

**Keystone Microtech Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2024 and 2023 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Keystone Microtech Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Keystone Microtech Corporation (the "Company") and its subsidiaries (the "Group") as of March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three 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 March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 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 Chung Chen Chen and Chiang Hsun Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 6, 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.

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,070,609	40	\$ 1,307,168	51	\$ 1,253,832	49
Financial assets at amortized cost - current (Note 7)	128,000	5	122,820	5	-	-
Trade receivables (Notes 8 and 19)	237,944	9	279,895	11	271,796	11
Inventories (Note 9)	325,792	12	378,017	14	496,819	20
Prepayments (Note 14)	9,430	-	10,035	-	8,360	-
Total current assets	<u>1,771,775</u>	<u>66</u>	<u>2,097,935</u>	<u>81</u>	<u>2,030,807</u>	<u>80</u>
NON-CURRENT ASSETS						
Property, plant and equipment (Notes 11 and 28)	433,555	16	439,793	17	460,075	18
Right-of-use assets (Note 12)	9,982	-	8,851	-	13,367	-
Other intangible assets (Note 13)	10,755	-	5,306	-	11,490	-
Deferred tax assets (Note 4)	20,983	1	18,927	1	18,338	1
Other non-current assets (Note 14)	448,563	17	9,928	1	15,188	1
Total non-current assets	<u>923,838</u>	<u>34</u>	<u>482,805</u>	<u>19</u>	<u>518,458</u>	<u>20</u>
TOTAL	<u>\$ 2,695,613</u>	<u>100</u>	<u>\$ 2,580,740</u>	<u>100</u>	<u>\$ 2,549,265</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities - current (Note 19)	\$ 66,642	2	\$ 82,620	3	\$ 159,989	6
Notes payable (Note 15)	140	-	140	-	-	-
Trade payables (Note 15)	71,251	3	77,609	3	56,226	2
Other payables (Notes 16 and 24)	122,127	5	141,962	6	93,951	4
Current tax liabilities (Note 4)	69,646	3	42,726	2	59,766	3
Lease liabilities - current (Note 12)	6,224	-	6,100	-	7,026	-
Other current liabilities (Note 16)	1,132	-	1,138	-	872	-
Total current liabilities	<u>337,162</u>	<u>13</u>	<u>352,295</u>	<u>14</u>	<u>377,830</u>	<u>15</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Note 4)	9,632	-	3,078	-	4,266	-
Lease liabilities - non-current (Note 12)	3,686	-	2,674	-	6,455	-
Total non-current liabilities	<u>13,318</u>	<u>-</u>	<u>5,752</u>	<u>-</u>	<u>10,721</u>	<u>-</u>
Total liabilities	<u>350,480</u>	<u>13</u>	<u>358,047</u>	<u>14</u>	<u>388,551</u>	<u>15</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 18)						
Share capital						
Ordinary shares	272,097	10	272,177	11	272,257	11
Capital surplus	322,334	12	323,750	12	325,166	13
Retained earnings						
Legal reserve	236,621	9	236,621	9	195,976	8
Unappropriated earnings	1,518,854	56	1,399,113	54	1,385,688	54
Total retained earnings	1,755,475	65	1,635,734	63	1,581,664	62
Other Equity	(4,773)	-	(8,968)	-	(18,373)	(1)
Total equity attributable to owners of the Corporation	<u>2,345,133</u>	<u>87</u>	<u>2,222,693</u>	<u>86</u>	<u>2,160,714</u>	<u>85</u>
Total equity	<u>2,345,133</u>	<u>87</u>	<u>2,222,693</u>	<u>86</u>	<u>2,160,714</u>	<u>85</u>
TOTAL	<u>\$ 2,695,613</u>	<u>100</u>	<u>\$ 2,580,740</u>	<u>100</u>	<u>\$ 2,549,265</u>	<u>100</u>

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

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Note 19)	\$ 380,878	100	\$ 372,457	100
OPERATING COSTS				
Cost of goods sold (Notes 9, 13 and 20)	<u>(190,981)</u>	<u>(50)</u>	<u>(190,805)</u>	<u>(51)</u>
GROSS PROFIT	<u>189,897</u>	<u>50</u>	<u>181,652</u>	<u>49</u>
OPERATING EXPENSES (Notes 13, 20 and 27)				
Selling and marketing expenses	(13,678)	(4)	(14,005)	(4)
General and administrative expenses	(16,681)	(4)	(12,208)	(3)
Research and development expenses	(43,467)	(12)	(41,655)	(11)
Expected credit losses (gains) (Note 8)	<u>(1,261)</u>	<u>-</u>	<u>328</u>	<u>-</u>
Total operating expenses	<u>(75,087)</u>	<u>(20)</u>	<u>(67,540)</u>	<u>(18)</u>
PROFIT FROM OPERATIONS	<u>114,810</u>	<u>30</u>	<u>114,112</u>	<u>31</u>
NON-OPERATING INCOME AND EXPENSES (Note 20)				
Interest income	5,615	2	4,141	1
Other income	25	-	-	-
Other gains and losses	31,381	8	1	-
Finance costs	<u>(111)</u>	<u>-</u>	<u>(90)</u>	<u>-</u>
Total non-operating income and expenses	<u>36,910</u>	<u>10</u>	<u>4,052</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	151,720	40	118,164	32
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(31,979)</u>	<u>(8)</u>	<u>(22,224)</u>	<u>(6)</u>
NET PROFIT FOR THE PERIOD	<u>119,741</u>	<u>32</u>	<u>95,940</u>	<u>26</u>

