

Stock Code : 3530

Silicon Optronics, Inc. and Subsidiaries
Consolidated Financial Statements for the
Three Months Ended March 31, 2025 and 2024 and
Independent Auditors' Review Report

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Shareholders
Silicon Optronics, Inc.

Opinion

We have reviewed the accompanying consolidated balance sheets of Silicon Optronics, Inc. and its subsidiaries (collectively referred to as the “Group”) as of March 31, 2025 and 2024, the related consolidated statements of comprehensive income, of changes in equity, and of cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 10, the financial statements of certain insignificant subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT\$49,730 thousand and NT\$42,913 thousand, constituting 2% and 1% of the consolidated total assets, and total liabilities of NT\$4,103 thousand and NT\$1,833 thousand, constituting 2% and 0% of the consolidated total liabilities as of March 31, 2025 and 2024, respectively; and total comprehensive income of NT\$330 thousand and NT\$1,240 thousand, constituting 2% and (12)% of the consolidated total comprehensive income for the three months then ended March 31, 2025 and 2024, respectively.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries, and the information disclosed in the footnotes been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Silicon Optronics, Inc. and its subsidiaries as of March 31, 2025 and 2024, their consolidated financial performance and cash flows for the three months then ended March 31, 2025 and 2024, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

May 6, 2025

Notice to Readers

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

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

	March 31, 2025 (Reviewed)		December 31, 2024 (Audited)		March 31, 2024 (Reviewed)			March 31, 2025 (Reviewed)		December 31, 2024 (Audited)		March 31, 2024 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%	LIABILITIES AND EQUITY	Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Note 6)	\$ 867,241	33	\$ 817,302	32	\$ 1,024,476	34	Short - term loan (Notes 15)	\$ -	-	\$ -	-	\$ 150,000	5
Accounts receivable - net (Note 8)	76,710	3	64,249	3	40,716	2	Contract liabilities - current (Note 19)	48,853	2	11,817	1	31,949	1
Inventories (Note 9)	1,103,361	43	1,171,279	45	1,379,849	46	Accounts payable	69,359	3	108,670	4	85,671	3
Prepayments and other current assets (Notes 14 and 25)	<u>125,580</u>	<u>5</u>	<u>134,090</u>	<u>5</u>	<u>177,358</u>	<u>6</u>	Other current liabilities (Note 16)	27,215	1	30,930	1	29,317	1
Total current assets	<u>2,172,892</u>	<u>84</u>	<u>2,186,920</u>	<u>85</u>	<u>2,622,399</u>	<u>88</u>	Current tax liabilities (Notes 4 and 21)	7,486	-	7,485	-	1,147	-
							Lease liabilities – current (Note 12)	7,382	-	3,630	-	5,802	-
							Long-term liabilities - current portion (Note 15)	50,000	2	50,000	2	-	-
							Refund liability (Note 16)	<u>32,745</u>	<u>1</u>	<u>53,200</u>	<u>2</u>	<u>99,616</u>	<u>3</u>
							Total current liabilities	<u>243,040</u>	<u>9</u>	<u>265,732</u>	<u>10</u>	<u>403,502</u>	<u>13</u>
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at amortized cost - noncurrent(Notes 7, 25 and 27)	3,572	-	3,572	-	3,549	-	Long-term loan (Note 15)	-	-	-	-	200,000	7
Property, plant and equipment (Note 11)	55,128	2	52,094	2	38,866	2	Deferred income tax liabilities (Notes 4 and 21)	5,282	-	4,724	-	-	-
Right-of-use assets (Note 12)	20,214	1	8,809	-	6,303	-	Lease liabilities - non-current (Note 12)	<u>12,458</u>	<u>1</u>	<u>5,002</u>	<u>1</u>	<u>-</u>	<u>-</u>
Goodwill	199,228	8	199,228	8	199,228	7	Total non-current liabilities	<u>17,740</u>	<u>1</u>	<u>9,726</u>	<u>1</u>	<u>200,000</u>	<u>7</u>
Intangible assets (Note 13)	13,977	1	11,306	1	8,571	-							
Deferred tax assets (Notes 4 and 21)	113,244	4	113,244	4	96,592	3							
Other non-current assets (Notes 14 and 17)	<u>9,238</u>	<u>-</u>	<u>9,113</u>	<u>-</u>	<u>8,788</u>	<u>-</u>							
Total non-current assets	<u>414,601</u>	<u>16</u>	<u>397,366</u>	<u>15</u>	<u>361,897</u>	<u>12</u>	Total liabilities	<u>260,780</u>	<u>10</u>	<u>275,458</u>	<u>11</u>	<u>603,502</u>	<u>20</u>
							EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY(Notes 18 and 23)						
							Common stock	774,759	30	774,759	30	784,559	26
							Capital surplus	1,150,580	45	1,146,572	44	1,219,234	41
							Retained earnings						
							Legal reserve	180,425	7	180,425	7	180,425	6
							Unappropriated earnings	214,280	8	202,226	8	291,053	10
							Other equity						
							Exchange differences on translating the financial statements of foreign operations	6,669	-	4,846	-	2,518	-
							Treasury shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(96,995)</u>	<u>(3)</u>
							Total equity	<u>2,326,713</u>	<u>90</u>	<u>2,308,828</u>	<u>89</u>	<u>2,380,794</u>	<u>80</u>
TOTAL	<u>\$ 2,587,493</u>	<u>100</u>	<u>\$ 2,584,286</u>	<u>100</u>	<u>\$ 2,984,296</u>	<u>100</u>	TOTAL	<u>\$ 2,587,493</u>	<u>100</u>	<u>\$ 2,584,286</u>	<u>100</u>	<u>\$ 2,984,296</u>	<u>100</u>

