September 30, 2024	December 31, 2023	September 30, 2023	January 1, 2023
Trade receivables (Note 8)	<u>\$ 824,209</u>	<u>\$ 818,184</u>	<u>\$ 969,893</u>	<u>\$ 860,784</u>
Contract liabilities (recognized as other current liabilities)				
Sale of goods	<u>\$ 9,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,325</u>

The changes in the balance of contract liabilities primarily resulted from the timing differences between the Group's satisfaction of performance obligations and the respective customer's payment.

21. NET LOSS

Information about net loss was as follows:

a. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Net foreign exchange (losses) gains	\$ (19,556)	\$ 37,910	\$ 35,745	\$ 43,826
Gain on lease modification	-	-	6	-
Others	<u>(14)</u>	<u>(1,775)</u>	<u>(211)</u>	<u>(4,092)</u>
	<u>\$ (19,570)</u>	<u>\$ 36,135</u>	<u>\$ 35,540</u>	<u>\$ 39,734</u>

b. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Interest on lease liabilities	\$ 539	\$ 576	\$ 1,644	\$ 1,757
Interest on bank loans	207	96	462	96
Other interest expenses	<u>-</u>	<u>114</u>	<u>-</u>	<u>114</u>
	<u>\$ 746</u>	<u>\$ 786</u>	<u>\$ 2,106</u>	<u>\$ 1,967</u>

c. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Property, plant and equipment	\$ 17,910	\$ 22,285	\$ 54,325	\$ 58,592
Right-of-use assets	2,616	2,612	7,863	7,802
Intangible assets	<u>265</u>	<u>320</u>	<u>874</u>	<u>1,021</u>
	<u>\$ 20,791</u>	<u>\$ 25,217</u>	<u>\$ 63,062</u>	<u>\$ 67,415</u>
An analysis of depreciation by function				
Operating costs	\$ 19,642	\$ 23,960	\$ 59,332	\$ 63,614
Operating expenses	<u>884</u>	<u>937</u>	<u>2,856</u>	<u>2,780</u>
	<u>\$ 20,526</u>	<u>\$ 24,897</u>	<u>\$ 62,188</u>	<u>\$ 66,394</u>
An analysis of amortization by function				
Operating costs	\$ 44	\$ 70	\$ 120	\$ 271
Operating expenses	<u>221</u>	<u>250</u>	<u>754</u>	<u>750</u>
	<u>\$ 265</u>	<u>\$ 320</u>	<u>\$ 874</u>	<u>\$ 1,021</u>

d. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Short-term benefits	\$ 61,575	\$ 53,460	\$ 175,114	\$ 171,993
Post-employment benefits (Note 18)				
Defined contribution plans	2,393	2,348	7,109	7,215
Share-based payments (Note 24)	260	581	780	4,854
Other employee benefits	<u>3,406</u>	<u>3,169</u>	<u>10,651</u>	<u>10,382</u>
Total employee benefits expense	<u>\$ 67,634</u>	<u>\$ 59,558</u>	<u>\$ 193,654</u>	<u>\$ 194,444</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 54,852	\$ 47,642	\$ 157,799	\$ 152,662
Operating expenses	<u>12,782</u>	<u>11,916</u>	<u>35,855</u>	<u>41,782</u>
	<u>\$ 67,634</u>	<u>\$ 59,558</u>	<u>\$ 193,654</u>	<u>\$ 194,444</u>

e. Compensation of employees and remuneration of directors

In accordance with the Articles, the Corporation accrued compensation of employees and remuneration of directors at rates of no less than 0.5% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors were not accrued for the nine months ended September 30, 2024 and 2023 due to net loss before income tax.