(Continued)

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
OTHER COMPREHENSIVE LOSS				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 18)	\$ 828	-	\$ (71)	-
Other comprehensive income for the period, net of income tax	828	-	(71)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 120,569</u>	<u>32</u>	<u>\$ 95,869</u>	<u>26</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 4.42</u>		<u>\$ 3.54</u>	
Diluted	<u>\$ 4.38</u>		<u>\$ 3.50</u>	

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

(Concluded)

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

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

	Capital		Retained Earnings		Other Equity		Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Others	
BALANCE AT JANUARY 1, 2023	\$ 272,257	\$ 325,166	\$ 195,976	\$ 1,289,748	\$ -	\$ (21,938)	\$ 2,061,209
Share-based payment transactions (Notes 18 and 23)	-	-	-	-	-	3,636	3,636
Net profit for the three months ended March 31, 2023	-	-	-	95,940	-	-	95,940
Other comprehensive loss for the three months ended March 31, 2023 (Note 18)	-	-	-	-	(71)	-	(71)
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	95,940	(71)	-	95,869
BALANCE AT MARCH 31, 2023	<u>\$ 272,257</u>	<u>\$ 325,166</u>	<u>\$ 195,976</u>	<u>\$ 1,385,688</u>	<u>\$ (71)</u>	<u>\$ (18,302)</u>	<u>\$ 2,160,714</u>
BALANCE AT JANUARY 1, 2024	\$ 272,177	\$ 323,750	\$ 236,621	\$ 1,399,113	\$ (217)	\$ (8,751)	\$ 2,222,693
Share-based payment transactions (Notes 18 and 23)	(80)	(1,416)	-	-	-	3,367	1,871
Net profit for the three months ended March 31, 2024	-	-	-	119,741	-	-	119,741
Other comprehensive income for the three months ended March 31, 2024 (Note 18)	-	-	-	-	828	-	828
Total comprehensive income for the three months ended March 31, 2024	-	-	-	119,741	828	-	120,569
BALANCE AT MARCH 31, 2024	<u>\$ 272,097</u>	<u>\$ 322,334</u>	<u>\$ 236,621</u>	<u>\$ 1,518,854</u>	<u>\$ 611</u>	<u>\$ (5,384)</u>	<u>\$ 2,345,133</u>

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

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 151,720	\$ 118,164
Adjustments for:		
Depreciation expense	13,614	14,107
Amortization expense	2,263	2,579
Expected credit loss (reversed) on trade receivables	1,261	(328)
Finance costs	111	90
Interest income	(5,615)	(4,141)
Compensation costs of employee share options	1,871	3,636
Write-downs of inventories	3,883	5,810
Net loss (gain) on foreign currency exchange	(36,838)	1,681
Changes in operating assets and liabilities		
Trade receivables	40,144	(57,456)
Inventories	48,342	37,826
Prepayments	605	1,386
Contract liabilities	(15,978)	39,329
Trade payables	(7,520)	(23,510)
Other payables	(31,721)	(48,281)
Other current liabilities	(6)	(190)
Cash generated from operations	166,136	90,702
Interest received	5,615	4,141
Interest paid	(111)	(90)
Income tax paid	(561)	(374)
Net cash generated from operating activities	<u>171,079</u>	<u>94,379</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(932)	(5,004)
Increase in refundable deposits	(1,002)	(2,018)
Payments for intangible assets	(163)	(6,267)
Increase in prepayments for equipment	(1,576)	(5,484)
Increase in real estate prepayments	<u>(436,040)</u>	<u>-</u>
Net cash used in investing activities	<u>(439,713)</u>	<u>(18,773)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	<u>(2,081)</u>	<u>(2,001)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>34,156</u>	<u>(1,378)</u>

(Continued)

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended	
	March 31	
	2024	2023
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (236,559)	\$ 72,227
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,307,168</u>	<u>1,181,605</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,070,609</u>	<u>\$ 1,253,832</u>

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

(Concluded)

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Keystone Microtech Corporation (the “Company”), which was established under the Company Law on September 2006, is engaged in the manufacture and sale of various circuit testing solutions for semiconductors, including IC front-end test solutions (probe cards and substrates), IC back-end test solutions (load boards and burn-in boards) and other related testing boards.