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

	Three Months Ended March 31,			
	2025		2024	
	Amount	%	Amount	%
OPERATING REVENUE (Note 19)	\$ 346,515	100	\$ 346,792	100
OPERATING COSTS (Notes 9, 20 and 26)	<u>257,113</u>	<u>74</u>	<u>325,616</u>	<u>94</u>
GROSS PROFIT/ (LOSS)	<u>89,402</u>	<u>26</u>	<u>21,176</u>	<u>6</u>
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	4,160	1	3,670	1
General and administrative expenses	9,751	3	10,830	3
Research and development expenses	<u>75,850</u>	<u>22</u>	<u>66,291</u>	<u>19</u>
Total operating expenses	<u>89,761</u>	<u>26</u>	<u>80,791</u>	<u>23</u>
LOSS FROM OPERATIONS	(<u>359</u>)	<u>-</u>	(<u>59,615</u>)	(<u>17</u>)
NON-OPERATING INCOME AND EXPENSES (Note 20)				
Interest income	6,363	2	10,703	3
Other income	113	-	-	-
Other gains and losses	7,491	2	37,461	11
Financial costs	(<u>329</u>)	<u>-</u>	(<u>2,252</u>)	(<u>1</u>)
Total non-operating income and expenses	<u>13,638</u>	<u>4</u>	<u>45,912</u>	<u>13</u>
PROFIT (LOSS) BEFORE INCOME TAX	13,279	4	(13,703)	(4)
INCOME TAX (EXPENSE)/BENEFIT (Notes 4 and 21)	(<u>1,225</u>)	(<u>1</u>)	(<u>66</u>)	<u>-</u>
NET INCOME (LOSS)	12,054	3	(13,769)	(4)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 18)	<u>\$ 1,823</u>	<u>1</u>	<u>3,209</u>	<u>1</u>
Total comprehensive income (loss) For The Period	<u>\$ 13,877</u>	<u>4</u>	(<u>\$ 10,560</u>)	(<u>3</u>)
EARNINGS (LOSS) PER SHARE (Note 22)				
Basic	<u>\$ 0.16</u>		(<u>\$ 0.18</u>)	
Diluted	<u>\$ 0.16</u>		(<u>\$ 0.18</u>)	

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

	<u>Ordinary Share Capital</u>			<u>Retained Earnings</u>			<u>Other Equity Exchange Difference on Translating the Financial Statements of Foreign Operations</u>	<u>Treasury Shares</u>	<u>Total Equity</u>
	<u>Number of Shares (In Thousands)</u>	<u>Amount</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated Earnings</u>			
BALANCE, JANUARY 1, 2024	78,456	\$ 784,559	\$ 1,209,326	\$ 180,425	\$ -	\$ 304,822	(\$ 691)	(\$ 96,995)	\$ 2,381,446
Net income (loss) for the three months ended March 31, 2024	-	-	-	-	-	(13,769)	-	-	(13,769)
Other comprehensive income(loss)for the three months ended March 31, 2024	-	-	-	-	-	-	3,209	-	3,209
Total comprehensive income(loss)for the three months ended March 31, 2024	-	-	-	-	-	(13,769)	3,209	-	(10,560)
Issuance of ordinary shares under employee share options	-	-	9,908	-	-	-	-	-	9,908
BALANCE, MARCH 31, 2024	<u>78,456</u>	<u>\$ 784,559</u>	<u>\$ 1,219,234</u>	<u>\$ 180,425</u>	<u>\$ -</u>	<u>\$ 291,053</u>	<u>\$ 2,518</u>	<u>(\$ 96,995)</u>	<u>\$ 2,380,794</u>
BALANCE, JANUARY 1, 2025	77,476	\$ 774,759	\$ 1,146,572	\$ 180,425	\$ -	\$ 202,226	\$ 4,846	\$ -	\$ 2,308,828
Net income (loss) for the three months ended March 31, 2025	-	-	-	-	-	12,054	-	-	12,054
Other comprehensive income(loss)for the three months ended March 31, 2025	-	-	-	-	-	-	1,823	-	1,823
Total comprehensive income(loss)for the three months ended March 31, 2025	-	-	-	-	-	12,054	1,823	-	13,877
Issuance of ordinary shares under employee share options	-	-	4,008	-	-	-	-	-	4,008
BALANCE, MARCH 31, 2025	<u>77,476</u>	<u>\$ 774,759</u>	<u>\$ 1,150,580</u>	<u>\$ 180,425</u>	<u>\$ -</u>	<u>\$ 214,280</u>	<u>\$ 6,669</u>	<u>\$ -</u>	<u>\$ 2,326,713</u>