The compensation of employees and remuneration of directors were not accrued for the year ended December 31, 2023 due to net loss before income tax. The compensation of employees and remuneration of directors for the year ended December 31, 2022, which were approved by the Corporation's board of directors on March 24, 2023, were as follows:

	Cash
Compensation of employees	<u>\$ 1,347</u>
Remuneration of directors	<u>\$ 1,347</u>

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

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

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

f. Gains or losses on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Foreign exchange gains	\$ 7,598	\$ 41,574	\$ 89,602	\$ 69,272
Foreign exchange losses	<u>(27,154)</u>	<u>(3,664)</u>	<u>(53,857)</u>	<u>(25,446)</u>
Net (losses) gains	<u>\$ (19,556)</u>	<u>\$ 37,910</u>	<u>\$ 35,745</u>	<u>\$ 43,826</u>

22. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax benefit were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Current tax				
Income tax on				
unappropriated earnings	\$ -	\$ (414)	\$ -	\$ 4,156
Adjustments for prior year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(582)</u>
	<u>-</u>	<u>(414)</u>	<u>-</u>	<u>3,574</u>
Deferred tax				
In respect of the current year	<u>(31,599)</u>	<u>(4,800)</u>	<u>(38,588)</u>	<u>(12,949)</u>
Income tax benefit recognized in profit	<u>\$ (31,599)</u>	<u>\$ (5,214)</u>	<u>\$ (38,588)</u>	<u>\$ (9,375)</u>

b. Income tax assessments

The income tax returns through 2021 have been assessed by the tax authorities.

23. LOSS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Basic and diluted loss per share	<u>\$ (0.92)</u>	<u>\$ (0.14)</u>	<u>\$ (1.12)</u>	<u>\$ (0.40)</u>

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

Net Loss for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Loss used in the computation of basic and diluted loss per share	\$ (126,408)	\$ (18,778)	\$ (154,343)	\$ (55,357)

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Weighted average number of ordinary shares used in the computation of basic and diluted loss per share	<u>137,776</u>	<u>137,776</u>	<u>137,776</u>	<u>137,776</u>

The Group may settle compensation or bonuses paid to employees in cash or shares, therefore, the Group assumes the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential dilutive shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. SHARE-BASED PAYMENT ARRANGEMENTS

Cash-settled Share-based Payments Granted to the Employees of the Group by the Group's Parent

The Corporation's parent LCY Chemical Corp. ("LCY Chemical") issued to certain employees share appreciation rights (SARs) that require LCY Chemical Corp. to settle the SARs by cash; the SARs are treated as a capital contribution to the Corporation. The SARs execution period is from 2021 to 2024, and SARs shall be granted to employees on September 30 every year. The SARs granted are valid for 10 years and exercisable earlier after 3 years from the grant date, or LCY Chemical (or its controlling company) may be successfully listed, and the employees who have remained employed with the Group. The parent shall pay the SARs in cash at the value agreed upon with the employees when the SARs are exercised by employees.

As of September 30, 2024, December 31, 2023 and September 30, 2023, the numbers of share appreciation rights outstanding were both 350 thousand.

Compensation costs recognized were \$260 thousand, \$581 thousand, \$780 thousand and \$4,854 thousand for the three months and the nine months ended September 30, 2024 and 2023, respectively.

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while achieving optimization of the debt and equity balance through the issuance of ordinary shares for cash and loans. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debts and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

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

26. FINANCIAL INSTRUMENTS

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

The management considers that carrying amounts of other financial instruments, such as cash, financial assets at amortized cost, receivables and payables recognized in the consolidated financial statements approximate their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

September 30, 2024

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity shares				
Domestic unlisted shares	\$ -	\$ -	\$ 132,667	\$ 132,667
Investments in debt instruments				
Trade receivables	-	-	18,476	18,476
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,143</u>	<u>\$ 151,143</u>

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity shares				
Domestic unlisted shares	\$ -	\$ -	\$ 81,716	\$ 81,716
Investments in debt instruments				
Trade receivables	-	-	27,714	27,714
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,430</u>	<u>\$ 109,430</u>

September 30, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity shares				
Domestic unlisted shares	\$ -	\$ -	\$ 53,347	\$ 53,347
Investments in debt instruments				
Trade receivables	<u>-</u>	<u>-</u>	<u>25,800</u>	<u>25,800</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,147</u>	<u>\$ 79,147</u>

There were no transfers between Levels 1 and 2 for the nine months ended September 30, 2024 and 2023.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the nine months ended September 30, 2024