The Company’s shares have been listed on the Taipei Exchange since April 2019.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on May 6, 2024.

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

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

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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 Disclosures in Financial Statements”	January 1, 2027
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: 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.

- IFRS 18 “Presentation and Disclosures in Financial Statements”

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

- 1) Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discounted operations categories.
- 2) 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.
- 3) 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.
- 4) 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 the possible impact of the application of other 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

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 financial statements shall prevail.

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical costs are generally determined by the fair value of the payment for asset acquisition.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). 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.

See Notes 10, Tables 3 and 4 for the detailed information of subsidiaries (including percentages of ownership and main businesses).

d. Other material accounting policies

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

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

Current assets include:

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

Current liabilities include:

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

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

2) Income tax expense

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

6. CASH AND CASH EQUIVALENTS

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand	\$ 160	\$ -	\$ -
Checking accounts and demand deposits	750,449	880,118	718,882
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits	<u>320,000</u>	<u>427,050</u>	<u>534,950</u>
	<u>\$ 1,070,609</u>	<u>\$ 1,307,168</u>	<u>\$ 1,253,832</u>

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

	March 31, 2024	December 31, 2023	March 31, 2023
Demand deposits and time deposits	0.001%-5.000%	0.001%-5.000%	0.001%-4.550%

7. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Current</u>			
Domestic investments			
Time deposits with original maturities of more than 3 months	<u>\$ 128,000</u>	<u>\$ 122,820</u>	<u>\$ -</u>

The market interest rates of time deposits with original maturities of more than 3 months at the end of the reporting period were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Time deposits with original maturities of more than 3 months	4.350%	4.350%	-

8. TRADE RECEIVABLES

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 246,286	\$ 286,976	\$ 274,870
Less: Allowance for impairment loss	<u>(8,342)</u>	<u>(7,081)</u>	<u>(3,074)</u>
	<u>\$ 237,944</u>	<u>\$ 279,895</u>	<u>\$ 271,796</u>

Trade Receivables

The average credit period of sales of goods is 30 to 120 days after the end of the month.

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 ECLs on trade receivables are estimated using a provision matrix approach considering past experiences, current market conditions, and forward-looking information. 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. 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, 2024

	Not Past Due	Past Due							Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 150 Days	151 to 180 Days	Over 180 Days	
Expected credit loss rate	0.14%	0.72%	2.23%	3.49%	5.37%	10.77%	30.39%	100%	
Gross carrying amount	\$ 184,080	\$ 22,100	\$ 18,711	\$ 1,819	\$ 5,942	\$ -	\$ 9,354	\$ 4,280	\$ 246,286
Loss allowance (Lifetime ECLs)	<u>(259)</u>	<u>(160)</u>	<u>(417)</u>	<u>(64)</u>	<u>(319)</u>	<u>-</u>	<u>(2,843)</u>	<u>(4,280)</u>	<u>(8,342)</u>
Amortized cost	<u>\$ 183,821</u>	<u>\$ 21,940</u>	<u>\$ 18,294</u>	<u>\$ 1,755</u>	<u>\$ 5,623</u>	<u>\$ -</u>	<u>\$ 6,511</u>	<u>\$ -</u>	<u>\$ 237,944</u>

December 31, 2023

	Not Past Due	Past Due							Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 150 Days	151 to 180 Days	Over 180 Days	
Expected credit loss rate	0.07%	0.38%	1.18%	2.14%	3.80%	8.25%	21.83%	100%	
Gross carrying amount	\$ 212,578	\$ 22,281	\$ 2,326	\$ 17,712	\$ 20,557	\$ 2,728	\$ 4,306	\$ 4,488	\$ 286,976
Loss allowance (Lifetime ECLs)	<u>(155)</u>	<u>(85)</u>	<u>(27)</u>	<u>(379)</u>	<u>(782)</u>	<u>(225)</u>	<u>(940)</u>	<u>(4,488)</u>	<u>(7,081)</u>
Amortized cost	<u>\$ 212,423</u>	<u>\$ 22,196</u>	<u>\$ 2,299</u>	<u>\$ 17,333</u>	<u>\$ 19,775</u>	<u>\$ 2,503</u>	<u>\$ 3,366</u>	<u>\$ -</u>	<u>\$ 279,895</u>