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

	Three Months Ended March 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 13,279	(\$ 13,703)
Adjustments for:		
Depreciation expense	14,572	11,100
Amortization expense	2,499	705
Finance costs	329	2,252
Interest income	(6,363)	(10,703)
Share-based compensation	4,008	9,908
Net loss (gain) on foreign currency exchange	(1,191)	(30,924)
Changes in operating assets and liabilities		
Accounts receivable	(12,312)	7,189
Inventories	67,918	144,644
Prepayments and other current assets	10,472	(177)
Contract liabilities	36,815	(8,424)
Accounts payable	(39,172)	(5,892)
Accrued expenses and other current liabilities	(9,821)	(13,752)
Refund liability	(20,455)	20,350
Cash generated from (used in) operations	60,578	112,633
Income tax paid	(666)	(1,399)
Net cash generated from (used in) operating activities	<u>59,912</u>	<u>111,234</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from financial assets at amortized cost	(1,000)	-
Payments of property, plant and equipment	(9,258)	(6,162)
Decrease in refundable deposits	8	-
Payments for intangible assets	(5,066)	(7,862)
Payments for right-of-use assets	(798)	(829)
Interest received	6,341	13,561
Net cash generated from (used in) investing activities	<u>(9,773)</u>	<u>(1,292)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	-	100,000
Repayments of short-term loans	-	(150,000)
Repayments of long-term loans	-	(100,000)
Repayment of the principal portion of lease liabilities	(1,750)	(1,718)
Interest paid	(326)	(2,355)
Net cash generated from (used in) financing activities	<u>(2,076)</u>	<u>(154,073)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>1,876</u>	<u>33,613</u>
NET INCREASE(DECREASE) IN CASH	49,939	(10,518)
CASH AT THE BEGINNING OF PERIOD	<u>817,302</u>	<u>1,034,994</u>
CASH AT THE END OF PERIOD	<u>\$ 867,241</u>	<u>\$ 1,024,476</u>

SILICON OPTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on May 06, 2025.

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

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

1. Amendment to IAS 21: "Lack of Exchangeability"

The application of the amendment to IAS 21, "Lack of Exchangeability," will not result in significant changes to the accounting policies of the Company and its controlled entities (hereinafter referred to as the "Group").

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

New IFRS Accounting Standards	Effective Date Announced by IASB (Note 1)
The amendments to IFRS 9 and IFRS 7, titled "Amendments to the Classification and Measurement of Financial Instruments," include revisions to the application guidance on the classification of financial assets	January 1, 2026(Note 1)

Note 1: Applicable to annual reporting periods beginning on or after January 1, 2026, with earlier application permitted from January 1, 2025.

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

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRS Accounting Standards	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7: "Classification and Measurement of Financial Instruments"	January 1, 2026
Amendments to IFRS 9 and IFRS 7: "Contracts Involving Nature-Dependent Electricity"	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 9 and IFRS 17 - Comparative Information"	January 1, 2023
IFRS 18 "Presentation and Disclosure of Financial Statements"	January 1, 2027
IFRS 19 "Subsidiaries without Public Accountability: Disclosure"	January 1, 2027

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

c. Basis of consolidation

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

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2024.

1) Retirement benefits

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

2) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When applying accounting policies, the Group's management must make judgments, estimates, and assumptions based on historical experience and other relevant factors in situations where relevant information is not readily available from other sources. Actual results may differ from these estimates.

Except for the following, refer to the statements of critical accounting judgments and key sources of estimation uncertainty to the consolidated financial statements for the year ended December 31, 2024.

In developing significant accounting estimates, the Group has taken into account the potential impact of U.S. reciprocal tariff measures on key assumptions such as cash flow projections, growth rates, discount rates, and profitability. Management will continue to review the related estimates and underlying assumptions.

6. CASH AND CASH EQUIVALENTS

	March 31, 2025	December 31, 2024	March 31, 2024
Cash on hand	\$ 104	\$ 90	\$ 112
Bank deposits	401,497	354,932	704,364
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits in banks	465,640	462,280	320,000
	<u>\$ 867,241</u>	<u>\$ 817,302</u>	<u>\$ 1,024,476</u>

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

	March 31, 2025	December 31, 2024	March 31, 2024
Time deposits	1.60%~4.55%	1.60%~4.93%	5.43%~5.52%

7. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2025	December 31, 2024	March 31, 2024
<u>Non-current</u>			
Pledged time deposits (a and b)	\$ <u>3,572</u>	\$ <u>3,572</u>	\$ <u>3,549</u>

- a. As of March 31, 2025, the annual interest rate for time deposits with original maturities of more than three months was 1.69%.
- b. Refer to Note 25 for information relating to investments in financial assets at amortized cost pledged as security.

8. ACCOUNTS RECEIVABLE

	March 31, 2025	December 31, 2024	March 31, 2024
<u>Accounts receivable - unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 76,710	\$ 64,249	\$ 40,716
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>76,710</u>	\$ <u>64,249</u>	\$ <u>40,716</u>

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

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

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

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

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

March 31, 2025

	Not Past Due	Past Due Up to 60 Days	Past Due 61 ~90 Days	Past Due 91 ~120 Days	Past Due 121~150 Days	Past Due 151~180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$ 64,074	\$ 12,636	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,710
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	\$ <u>64,074</u>	\$ <u>12,636</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>76,710</u>

December 31, 2024

	Not Past Due	Past Due Up to 60 Days	Past Due 61 ~90 Days	Past Due 91 ~120 Days	Past Due 121~150 Days	Past Due 151~180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$57,611	\$ 6,638	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,249
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$57,611</u>	<u>\$ 6,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,249</u>

March 31, 2024

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

9. INVENTORIES

	March 31, 2025	December 31, 2024	March 31, 2024
Finished goods	\$ 738,637	\$ 801,473	\$ 1,003,487
Work in progress	360,526	366,477	370,116
Raw materials	<u>4,198</u>	<u>3,329</u>	<u>6,246</u>
	<u>\$ 1,103,361</u>	<u>\$ 1,171,279</u>	<u>\$ 1,379,849</u>