	<u>Financial Assets at FVTOCI</u>		
	Equity Instruments	Debt Instruments	Total
<u>Financial assets</u>			
Balance at January 1, 2024	\$ 81,716	\$ 27,714	\$ 109,430
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	50,951	-	50,951
Increase in trade receivables	-	143,520	143,520
Factoring for trade receivables	<u>-</u>	<u>(152,758)</u>	<u>(152,758)</u>
Balance at September 30, 2024	<u>\$ 132,667</u>	<u>\$ 18,476</u>	<u>\$ 151,143</u>

For the nine months ended September 30, 2023

	<u>Financial Assets at FVTOCI</u>		
	Equity Instruments	Debt Instruments	Total
<u>Financial assets</u>			
Balance at January 1, 2023	\$ 57,070	\$ 6,461	\$ 63,531
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	(3,723)	-	(3,723)
Increase in trade receivables	-	228,547	228,547
Factoring for trade receivables	<u>-</u>	<u>(209,208)</u>	<u>(209,208)</u>
Balance at September 30, 2023	<u>\$ 53,347</u>	<u>\$ 25,800</u>	<u>\$ 79,147</u>

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

The fair values of domestic unlisted equity securities are determined using the market approach, which references the transaction price, price multiplier implicit in the transaction price and other related information of comparable companies that operate in the same industry in active markets.

The fair value of the trade receivable at FVTOCI is based on the estimated future cash flow that reflects the credit risk of counterparties. The Group measures the fair value based on the original invoice amount since the effect of discounting was not material.

c. Categories of financial instruments

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 1,165,955	\$ 1,474,778	\$ 1,520,575
Financial assets at FVTOCI			
Equity instruments	132,667	81,716	53,347
Trade receivables	18,476	27,714	25,800
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (2)	491,656	427,563	436,170

1) The balances include financial assets at amortized cost, which comprise cash, trade receivable, other receivables and refundable deposits.

2) The balances include financial assets at amortized cost, which comprise short-term borrowings, trade payables and other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash, equity and debt investments, trade receivables, trade payables, and short-term borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate treasury function reports quarterly to the Group's management and board of directors.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

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

a) Foreign currency risk

The Group has foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 97% of the Group's sales were denominated in currencies other than the functional currency, whilst almost 98% of costs were denominated in currencies other than the functional currency. Some of the Group's purchases of plant and equipment were also denominated in currencies other than the functional currency. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 30.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar and RMB.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates.

A positive number below indicates a decrease in pre-tax loss associated with the New Taiwan dollar (the functional currency) weakening by 1% against the relevant foreign currency. For a 1% strengthening of the New Taiwan dollar (the functional currency) against the relevant foreign currency, there would be an equal and opposite impact on pre-tax loss.

	USD Impact	
	For the Nine Months Ended	
	September 30	
	2024	2023
Profit or loss	\$ 8,166	\$ 8,504
	RMB Impact	
	For the Nine Months Ended	
	September 30	
	2024	2023
Profit or loss	\$ 156	\$ 1,622

This was mainly attributable to the exposure outstanding on bank deposits, receivables and payables denominated in currencies other than the functional currency.

b) Interest rate risk

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

	September 30, 2024	December 31, 2023	September 30, 2023
Fair value interest rate risk			
Financial liabilities	\$ 116,434	\$ 122,366	\$ 124,800
Cash flow interest rate risk			
Financial assets	231,962	558,493	447,095
Financial liabilities	110,000	37,500	50,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax loss for the nine months ended September 30, 2024 and 2023 would have decreased/increased by \$458 thousand and \$1,489 thousand, respectively.

2) Credit risk

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

The Group adopted a policy of only dealing with creditworthy counterparties. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit limits and scoring. The credit risk on derivatives was limited because the counterparties are large financial institutions.

The Group's concentration of credit risk by geographical location was mainly in Thailand, which accounted for 47% of the total trade receivables as of September 30 2024, and in China, which accounted for 46% and 52% of the total trade receivables as of December 31, 2023 and September 30, 2023, respectively.