March 31, 2023

	Not Past Due	Past Due							Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 150 Days	151 to 180 Days	Over 180 Days	
Expected credit loss rate	0.03%	0.17%	0.56%	1.07%	2.15%	5.08%	23.62%	100%	
Gross carrying amount	\$ 169,524	\$ 60,111	\$ 5,968	\$ 36,773	\$ -	\$ -	\$ -	\$ 2,494	\$ 274,870
Loss allowance (Lifetime ECLs)	<u>(52)</u>	<u>(100)</u>	<u>(33)</u>	<u>(395)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,494)</u>	<u>(3,074)</u>
Amortized cost	<u>\$ 169,472</u>	<u>\$ 60,011</u>	<u>\$ 5,935</u>	<u>\$ 36,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,796</u>

The movements of the loss allowance of trade receivables were as follows:

	For the Three Months Ended March 31	
	2024	2023
Balance at January 1	\$ 7,081	\$ 3,402
Add: Net remeasurement of loss allowance	1,261	-
Less: Net remeasurement of reversed allowance	<u>-</u>	<u>(328)</u>
Balance at March 31	<u>\$ 8,342</u>	<u>\$ 3,074</u>

9. INVENTORIES

	March 31, 2024	December 31, 2023	March 31, 2023
Finished goods (including storage inventories awaiting acceptance)	\$ 239,843	\$ 297,778	\$ 376,627
Work in progress	6,071	-	4,702
Semi-finished goods	12,507	9,941	16,704
Raw materials	<u>67,371</u>	<u>70,298</u>	<u>98,786</u>
	<u>\$ 325,792</u>	<u>\$ 378,017</u>	<u>\$ 496,819</u>

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

	For the Three Months Ended March 31	
	2024	2023
Cost of inventories sold	\$ 187,098	\$ 184,995
Inventory write-downs	<u>3,883</u>	<u>5,810</u>
	<u>\$ 190,981</u>	<u>\$ 190,805</u>

10. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2024	December 31, 2023	March 31, 2023	
The Company	KEYSTONE MICROTECH International Ltd	General investment business	100	100	100	1
	KSMT USA CORPORATION	Sales of semiconductor test components and provision of technical consultation and technical services	100	-	-	2
KEYSTONE MICROTECH International Ltd	SHANGHAI XINCHENG TECHNOLOGY CO., LTD.	Sales of semiconductor test components and provision of technical consultation and technical services	100	100	100	3

Note 1: On March 23, 2023, the Company participated in a cash capital increase of US\$600 thousand in KEYSTONE MICROTECH International Ltd.

Note 2: On March 8, 2024, the Company participated in a cash capital increase of US\$1,000 thousand in KSMT USA CORPORATION.

Note 3: On March 24, 2023, KEYSTONE MICROTECH International Ltd. participated in a cash capital increase of US\$590 thousand in SHANGHAI XINCHENG TECHNOLOGY CO., LTD.

11. PROPERTY, PLANT AND EQUIPMENT

Assets Used by the Group

	Freehold Land	Buildings	Machinery and Equipment	Office Equipment	Transportation	Other Equipment	Total
<u>Cost</u>							
Balance at January 1, 2024	\$ 217,232	\$ 176,530	\$ 231,792	\$ 33,652	\$ 500	\$ 1,898	\$ 661,604
Additions	-	259	4,440	570	-	-	5,269
Disposal	-	-	-	(26)	-	-	(26)
Balance at March 31, 2024	<u>\$ 217,232</u>	<u>\$ 176,789</u>	<u>\$ 236,232</u>	<u>\$ 34,196</u>	<u>\$ 500</u>	<u>\$ 1,898</u>	<u>\$ 666,847</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2024	\$ -	\$ 38,759	\$ 151,991	\$ 28,752	\$ 500	\$ 1,809	\$ 221,811
Depreciation expense	-	2,055	8,340	1,069	-	43	11,507
Disposals	-	-	-	(26)	-	-	(26)
Balance at March 31, 2024	<u>\$ -</u>	<u>\$ 40,814</u>	<u>\$ 160,331</u>	<u>\$ 29,795</u>	<u>\$ 500</u>	<u>\$ 1,852</u>	<u>\$ 233,292</u>
Carrying amount at March 31, 2024	<u>\$ 217,232</u>	<u>\$ 135,975</u>	<u>\$ 75,901</u>	<u>\$ 4,401</u>	<u>\$ -</u>	<u>\$ 46</u>	<u>\$ 433,555</u>
Carrying amount at December 31, 2023 and January 1, 2024	<u>\$ 217,232</u>	<u>\$ 137,771</u>	<u>\$ 79,801</u>	<u>\$ 4,900</u>	<u>\$ -</u>	<u>\$ 89</u>	<u>\$ 439,793</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Office Equipment	Transportation	Other Equipment	Total
<u>Cost</u>							
Balance at January 1, 2023	\$ 217,232	\$ 168,635	\$ 212,897	\$ 31,969	\$ 500	\$ 1,898	\$ 633,131
Additions	-	140	2,566	580	-	-	3,286
Disposals	-	-	-	(85)	-	-	(85)
Reclassified (Note)	-	-	9,868	-	-	-	9,868
Balance at March 31, 2023	<u>\$ 217,232</u>	<u>\$ 168,775</u>	<u>\$ 225,331</u>	<u>\$ 32,464</u>	<u>\$ 500</u>	<u>\$ 1,898</u>	<u>\$ 646,200</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ -	\$ 30,918	\$ 116,609	\$ 24,538	\$ 500	\$ 1,551	\$ 174,116
Depreciation expense	-	1,898	8,799	1,328	-	69	12,094
Disposals	-	-	-	(85)	-	-	(85)
Balance at March 31, 2023	<u>\$ -</u>	<u>\$ 32,816</u>	<u>\$ 125,408</u>	<u>\$ 25,781</u>	<u>\$ 500</u>	<u>\$ 1,620</u>	<u>\$ 186,125</u>
Carrying amount at March 31, 2023	<u>\$ 217,232</u>	<u>\$ 135,959</u>	<u>\$ 99,923</u>	<u>\$ 6,683</u>	<u>\$ -</u>	<u>\$ 278</u>	<u>\$ 460,075</u>