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

	Three Months Ended March 31 2025	For the year Ended December 31 2024	Three Months Ended March 31 2024
Cost of inventories sold	\$ 261,371	\$ 1,380,316	\$ 283,196
Inventory write-downs (reversed)	(4,258)	<u>226,176</u>	<u>42,420</u>
	<u>\$ 257,113</u>	<u>\$ 1,606,492</u>	<u>\$ 325,616</u>

10. SUBSIDIARIES

Investor	Investee	Main Business	Percentage% of Ownership		
			March 31, 2025	December 31, 2024	March 31, 2024
Silicon Optronics, Inc.	NUEVA IMAGING, INC. ("NUEVA")	Research and development and design of high order CMOS Image Sensor products	100%	100%	100%
	Silicon Optronics (Cayman) Co., Ltd. ("Silicon Cayman")	Investment business	100%	100%	100%
Silicon Optronics (Cayman) Co., Ltd.	Silicon Optronics (Shanghai) Co., Ltd.	Design, development and testing of integrated circuits and related electronic products, technical service consultation and transfer of R&D results	100%	100%	100%

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

11. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	Molding Equipment	Computer	Office Equipment	Photomasks	Total
<u>Cost</u>						
Balance at January 1, 2025	\$ 1,077	\$ 3,090	\$ 1,830	\$ 1,932	\$ 90,680	\$ 98,609
Additions	-	-	275	-	14,992	15,267
Disposal	-	-	-	-	(9,641)	(9,641)
Effect of exchange rate changes	7	-	31	26	-	64
Balance at March 31, 2025	<u>\$ 1,084</u>	<u>\$ 3,090</u>	<u>\$ 2,136</u>	<u>\$ 1,958</u>	<u>\$ 96,031</u>	<u>\$ 104,299</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2025	\$ 898	\$ 1,440	\$ 1,442	\$ 1,884	\$ 39,668	\$ 45,332
Depreciation expense	38	127	54	9	12,013	12,241
Disposal	-	-	-	-	(9,641)	(9,641)
Effect of exchange rate changes	7	-	24	25	-	56
Balance at March 31, 2025	<u>\$ 943</u>	<u>\$ 1,567</u>	<u>\$ 1,520</u>	<u>\$ 1,918</u>	<u>\$ 42,040</u>	<u>\$ 47,988</u>
<u>Accumulated impairment</u>						
Balance at January 1, 2025 and March 31, 2025	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Balance at January 1, 2025	<u>\$ 179</u>	<u>\$ 467</u>	<u>\$ 388</u>	<u>\$ 48</u>	<u>\$ 51,012</u>	<u>\$ 52,094</u>
Balance at March 31, 2025	<u>\$ 141</u>	<u>\$ 340</u>	<u>\$ 616</u>	<u>\$ 40</u>	<u>\$ 53,991</u>	<u>\$ 55,128</u>
<u>Cost</u>						
Balance at January 1, 2024	\$ 1,065	\$ 8,760	\$ 1,742	\$ 1,789	\$ 60,508	\$ 73,864
Additions	-	-	113	12	16,983	17,108
Disposal	-	(2,478)	-	-	(8,305)	(10,783)
Effect of exchange rate changes	6	-	24	73	-	103
Balance at March 31, 2024	<u>\$ 1,071</u>	<u>\$ 6,282</u>	<u>\$ 1,879</u>	<u>\$ 1,874</u>	<u>\$ 69,186</u>	<u>\$ 80,292</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2024	\$ 735	\$ 6,062	\$ 1,282	\$ 1,737	\$ 32,285	\$ 42,101
Depreciation expense	38	474	68	7	8,242	8,829
Disposal	-	(2,478)	-	-	(8,305)	(10,783)
Effect of exchange rate changes	6	-	19	71	-	96
Balance at March 31, 2024	<u>\$ 779</u>	<u>\$ 4,058</u>	<u>\$ 1,369</u>	<u>\$ 1,815</u>	<u>\$ 32,222</u>	<u>\$ 40,243</u>
<u>Accumulated impairment</u>						
Balance at January 1, 2024 and March 31, 2024	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Balance at January 1, 2024	<u>\$ 330</u>	<u>\$ 1,515</u>	<u>\$ 460</u>	<u>\$ 52</u>	<u>\$ 28,223</u>	<u>\$ 30,580</u>
Balance at March 31, 2024	<u>\$ 292</u>	<u>\$ 1,041</u>	<u>\$ 510</u>	<u>\$ 59</u>	<u>\$ 36,964</u>	<u>\$ 38,866</u>

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

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

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2025	December 31, 2024	March 31, 2024
<u>Carrying amount</u>			
Buildings	<u>\$ 20,214</u>	<u>\$ 8,809</u>	<u>\$ 6,303</u>
	<u>Three Months Ended March 31</u>		
	2025	2024	
Additions to right-of-use assets	<u>\$ 798</u>	<u>\$ 829</u>	
Depreciation charge for right-of-use assets			
Buildings	<u>\$ 2,331</u>	<u>\$ 2,271</u>	

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended March 31, 2025 and 2024.

b. Lease liabilities

	March 31, 2025	December 31, 2024	March 31, 2024
<u>Carrying amount</u>			
Current	\$ 7,382	\$ 3,630	\$ 5,802
Non-current	\$ 12,458	\$ 5,002	\$ -

The discount rate for lease liabilities was as follows:

	March 31, 2025	December 31, 2024	March 31, 2024
Buildings	1.46%	1.46%	1.46%

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

The Group did not have significant new lease contracts in March 31, 2025 and 2024. The Group leases buildings for the use of offices with lease terms of 3-4 years. The Group does not have bargain purchase options to acquire the buildings at the expiry of the lease periods. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	Three Months Ended March 31	
	2025	2024
Expenses relating to short-term leases	\$ 117	\$ 116
Expenses relating to low-value asset leases	\$ 6	\$ 9
Total cash outflow for leases	(\$ 1,931)	(\$ 1,868)