The Group entered into transactions with a large number of unrelated customers. Apart from the top four customers of the Group, the Group did not have significant credit risk exposure to any single counterparty or any group of counterparties with similar characteristics.

As of September 30, 2024, December 31, 2023 and September 30, 2023 the concentration of credit risk on the top four customers accounted for 77%, 73% and 78% of trade receivables, respectively.

3) Liquidity risk

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

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

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables had been drawn up based on the undiscounted cash flows of financial liabilities based on the agreed upon repayment dates.

September 30, 2024

		Less than 3 Months
<u>Non-derivative financial liabilities</u>		
Non-interest bearing liabilities		\$ 414,238
Variable interest rate liabilities		<u>110,000</u>
		<u>\$ 524,238</u>

	Less than 3 Months	3 Months to 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	<u>\$ 3,004</u>	<u>\$ 7,464</u>	<u>\$ 38,075</u>	<u>\$ 46,238</u>	<u>\$ 36,991</u>

December 31, 2023

		Less than 3 Months	3 Months to 1 Year
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities		\$ 424,054	\$ -
Variable interest rate liabilities		<u>12,500</u>	<u>25,000</u>
		<u>\$ 436,554</u>	<u>\$ 25,000</u>

	Less than 3 Months	3 Months to 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	<u>\$ 2,999</u>	<u>\$ 8,773</u>	<u>\$ 37,360</u>	<u>\$ 46,238</u>	<u>\$ 43,926</u>

September 30, 2023

**Less than
3 Months**

Non-derivative financial liabilities

Non-interest bearing liabilities	\$ 424,251
Variable interest rate liabilities	<u>50,000</u>
	<u>\$ 474,251</u>

	Less than 3 Months	3 Months to 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	<u>\$ 2,999</u>	<u>\$ 8,872</u>	<u>\$ 37,948</u>	<u>\$ 46,238</u>	<u>\$ 46,238</u>

b) Financing facilities

	September 30, 2024	December 31, 2023	September 30, 2023
Unsecured bank borrowing facilities			
Amount used	\$ 110,000	\$ 37,500	\$ 50,000
Amount unused	<u>668,250</u>	<u>663,525</u>	<u>571,350</u>
	<u>\$ 778,250</u>	<u>\$ 701,025</u>	<u>\$ 621,350</u>

e. Transfers of financial assets

Factored trade receivables that are not yet overdue at the end of the period were as follows:

Counterparties	Receivables Factoring Proceeds	Amount Reclassified to Other Receivable	Advance Received Unused	Advance Received Used	Annual Interest Rates on Advances Received (Used) (%)
<u>September 30, 2024</u>					
O-Bank	<u>\$ 44,344</u>	<u>\$ 39,910</u>	<u>\$ 39,910</u>	<u>\$ -</u>	-
<u>December 31, 2023</u>					
O-Bank	<u>\$ 38,021</u>	<u>\$ 34,219</u>	<u>\$ 34,219</u>	<u>\$ -</u>	-
<u>September 30, 2023</u>					
O-Bank	<u>\$ 57,204</u>	<u>\$ 51,484</u>	<u>\$ 51,484</u>	<u>\$ -</u>	-

Pursuant to the factoring agreements, losses from commercial disputes (such as sales returns or discounts) were borne by the Group, while losses from credit risk were borne by the banks (amounts factored are recorded in other receivables).

The Group discounted a portion of its trade receivables under letters of credit to the banks. Since the Group has transferred substantially all risks and rewards relating to these trade receivables, the full carrying amount of these trade receivables were derecognized. However, if the derecognized trade receivables are not paid at maturity, the banks have the right to demand the Group to pay the unsettled balance; therefore, the Group still has continuing involvement in these trade receivables.

The maximum exposure to loss from the Group's continuing involvement in the derecognized trade receivables is equal to the face amounts of the transferred but unsettled trade receivables, and as of September 30, 2024, December 31, 2023 and September 30, 2023, the face values of these unsettled trade receivables were \$0 thousand, \$5,286 thousand and \$5,364 thousand, respectively. The unsettled trade receivables will be due in one month after balance sheet date. Taking into consideration the credit risk of these derecognized trade receivables, the Group estimates that the fair values of its continuing involvement are not significant.