(Concluded)

Note: Reclassified from prepayments for equipment to property, plant and equipment.

No impairment loss or reversal of impairment loss was recognized for the three months ended March 31, 2024 and 2023.

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

Buildings	
Main buildings	50 years
Construction appurtenance	3-20 years
Machinery and equipment	1-9 years
Office equipment	1-5 years
Transportation	5 years
Other equipment	3 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Carrying amount</u>			
Buildings	\$ 4,083	\$ 4,693	\$ 6,079
Transportation equipment	<u>5,899</u>	<u>4,158</u>	<u>7,288</u>
	<u>\$ 9,982</u>	<u>\$ 8,851</u>	<u>\$ 13,367</u>

	For the Three Months Ended March 31	
	2024	2023
Additions to right-of-use assets	<u>\$ 3,181</u>	<u>\$ 8,321</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 1,086	\$ 871
Transportation equipment	<u>1,021</u>	<u>1,142</u>
	<u>\$ 2,107</u>	<u>\$ 2,013</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 three months ended March 31, 2024 and 2023.

b. Lease liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Carrying amount</u>			
Current	<u>\$ 6,224</u>	<u>\$ 6,100</u>	<u>\$ 7,026</u>
Non-current	<u>\$ 3,686</u>	<u>\$ 2,674</u>	<u>\$ 6,455</u>

Range of discount rates for lease liabilities was as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Buildings	2.366%-4.300%	2.366%-4.300%	2.366%-2.867%
Transportation equipment	2.366%-3.119%	2.366%-2.992%	2.366%-2.992%

c. Material lease-in activities and terms

The Group leases buildings for the use of offices with lease term of 2 to 3 years. The Group does not have bargain purchase options to acquire buildings at the end of the lease term. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

The Group also leases transportation equipment for use in operations with lease term of 3 years. The Group does not have bargain purchase options to acquire vehicles at the end of the lease term. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Three Months Ended March 31	
	2024	2023
Expenses relating to short-term leases	<u>\$ 65</u>	<u>\$ 27</u>
Expenses relating to low-value asset leases	<u>\$ 111</u>	<u>\$ 105</u>
Total cash outflow for leases	<u>\$ (2,368)</u>	<u>\$ (2,223)</u>

The Group leases certain buildings which qualify as short-term leases and certain office equipment which 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.

As of March 31, 2024, December 31, 2023 and March 31, 2023, the amount of short-term lease commitments for which the recognition exemption was applied was \$82 thousand, \$110 thousand and \$367 thousand, respectively.

13. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2024	\$ 45,946
Additions	7,712
Disposal	<u>(10,979)</u>
Balance at March 31, 2024	<u>\$ 42,679</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2024	\$ 40,640
Amortization expense	2,263
Disposal	<u>(10,979)</u>
Balance at March 31, 2024	<u>\$ 31,924</u>
Carrying amount at March 31, 2024	<u>\$ 10,755</u>
Carrying amount at December 31, 2023 and January 1, 2024	<u>\$ 5,306</u>
<u>Cost</u>	
Balance at January 1, 2023	\$ 97,810
Additions	<u>5,023</u>
Balance at March 31, 2023	<u>\$ 102,833</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2023	\$ 88,764
Amortization expense	<u>2,579</u>
Balance at March 31, 2023	<u>\$ 91,343</u>
Carrying amount at March 31, 2023	<u>\$ 11,490</u>

The computer software is amortized on a straight-line basis over their estimated useful lives of 1 to 6 years.