13. INTANGIBLE ASSETS

	Patents	Software	Total
<u>Cost</u>			
Balance at January 1, 2025	\$ 16,311	\$ 43,114	\$ 59,425
Additions	-	5,066	5,066
Effect of exchange rate changes	209	485	694
Balance at March 31, 2025	\$ 16,520	\$ 48,665	\$ 65,185
<u>Accumulated amortization</u>			
Balance at January 1, 2025	\$ 16,311	\$ 31,808	\$ 48,119
Amortization expense	-	2,499	2,499
Effect of exchange rate changes	209	381	590
Balance at March 31, 2025	\$ 16,520	\$ 34,688	\$ 51,208
Balance at January 1, 2025	\$ -	\$ 11,306	\$ 11,306
Balance at March 31, 2025	\$ -	\$ 13,977	\$ 13,977
<u>Cost</u>			
Balance at January 1, 2024	\$ 15,276	\$ 27,960	\$ 43,236
Additions	-	7,862	7,862
Effect of exchange rate changes	644	1,217	1,861
Balance at March 31, 2024	\$ 15,920	\$ 37,039	\$ 52,959
<u>Accumulated amortization</u>			
Balance at January 1, 2024	\$ 15,276	\$ 26,720	\$ 41,996
Amortization expense	-	705	705
Effect of exchange rate changes	644	1,043	1,687
Balance at March 31, 2024	\$ 15,920	\$ 28,468	\$ 44,388
Balance at January 1, 2024	\$ -	\$ 1,240	\$ 1,240
Balance at March 31, 2024	\$ -	\$ 8,571	\$ 8,571

Except for the recognition of amortization expense, there were no significant additions, disposals and impairment of the Group's other intangible assets for the years ended March 31, 2025 and 2024.

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

Patents	3-7 years
Software	1-6 years

14. OTHER ASSETS

	March 31, 2025	December 31, 2024	March 31, 2024
<u>Current</u>			
Prepayments for purchases	\$ 81,836	\$ 81,518	\$ 88,387
Prepaid income tax	32,112	38,391	43,952
Tax receivables of business tax	7,814	10,953	39,203
Other financial assets	\$ 1,000	\$ -	\$ -
Others	2,818	3,228	5,816
	<u>\$ 125,580</u>	<u>\$ 134,090</u>	<u>\$ 177,358</u>
<u>Non-current</u>			
Refundable deposits	\$ 7,453	\$ 7,328	\$ 7,229
Net defined benefit assets	1,785	1,785	1,559
	<u>\$ 9,238</u>	<u>\$ 9,113</u>	<u>\$ 8,788</u>

15. BORROWINGS

a. Short-term loan

	March 31, 2025	December 31, 2024	March 31, 2024
<u>Unsecured loan</u>			
Bank loan	\$ -	\$ -	\$ 150,000

The range of weighted average effective interest rates on bank loans were 1.80%-1.95% as of March 31, 2024.

b. Long-term loan

	March 31, 2025	December 31, 2024	March 31, 2024
<u>Unsecured loan</u>			
Bank loan (1)	\$ 50,000	\$ 50,000	\$ 200,000
Less: Current portion	50,000	50,000	-
Long-term loan	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>

1) The Group acquired new bank loan with a floating interest rate of 2.20% per annum. Interest is paid monthly, and the principal is to be repaid in three annual installments starting from July 2023. The loan is to be repaid before July 5, 2025.

16. OTHER LIABILITIES

	March 31, 2025	December 31, 2024	March 31, 2024
<u>Current</u>			
Other payables			
Payables for purchases of equipment	\$ 10,777	\$ 4,674	\$ 13,811
Payables for bonuses	4,573	16,770	7,572
Payables for employees' compensation	1,240	-	-
Payables for remuneration of directors	180	-	-
Others	10,229	9,280	7,760
	<u>26,999</u>	<u>30,724</u>	<u>29,143</u>

Other liabilities			
Receipts under custody	\$ 216	\$ 206	\$ 174
	<u>\$ 27,215</u>	<u>\$ 30,930</u>	<u>\$ 29,317</u>
Refund liabilities (a)	<u>\$ 32,745</u>	<u>\$ 53,200</u>	<u>\$ 99,616</u>

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

17. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2025 and 2024, the pension expenses of defined benefit plans were \$5 thousand and \$6 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2024 and 2023 respectively.

18. EQUITY

a. Common stock

	March 31, 2025	December 31, 2024	March 31, 2024
Numbers of shares authorized (in thousands)	100,000	100,000	100,000
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	77,476	77,476	78,456
Shares issued	<u>\$ 774,759</u>	<u>\$ 774,759</u>	<u>\$ 784,559</u>

A total of 15,000 thousand shares from the authorized share capital was reserved for the issuance of employee share options.