27. TRANSACTIONS WITH RELATED PARTIES

The Corporation's parent is LCY Chemical Corp. which held 61.94% of the ordinary shares of the Corporation as of September 30, 2024, December 31, 2023 and September 30, 2023.

The Corporation's ultimate parent and ultimate controlling party is the KKR Global Institute.

Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows.

a. Related party name and categories:

Related Party Name	Related Party Category
LCY Chemical Corp. ("LCY Chemical")	The Corporation's parent
LCY Management Consulting Co., Ltd. ("LCY Management Consulting")	Sister corporation
Lee Chang Yung Company, Ltd. ("Lee Chang Yung")	Related party in substance
Lee Jamgo Co., Ltd. ("LEE Jamgo")	Related party in substance
Chi Hwa Co., Ltd. ("Chi Hwa")	Related party in substance
Hank Fah Co., Ltd. ("Hank Fah")	Related party in substance
Quanlicheng Electric Power Co., Ltd. ("Quanlicheng")	Related party in substance
Shinemo Technology Materials Co., Ltd. ("Shinemo Technology Materials")	Other related party (the Corporation's parent is one of the directors)
Formosa Copper Technology Corporation ("Formosa Copper Technology")	Other related party (the Corporation is one of the directors)
Chairman's spouse	Related party in substance
General manager's spouse	Related party in substance

b. Sales revenue

Line Item	Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2024	2023	2024	2023
Sales	Other related party/ Shinemo Technology Materials	\$ -	\$ -	\$ -	\$ 2,854

c. Purchases of goods

Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Other related party/Formosa Copper Technology	<u>\$ 164,031</u>	<u>\$ 96,542</u>	<u>\$ 448,712</u>	<u>\$ 355,834</u>

d. Exchange of inventories

Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Other related party/Formosa Copper Technology	<u>\$ 43,962</u>	<u>\$ 38,515</u>	<u>\$ 127,696</u>	<u>\$ 118,629</u>

e. Other expenses

Line Item	Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2024	2023	2024	2023
Manufacturing costs	The Corporation's parent/ LCY Chemical	\$ 6,249	\$ 4,997	\$ 16,653	\$ 15,251
Operating expenses	The Corporation's parent/ LCY Chemical	2,925	2,734	8,771	8,201
R&D expenses	The Corporation's parent/ LCY Chemical	48	-	154	6
Operating expenses	Sister company/ LCY Management Consulting	750	750	2,250	2,250
Manufacturing costs	Related party in substance/Quanlicheng	2,578	1,930	5,846	4,957
Manufacturing costs	Other related party/ Shinemore Technology Materials	<u>-</u>	<u>3</u>	<u>-</u>	<u>5</u>
		<u>\$ 12,550</u>	<u>\$ 10,414</u>	<u>\$ 33,674</u>	<u>\$ 30,670</u>

The related-party transactions were carried out under normal terms.

f. Acquisition of property, plant and equipment

Related Party Category/Name	Purchase Price For the Nine Months Ended September 30	
	2024	2023
Related party in substance/Hank Fah	<u>\$ -</u>	<u>\$ 6,580</u>

g. Lease arrangements

Line Item	Related Party Category/Name	For the Nine Months Ended September 30	
		2024	2023
Additions to right-of-use assets	Related party in substance/ Chairman's spouse	\$ 681	\$ -
	Related party in substance/ General manager's spouse	<u>681</u>	<u>-</u>
		<u>\$ 1,362</u>	<u>\$ -</u>

Line Item	Related Party Category/Name	September 30, 2024	December 31, 2023	September 30, 2023
Lease liabilities	The Corporation's parent/ LCY Chemical	\$ 114,177	\$ 119,501	\$ 121,259
	Related party in substance/ Lee Chang Yung	500	1,990	2,483
	Related party in substance/ LEE Jamgo	16	65	81
	Related party in substance/ Chairman's spouse	644	-	-
	Related party in substance/ General manager's spouse	<u>552</u>	<u>-</u>	<u>-</u>
		<u>\$ 115,889</u>	<u>\$ 121,556</u>	<u>\$ 123,823</u>

Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
<u>Interest expense</u>				
The Corporation's parent/ LCY Chemical	\$ 529	\$ 562	\$ 1,612	\$ 1,710
Related party in substance/ Lee Chang Yung	1	8	10	31
Related party in substance/ LEE Jamgo	-	-	-	1
Related party in substance/ Chairman's spouse	3	-	3	-
Related party in substance/ General manager's spouse	<u>3</u>	<u>-</u>	<u>8</u>	<u>-</u>
	<u>\$ 536</u>	<u>\$ 570</u>	<u>\$ 1,633</u>	<u>\$ 1,742</u>

The Group leases two official vehicles for the use of the spouses of the chairman and the general manager, respectively.

The rental is based on the local rental rates and is paid quarterly or monthly.

h. Other receivables from related parties

Line Item	Related Party Category/Name	September 30, 2024	December 31, 2023	September 30, 2023
Other receivable - related parties	The Corporation's parent/ LCY Chemical	\$ 797	\$ 25	\$ 29
	Related party in substance/ Chi Hwa	<u>4</u>	<u>-</u>	<u>4</u>
		<u>\$ 801</u>	<u>\$ 25</u>	<u>\$ 33</u>

i. Refundable deposits

Line Item	Related Party Category/Name	September 30, 2024	December 31, 2023	September 30, 2023
Refundable deposits	The Corporation's parent/ LCY Chemical	\$ 2,100	\$ 2,100	\$ 2,100
	Related party in substance/ Lee Chang Yung	<u>500</u>	<u>500</u>	<u>500</u>
		<u>\$ 2,600</u>	<u>\$ 2,600</u>	<u>\$ 2,600</u>

j. Payables to related parties

Line Item	Related Party Category/Name	September 30, 2024	December 31, 2023	September 30, 2023
Trade payables - related parties	Other related party/Formosa Copper Technology	<u>\$ 53,495</u>	<u>\$ 41,237</u>	<u>\$ 51,013</u>

k. Other payables to related parties

Line Item	Related Party Category/Name	September 30, 2024	December 31, 2023	September 30, 2023
Other payables - related parties	The Corporation's parent/ LCY Chemical	\$ 12,295	\$ 12,387	\$ 12,552
	Related party in substance/ Quanlicheng	1,910	1,218	2,001
	Other related party/ Shinemore Technology Materials	<u>-</u>	<u>2</u>	<u>-</u>
		<u>\$ 14,205</u>	<u>\$ 13,607</u>	<u>\$ 14,553</u>

1. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ 2,360	\$ 2,166	\$ 6,752	\$ 6,551
Share-based payments	211	398	459	4,052
Post-employment benefits	27	54	81	153
Other employee benefits	<u>117</u>	<u>117</u>	<u>352</u>	<u>299</u>
	<u>\$ 2,715</u>	<u>\$ 2,735</u>	<u>\$ 7,644</u>	<u>\$ 11,055</u>

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

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The significant commitments and contingencies of the Group were as follows:

As of September 30, 2024, December 31, 2023 and September 30, 2023, the commitments for purchase of properties were \$18,920 thousand, \$9,370 thousand and \$14,374 thousand, respectively.

29. OTHER ITEMS

- a. On January 10, 2024, the Corporation enter into a business and capital alliance agreement with Lee Chang Yung Group International Pte. Ltd. (a related party in substance) and Nippon Den kai, Ltd. As part of the business alliance, the Corporation and Nippon Den kai, Ltd. entered into a technology license agreement, in which the Corporation has agreed to pay royalty payments to Nippon Den kai, Ltd. upon completion of its provision of technology.
- b. On February 15, 2023, the president of the ROC announced the amendments to the “Climate Change Response Act”, which added the provision of carbon fee collection. Subsequently, the Ministry of Environment announced the “Regulations Governing the Collection of Carbon Fees”, “Regulations for Administration of Voluntary Reduction Plans” and “Designated Greenhouse Gas Reduction Goal for Entities Subject to Carbon Fees” on August 29, 2024 and the carbon fee rate on October 21, 2024. The fees will be levied starting from January 1, 2025.