	For the Three Months Ended March 31	
	2024	2023
An analysis of amortization by function		
Operating costs	\$ 124	\$ 150
General and administrative expenses	462	552
Research and development expenses	<u>1,677</u>	<u>1,877</u>
	<u>\$ 2,263</u>	<u>\$ 2,579</u>

14. OTHER ASSETS

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Current</u>			
Prepayments	<u>\$ 9,430</u>	<u>\$ 10,035</u>	<u>\$ 8,360</u>
<u>Non-current</u>			
Prepayments for buildings and land (Note)	\$ 436,040	\$ -	\$ -
Prepayments for equipment	7,301	5,725	8,338
Refundable deposits	<u>5,222</u>	<u>4,203</u>	<u>6,850</u>
	<u>\$ 448,563</u>	<u>\$ 9,928</u>	<u>\$ 15,188</u>

Note: Based on the long-term operational needs and capacity expansion, the Company's board of directors resolved on March 15, 2024 to approve a plan to purchase land and plants and entered into a purchase and sale contract with MADISON ASSET MANAGEMENT CORP. for a transaction amounting to \$433,750 thousand. As of March 31, 2024, the related amount included prepayment for premises in the account of other transaction costs.

15. NOTES PAYABLE AND TRADE PAYABLES

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Note payables</u>			
Operating	<u>\$ 140</u>	<u>\$ 140</u>	<u>\$ -</u>
<u>Trade payables</u>			
Operating	<u>\$ 71,251</u>	<u>\$ 77,609</u>	<u>\$ 56,226</u>

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

16. OTHER LIABILITIES

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Current</u>			
Other payables			
Payables for salaries and bonuses	\$ 99,662	\$ 124,194	\$ 83,257
Payables for purchase of computer software	7,549	-	-
Payables for insurance	4,368	4,369	4,282
Payables for purchases of equipment	4,416	79	280
Payables for pensions	3,084	3,037	2,992
Payables for business tax	131	4,659	-
Others	<u>2,917</u>	<u>5,624</u>	<u>3,140</u>
	<u>\$ 122,127</u>	<u>\$ 141,962</u>	<u>\$ 93,951</u>
Other liabilities			
Receipts under custody	<u>\$ 1,132</u>	<u>\$ 1,138</u>	<u>\$ 872</u>

17. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The Group has a pension plan under the Labor Pension Act (LPA), a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

18. EQUITY

a. Share capital

	March 31, 2024	December 31, 2023	March 31, 2023
Number of shares authorized (in thousands)	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>
Shares authorized	<u>\$ 360,000</u>	<u>\$ 360,000</u>	<u>\$ 360,000</u>
Number of shares issued and fully paid (in thousands)	<u>27,210</u>	<u>27,218</u>	<u>27,226</u>
Shares issued	<u>\$ 272,097</u>	<u>\$ 272,177</u>	<u>\$ 272,257</u>

On March 4, 2024, the board of directors approved the withdrawal of restricted shares. The Company withdrew \$80 thousand, 8 thousand shares, with a par value of \$10, with March 4, 2024 as the effective date of reduction. The aforesaid cancellation of the new shares restricting employees' rights has been approved by the Ministry of Economic Affairs (MOEA).

On August 7, 2023, the board of directors approved the withdrawal of restricted shares. The Company withdrew \$80 thousand, 8 thousand shares, with a par value of \$10, with August 7, 2023 as the effective date of reduction. The aforesaid cancellation of the new shares restricting employees' rights has been approved by the Ministry of Economic Affairs (MOEA).

A reconciliation of the number of shares outstanding was as follows:

	Number of Shares (In Thousands of Shares)	Share Capital
Balance on January 1, 2024	27,218	\$ 272,177
Retirement of recognized employee restricted shares (Note 23)	<u>(8)</u>	<u>(80)</u>
Balance on March 31, 2024	<u>27,210</u>	<u>\$ 272,097</u>
Balance at January 1, 2023	<u>27,226</u>	<u>\$ 272,257</u>
Balance at March 31, 2023	<u>27,226</u>	<u>\$ 272,257</u>

b. Capital surplus

	March 31, 2024	December 31, 2023	March 31, 2023
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)</u>			
Premium from issuance ordinary shares	\$ 277,535	\$ 277,535	\$ 277,535
Treasury share transactions	6,923	6,923	6,923
Premium from converting employee share option	1,682	1,682	1,682
Premium from employee restricted shares	7,013	7,013	
<u>May be used to offset a deficit (Note 2)</u>			
Disgorgement exercise	12,476	12,476	12,476
<u>May not be used for any purpose</u>			
Employee restricted shares	<u>16,705</u>	<u>18,121</u>	<u>26,550</u>
	<u>\$ 322,334</u>	<u>\$ 323,750</u>	<u>\$ 325,166</u>

Note 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.