The changes in the company's capital stock were primarily due to employees exercising stock options and the cancellation of treasury shares.

b. Capital surplus

	March 31, 2025	December 31, 2024	March 31, 2024
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Arising from issuance of ordinary shares	\$ 1,033,350	\$ 1,033,350	\$ 1,118,553
Arising from employee share options exercised price	12,754	12,754	12,754
<u>May be used to offset a deficit only</u>			
Shareholders' overdue dividends not received	\$ 1	\$ 1	\$ 1
<u>May not be used for any purpose</u>			
Arising from employee share options	104,475	100,467	87,926
	<u>\$ 1,150,580</u>	<u>\$ 1,146,572</u>	<u>\$ 1,219,234</u>

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

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

	Premium on Issue of Shares	Arising from Employee Share Options	Others	Total
Balance at January 1, 2024	\$ 1,118,553	\$ 90,772	\$ 1	\$ 1,209,326
Issuance of ordinary shares under employee share options	-	9,908	-	9,908
Balance at March 31, 2024	<u>\$ 1,118,553</u>	<u>\$ 100,680</u>	<u>\$ 1</u>	<u>\$ 1,219,234</u>
Balance at January 1, 2025	\$ 1,033,350	\$ 113,221	\$ 1	\$ 1,146,572
Issuance of ordinary shares under employee share options	-	4,008	-	4,008
Balance at March 31, 2025	<u>\$ 1,033,350</u>	<u>\$ 117,229</u>	<u>\$ 1</u>	<u>\$ 1,150,580</u>

c. Retained earnings and dividend policy

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

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

The cash dividends for the fiscal year 2023 were decided by the board of directors on March 12, 2024, not to be distributed. The distribution of other earnings has been approved at the shareholders' meeting held on June 18, 2024.

The cash dividends for the fiscal year 2024 were decided by the board of directors on March 11, 2025, not to be distributed. The plan for covering the losses of the 113th year is expected to be decided at the shareholders' meeting scheduled for June 18, 2025.

d. Other equity items

	Three Months Ended March 31	
	2025	2024
Balance, beginning of year	\$ 4,846	(\$ 691)
Exchange differences on translation of the financial statements of foreign operations	1,823	3,209
Balance, end of year	<u>\$ 6,669</u>	<u>\$ 2,518</u>

e. Treasury shares

	March 31, 2025	December 31, 2024	March 31, 2024
Treasury shares (In thousand of shares)	-	-	1,000

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

The company completed the repurchase of 1,000,000 shares in October 2019, at a total cost of NT\$96,995,000. According to the Securities and Exchange Act, the aforementioned treasury shares are regarded as unissued shares of the company and must be re-registered. On August 2, 2024, the Board of Directors resolved to carry out a capital reduction, with October 9, 2024, set as the record date for the capital reduction.

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

19. REVENUE

	Three Months Ended March 31	
	2025	2024
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 346,515	\$ 346,792

a. Contract balances

	March 31, 2025	December 31, 2024	March 31, 2024	January 1, 2024
Accounts receivable (Note 8)	\$ 76,710	\$ 64,249	\$ 40,716	\$ 46,151
Contract liabilities - current				
Sale of goods	\$ 48,853	\$ 11,817	\$ 31,949	\$ 38,995

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

	Three Months Ended March 31	
	2025	2024
From the contract liabilities at the beginning of the year		
Sale of goods	\$ 8,833	\$ 33,593

b. Disaggregation of revenue

	Three Months Ended March 31	
	2025	2024
<u>Primary geographical markets</u>		
Hong Kong	\$ 245,773	\$ 248,302
America	44,181	45,955
Taiwan (the Group's operating location)	18,517	10,236
Others	38,044	42,299
	<u>\$ 346,515</u>	<u>\$ 346,792</u>
<u>Major goods</u>		
CMOS	\$ 341,549	\$ 343,346
Others	4,966	3,446
	<u>\$ 346,515</u>	<u>\$ 346,792</u>

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	Three Months Ended March 31	
	2025	2024
Bank deposit	\$ 6,342	\$ 10,684
Financial assets at amortized cost	17	16
Others	4	3
	<u>\$ 6,363</u>	<u>\$ 10,703</u>

b. Other income

	Three Months Ended March 31	
	2025	2024
Other	\$ 113	\$ -

c. Other gains and losses

	Three Months Ended March 31	
	2025	2024
Net foreign exchange gain	\$ 7,518	\$ 37,485
Other gains	-	43
Other losses	(27)	(67)
	\$ 7,491	\$ 37,461

d. Finance costs

	Three Months Ended March 31	
	2025	2024
Interest on bank loans	\$ 271	\$ 2,227
Interest on lease liabilities	58	25
	\$ 329	\$ 2,252

e. Depreciation and amortization

	Three Months Ended March 31	
	2025	2024
Property, plant and equipment	\$ 12,241	\$ 8,829
Right-of-use assets	2,331	2,271
Intangible assets	2,499	705
Total	\$ 17,071	\$ 11,805
An analysis of depreciation by function		
Operating costs	\$ 2,049	\$ 2,186
Operating expenses	12,523	8,914
	\$ 14,572	\$ 11,100
An analysis of amortization by function		
Research and development expenses	\$ 2,499	\$ 705

f. Employee benefits expense

	Three Months Ended March 31	
	2025	2024
Post-employment benefits		
Defined contribution plans	\$ 1,028	\$ 958
Defined benefit plans	5	6
	1,033	964
Other employee benefits	57,333	58,878
Total employee benefits expense	\$ 58,366	\$ 59,842
An analysis of employee benefits expense by function		
Operating expenses	\$ 58,366	\$ 59,842

g. Employees' compensation and remuneration of directors

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

The estimated employee compensation and director remuneration for the period from January 1 to March 31, 2025 are as follows:

Accrual rate

	Three Months Ended March 31 2025
Employees' compensation	9.35%
Remuneration of directors and supervisors	1.36%

Amount

	Three Months Ended March 31 2025
Employees' compensation	\$ 1,240
Remuneration of directors and supervisors	\$ 180