The Group expects that it will be subject to carbon fees. The Group will recognize the provision of the carbon fees based on its actual emissions in 2025 and will pay them in May 2026.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In Thousands of New Taiwan Dollars and Foreign Currencies)

September 30, 2024

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 32,593	31.650 (USD:NTD)	<u>\$ 1,031,568</u>
RMB	3,467	4.517 (RMB:NTD)	<u>\$ 15,660</u>

Financial liabilities

Monetary items			
USD	6,793	31.650 (USD:NTD)	<u>\$ 214,998</u>

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 36,167	30.705 (USD:NTD)	<u>\$ 1,110,508</u>
RMB	13,459	4.335 (RMB:NTD)	<u>\$ 58,348</u>

Financial liabilities

Monetary items			
USD	6,588	30.705 (USD:NTD)	<u>\$ 202,285</u>

September 30, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 33,428	32.27 (USD:NTD)	<u>\$ 1,078,722</u>
RMB	36,106	4.495 (RMB:NTD)	<u>\$ 162,281</u>

Financial liabilities

Monetary items			
USD	7,074	32.27 (USD:NTD)	<u>\$ 228,278</u>

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

For the Three Months Ended September 30				
2024			2023	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	32.30 (USD:NTD)	\$ (18,667)	31.68 (USD:NTD)	\$ 25,989
RMB	4.540(RMB:NTD)	<u>(337)</u>	4.417(RMB:NTD)	<u>12,021</u>
		<u>\$ (19,004)</u>		<u>\$ 38,010</u>

For the Nine Months Ended September 30				
2024			2023	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	32.03 (USD:NTD)	\$ 34,102	30.92 (USD:NTD)	\$ 36,563
RMB	4.506(RMB:NTD)	<u>1,986</u>	4.414(RMB:NTD)	<u>7,308</u>
		<u>\$ 36,088</u>		<u>\$ 43,871</u>

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures):
Table 1 (attached)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital:
None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital:
None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital:
None
- 9) Trading in derivative instruments: None

10) Intercompany relationships and significant intercompany transactions: None

11) Information on investees: Table 3 (attached)

b. Information on investments in mainland China

1) Information on any investee company in mainland China: None

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None

c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 4 (attached)

32. SEGMENT INFORMATION

The Group currently sells a single product, copper foil, and its consolidated income statement is the result of operations that are regularly reviewed by the decision maker. There are no other significant product business units, so there is no need to disclose and report segment-related information in the interim financial statements.

TABLE 1

LCY TECHNOLOGY CORP. AND SUBSIDIARY

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2024
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2024				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
LCY Technology Corp.	<u>Stocks</u> Formosa Copper Technology Corporation	The Corporation is one of the directors	Financial assets at FVTOCI	7,071,646	\$ 132,667	9.7	\$ 132,667	

TABLE 2

LCY TECHNOLOGY CORP. AND SUBSIDIARY

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
LCY Technology Corp.	Formosa Copper Technology Corporation	The Corporation is one of the directors	Purchase	\$ 448,712	21.53	Net 30 days after delivery	Same as general customers	Same as general customers	\$ (53,495)	(17.22)	

TABLE 3

LCY TECHNOLOGY CORP. AND SUBSIDIARY

**INFORMATION ON INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2024			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2024	December 31, 2023	Number of Shares	%	Carrying Amount			
LCY Technology Corp.	LCYT Holdings Corp. Kaohsiung Cogen Co., Ltd.	Craigmuir Chambers P.O. Box 71, Road Town, Tortola, BVI 5F., No. 85, Sec. 4, Bade Rd., Songshan Dist., Taipei City 105035, Taiwan (R.O.C.)	Investment	\$ 6,800	\$ 6,800	100	100	\$ 13	\$ -	\$ -	
			Planning, design, and procurement of the co-generation system, environmental protection, and engineering	2,000	2,000	200,000	20	2,021	92	18	

TABLE 4**LCY TECHNOLOGY CORP.****INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2024**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
LCY Chemical Corp.	85,339,392	61.94

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

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