Note 2: Such capital surplus arises from when the right of disgorgement is exercised that may be used to offset a deficit.

A reconciliation of the capital surplus was as follows:

	Premium from Issuance Ordinary Shares	Treasury Share Transactions	Premium from Converting Employee Share Option	Premium from Employee Restricted Shares	Disgorgement Exercise	Employee Restricted Shares	Total
Balance at January 1, 2024	\$ 277,535	\$ 6,923	\$ 1,682	\$ 7,013	\$ 12,476	\$ 18,121	\$ 323,750
Retirement of recognized employee restricted shares (Note)	-	-	-	-	-	(1,416)	(1,416)
Balance at March 31, 2024	<u>\$ 277,535</u>	<u>\$ 6,923</u>	<u>\$ 1,682</u>	<u>\$ 7,013</u>	<u>\$ 12,476</u>	<u>\$ 16,705</u>	<u>\$ 322,334</u>
Balance at January 1, 2023	<u>\$ 277,535</u>	<u>\$ 6,923</u>	<u>\$ 1,682</u>	<u>\$ -</u>	<u>\$ 12,476</u>	<u>\$ 26,550</u>	<u>\$ 325,166</u>
Balance at March 31, 2023	<u>\$ 277,535</u>	<u>\$ 6,923</u>	<u>\$ 1,682</u>	<u>\$ -</u>	<u>\$ 12,476</u>	<u>\$ 26,550</u>	<u>\$ 325,166</u>

Note: Reversal of compensation cost of the restricted shares amounted to \$1,496 thousand, net of retired share capital of \$80 thousand.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profits shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit unless accumulated legal capital reserves have already reached the total capital of the Company, 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. Refer to employees' compensation and remuneration of directors in Note 20 (f) for details.

As set forth in the Articles, the Company's policy on the distribution of dividends to shareholders is subject to the Company's current and future investment environment, future investment plans, financial structure and operating performance, with the interests of shareholders taken into account. The distribution of dividends shall not be less than 20% of the current total earnings (not including accumulated undistributed earnings) unless the current total earnings (not including unappropriated earnings) is less than 10% of the Company's paid-in capital. Dividends may be distributed in cash or shares, and cash dividends shall not be less than 10% of the total dividends distributed to shareholders in the current year.

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

The appropriations of earnings for 2023 and 2022, which were proposed by the board of directors on March 4, 2024 and approved in the shareholders' meeting on June 26, 2023, were as follows:

	For the Year Ended December 31	
	2023	2022
Legal reserve	<u>\$ 35,420</u>	<u>\$ 40,645</u>
Special reserve	<u>\$ 217</u>	<u>\$ -</u>
Cash dividends	<u>\$ 178,276</u>	<u>\$ 204,192</u>
Cash dividends per share (NT\$)	\$ 6.55	\$ 7.50

The appropriation of earnings for 2023 shall be resolved by the shareholders in the shareholders' meeting on June 3, 2024.

d. Other equity

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

	For the Three Months Ended March 31	
	2024	2023
Balance at January 1	\$ (217)	\$ -
Recognized for the period		
Exchange differences on the translation of the financial statements of foreign operations	<u>828</u>	<u>(71)</u>
Other comprehensive income recognized for the period	<u>828</u>	<u>(71)</u>
Balance at March 31	<u>\$ 611</u>	<u>\$ (71)</u>

2) Unearned employee benefits

In the shareholders' meetings on August 2, 2021, the shareholders approved the issuance of restricted shares to employees (refer to Note 23).

	For the Three Months Ended March 31	
	2024	2023
Balance at January 1	\$ (8,751)	\$ (21,938)
Share-based payment expenses recognized	1,871	3,636
Adjustment for retired restricted employee shares (Note)	<u>1,496</u>	<u>-</u>
Balance at March 31	<u>\$ (5,384)</u>	<u>\$ (18,302)</u>

Note: Deducted from the compensation cost of restricted shares.

19. REVENUE

	For the Three Months Ended March 31	
	2024	2023
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 380,878</u>	<u>\$ 372,457</u>

a. Contract balances

	March 31, 2024	December 31, 2023	March 31, 2023	January 1, 2023
Trade receivables (Note 8)	<u>\$ 237,944</u>	<u>\$ 279,895</u>	<u>\$ 271,796</u>	<u>\$ 214,902</u>
Sale of goods	<u>\$ 66,642</u>	<u>\$ 82,620</u>	<u>\$ 159,989</u>	<u>\$ 120,660</u>

b. Disaggregation of revenue

The Group is a single significant operating segment, and all revenues are from merchandise sales.