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

The appropriations of employees' compensation and remuneration of directors and supervisors for 2024 and 2023 that were resolved by the board of directors on March 11, 2025 and March 12, 2024, respectively, are as shown below:

	For the Year Ended December 31	
	2024	2023
Employees' compensation	\$ -	\$ -
Remuneration of directors and supervisors	-	-

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2024 and 2023.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2024 and 2023 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES

a. Income tax recognized in profit or loss

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

	Three Months Ended March 31	
	2025	2024
Current tax		
In respect of the current year	\$ 1,225	\$ 66
Deferred tax		
In respect of the current year	-	-
Income tax expense recognized in profit or loss	\$ 1,225	\$ 66

b. Income tax assessments

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

22. EARNINGS PER SHARE

Unit: NT\$ Per Share

	Three Months Ended March 31	
	2025	2024
Basic earnings per share	\$ 0.16	(\$ 0.18)
Diluted earnings per share	\$ 0.16	(\$ 0.18)

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

Net Profit for the Year

	Three Months Ended March 31	
	2025	2024
Earnings used in the computation of basic earnings per share	\$ 12,054	(\$ 13,769)
Effect of potentially dilutive ordinary shares:		
Employee share options	-	-
Bonuses issued to employees	-	-
Earnings used in the computation of diluted earnings per share	<u>\$ 12,054</u>	<u>(\$ 13,769)</u>

Number of shares

	Unit: In Thousands of Shares Three Months Ended March 31	
	2025	2024
Weighted average number of ordinary shares used in the computation of basic earnings per share	77,476	77,456
Effect of potentially dilutive ordinary shares:		
Employee share options	-	-
Bonuses issued to employees	19	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>77,495</u>	<u>77,456</u>

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

23. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

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

Information on employee share options is as follows:

2021 Employee Share Option Plan		
For the Three Months Ended March 31, 2025	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	3,480	99.60
Options exercised	-	-
Option expired	<u>3,480</u>	99.60
Balance at March 31	<u>2,625</u>	-
2021 Employee Share Option Plan		
For the Three Months Ended March 31, 2024	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	3,500	99.60
Options exercised	-	-
Option expired	<u>3,500</u>	99.60
Balance at March 31	<u>-</u>	-

Information on outstanding options as follows:

March 31, 2025			December 31, 2024			March 31, 2024		
Share Option Plan	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)	Share Option Plan	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)	Share Option Plan	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)
2021 Employee share option plan	\$ 99.60	8.98	2021 Employee share option plan	\$ 99.60	9.23	2021 Employee share option plan	\$ 99.60	9.98

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

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

Share-based compensation were \$4,008 thousand and \$9,908 thousand for the three months ended March 31, 2025 and 2024, respectively.

24. CAPITAL MANAGEMENT

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

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

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

25. FINANCIAL INSTRUMENTS

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

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

b. Categories of financial instruments

	March 31, 2025	December 31, 2024	March 31, 2024
<u>Financial assets</u>			
Financial assets at amortized cost (Note 1)	\$ 955,976	\$ 892,451	\$ 1,075,970
<u>Financial liabilities</u>			
Amortized cost (Note 2)	130,136	163,344	449,482

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

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

c. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

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

Sensitivity analysis

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

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

When the NTD appreciates/depreciates by 1% against the USD, the Group's net profit before tax for the three months ended March 31, 2025 and 2024 would decrease/increase by \$5,995 thousand and \$8,819 thousand, respectively.

b) Interest rate risk

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

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

	March 31, 2025	December 31, 2024	March 31, 2024
Fair value interest rate risk			
Financial assets	\$ 470,212	\$ 465,852	\$ 323,549
Cash flow interest rate risk			
Financial assets	401,487	354,922	704,354
Financial liabilities	50,000	50,000	350,000

Sensitivity analysis

The sensitivity analysis regarding interest rate risk is calculated based on the changes in the cash flow of floating-rate liabilities on the balance sheet date. If interest rates had

been 0.5% higher/lower, pre-tax profit for the three months ended March 31, 2025 and 2024 would have increased/decreased by \$439 thousand and 443 thousand, respectively.

2) Credit risk management

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

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

3) Liquidity risk

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

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

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

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

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

March 31, 2025

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-derivative financial liabilities				
Lease liabilities	\$ 616	\$ 1,231	\$ 5,559	\$ 12,790
Accounts payable	62,328	7,031	-	-
Payables for purchases of equipment	3,546	7,231	-	-
Variable interest rate liabilities	92	183	50,092	-
	<u>\$ 66,582</u>	<u>\$ 15,676</u>	<u>\$ 55,651</u>	<u>\$ 12,790</u>

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

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 7,406	\$ 12,790	\$ -	\$ -	\$ -	\$ -
interest rate liabilities	50,367	-	-	-	-	-
	<u>\$ 57,773</u>	<u>\$ 12,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2024

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-derivative financial				

<u>liabilities</u>				
Leas liabilities	\$ 596	\$ 838	\$ 2,932	\$ 4,237
Accounts payable	101,439	7,231	-	-
Payables for purchases of equipment	213	4,461	-	-
Variable interest rate liabilities	92	183	50,366	-
	<u>\$ 102,340</u>	<u>\$ 12,713</u>	<u>\$ 53,298</u>	<u>\$ 4,237</u>

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

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 4,366	\$ 4,237	\$ -	\$ -	\$ -	\$ -
interest rate liabilities	50,641	-	-	-	-	-
	<u>\$ 55,007</u>	<u>\$ 4,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

March 31, 2024

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-derivative financial liabilities				
Leas liabilities	\$ 584	\$ 1,168	\$ 4,090	\$ -
Accounts payable	70,039	15,632	-	-
Payables for purchases of equipment	1,004	12,807	-	-
Variable interest rate liabilities	150,339	678	3,052	201,695
	<u>\$ 221,966</u>	<u>\$ 30,285</u>	<u>\$ 7,142</u>	<u>\$ 201,695</u>

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

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

b) Financing facilities

	March 31, 2025	December 31, 2024	March 31, 2024
Unsecured bank overdraft facilities, reviewed annually and payable on demand:			
Amount used	\$ 50,000	\$ 50,000	\$ 350,000
Amount unused	680,000	780,000	400,000
	<u>\$ 730,000</u>	<u>\$ 830,000</u>	<u>\$ 750,000</u>
Secured bank overdraft facilities:			
Amount used	\$ -	\$ -	\$ -
Amount unused	350,000	350,000	250,000
	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 250,000</u>

26. TRANSACTIONS WITH RELATED PARTIES

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

a. Remuneration of key management personnel

	Three Months Ended March 31	
	2025	2024
Short-term employee benefits	<u>\$ 8,986</u>	<u>\$ 8,918</u>

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31, 2025	December 31, 2024	March 31, 2024
Pledged time deposits (classified as financial assets at amortized cost-noncurrent)	\$ 3,572	\$ 3,572	\$ 3,549

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

March 31, 2025

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 21,813	33.205(USD:NTD)	\$ 724,240
CNY	199	4.573(RMB:NTD)	909
			<u>\$ 725,149</u>
<u>Financial liabilities</u>			
Monetary items			
USD	3,757	33.205(USD:NTD)	<u>\$ 124,741</u>

December 31, 2024

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 20,436	32.785(USD:NTD)	\$ 670,018
CNY	250	4.478(RMB:NTD)	1,122
			<u>\$ 671,140</u>
<u>Financial liabilities</u>			
Monetary items			
USD	3,588	32.785(USD:NTD)	\$ 117,632
CNY	50	4.478(RMB:NTD)	226
			<u>\$ 117,858</u>

March 31, 2024

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

The Group is mainly exposed to the USD and CNY. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the presentation currency and the respective functional currencies were disclosed. The significant

unrealized foreign exchange gains (losses) were as follows:

	Three Months Ended March 31			
	2025		2024	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	\$ 7,685	1 (NTD:NTD)	\$ 37,356
CNY	4.573 (CNY:NTD)	(167)	4.408 (CNY:NTD)	129
USD	33.205 (USD:NTD)	-	32 (USD:NTD)	-
		<u>\$ 7,518</u>		<u>\$ 37,485</u>

29. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:
 - 1) Financing provided to others: None;
 - 2) Endorsements/guarantees provided: None;
 - 3) Marketable securities held (excluding investments in subsidiaries): None;
 - 4) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
 - 5) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
 - 6) Intercompany relationships and significant intercompany transactions: See Table 1;
- b. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 2;
- c. Information on investments in mainland China: See Table 3.

30. SEGMENT INFORMATION

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

The segment revenues and operating results for the three months ended March 31, 2025 and 2024 are shown in the consolidated income statements for the three months ended March 31, 2025 and 2024. The segment assets as of March 31, 2025, December 31, 2024 and March 31, 2024 are shown in the consolidated balance sheets as of March 31, 2025, December 31, 2024 and March 31, 2024.

TABLE 1

SILICON OPTRONICS, INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED March 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
			Financial Statement Item	2025		Terms
				Amount	Percentage of Consolidated Total Gross Sales or Total Assets	
Silicon Optronics, Inc.	NUEVA IMAGING INC.	1	Technical service expense	\$ 15,999	5%	-
	NUEVA IMAGING INC.	1	Other payable from related parties	5,556	-	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Technical service expense	17,648	5%	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Other payable from related parties	4,901	-	-

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

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

TABLE 2

SILICON OPTRONICS, INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

March 31, 2025

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Accounted for using the Equity Method	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2025			Net Income of Investee Accounted for using the Equity Method	Investment Income	Note
				March 31, 2025	December 31, 2024	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Silicon Optronics, Inc.	NUEVA IMAGING INC.	USA	Product development & design of high-end CMOS Image Sensor	\$ 358,500	\$ 358,500	6,000	100	\$ 268,690	\$ 1,247	\$ 1,247	Subsidiary
	Silicon Optronics (Cayman) Co., Ltd.	Cayman Islands	Investment holding company	5,237	5,237	170	100	45,627	330	330	Subsidiary

TABLE 3

SILICON OPTRONICS, INC. AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED March 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (US\$ in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2025 (US\$ in Thousands)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2025 (US\$ in Thousands)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2025	Accumulated Repatriation of Investment Income as of March 31, 2025	Note
					Outward	Inward							
Silicon Optronics (Shanghai) Co., Ltd.	Design, test and research and development of IC and related electronic products with consultation on technology services and technology transfer	US\$ 175 thousand	Note 1	\$ 5,811 (US\$ 175 thousand)	\$ -	\$ -	\$ 5,811 (US\$ 175 thousand)	\$ 330	100	\$ 330	\$ 45,627	\$ -	

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2025 (US\$ in Thousands)	Investment Amount Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (US\$ in Thousands)
\$ 5,811 (US\$ 175 thousand)	Note 1	\$ 1,396,027

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

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

Note 3: Based on the exchange rate as of March 31, 2025.