20. NET PROFIT

a. Interest income

	For the Three Months Ended March 31	
	2024	2023
Bank deposits	\$ 4,235	\$ 4,131
Financial assets at amortized cost	1,375	-
Others	<u>5</u>	<u>10</u>
	<u>\$ 5,615</u>	<u>\$ 4,141</u>

b. Other gains and (losses)

	For the Three Months Ended March 31	
	2024	2023
Net foreign exchange gains (losses)	\$ 31,423	\$ (136)
Others	<u>(42)</u>	<u>137</u>
	<u>\$ 31,381</u>	<u>\$ 1</u>

c. Finance costs

	For the Three Months Ended March 31	
	2024	2023
Interest on lease liabilities	<u>\$ 111</u>	<u>\$ 90</u>

d. Depreciation and amortization

	For the Three Months Ended March 31	
	2024	2023
An analysis of depreciation by function		
Operating costs	\$ 8,371	\$ 8,844
Operating expenses	<u>5,243</u>	<u>5,263</u>
	<u>\$ 13,614</u>	<u>\$ 14,107</u>
An analysis of amortization by function		
Operating costs	\$ 124	\$ 150
Operating expenses	<u>2,139</u>	<u>2,429</u>
	<u>\$ 2,263</u>	<u>\$ 2,579</u>

e. Employee benefits expense

	For the Three Months Ended March 31	
	2024	2023
Short-term benefits	\$ 75,305	\$ 68,454
Post-employment benefits		
Defined contribution plans	3,028	2,668
Other employee benefits	10,233	9,485
Equity-settled share-based payments	<u>1,871</u>	<u>3,636</u>
Total employee benefits expense	<u>\$ 90,437</u>	<u>\$ 84,243</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 42,583	\$ 41,544
Operating expenses	<u>47,854</u>	<u>42,699</u>
	<u>\$ 90,437</u>	<u>\$ 84,243</u>

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors at rates no less than 10% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. For the three months ended March 31, 2024 and 2023, the compensation of employees and remuneration of directors are as follows:

Accrual rate

	For the Three Months Ended March 31	
	2024	2023
Compensation of employees	10.05%	10.03%
Remuneration of directors	0.24%	0.23%

Amount

	For the Three Months Ended March 31	
	2024	2023
Compensation of employees	\$ 17,000	\$ 13,200
Remuneration of directors	400	300

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.

The appropriations of compensation of employees and remuneration of directors for 2023 and 2022 that were resolved by the board of directors on March 4, 2024 and March 6, 2023, respectively, are as shown below:

	For the Year Ended December 31			
	2023		2022	
	Cash	Shares	Cash	Shares
Compensation of employees	<u>\$ 52,500</u>	<u>\$ -</u>	<u>\$ 60,105</u>	<u>\$ -</u>
Remuneration of directors	<u>\$ 1,700</u>	<u>\$ -</u>	<u>\$ 1,400</u>	<u>\$ -</u>

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 years ended December 31, 2023 and 2022.

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

- g. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31	
	2024	2023
Foreign exchange gains	\$ 31,423	\$ 6,784
Foreign exchange losses	<u>-</u>	<u>(6,920)</u>
Net gains (losses)	<u>\$ 31,423</u>	<u>\$ (136)</u>

21. INCOME TAX EXPENSE

- a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended March 31	
	2024	2023
Current tax		
In respect of the current period	\$ 24,790	\$ 24,633
Adjustments for prior year	<u>2,691</u>	<u>(909)</u>
	<u>27,481</u>	<u>23,724</u>
Deferred tax		
In respect of the current period	<u>4,498</u>	<u>(1,500)</u>
	<u>4,498</u>	<u>(1,500)</u>
Income tax expense recognized in profit or loss	<u>\$ 31,979</u>	<u>\$ 22,224</u>

The applicable tax rate used by the entity in ROC was 20%. The applicable tax rate for SHANGHAI XINCHENG TECHNOLOGY CO., LTD., a subsidiary established in mainland China within the Group, was 25%.

b. Income tax assessments

The Company's income tax returns through 2022 have been assessed by the tax authorities. As of March 31, 2024, the Group has no unsettled tax litigation.

22. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2024	2023
Basic earnings per share	<u>\$ 4.42</u>	<u>\$ 3.54</u>
Diluted earnings per share	<u>\$ 4.38</u>	<u>\$ 3.50</u>

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

	For the Three Months Ended March 31	
	2024	2023
Net profit for the period	<u>\$ 119,741</u>	<u>\$ 95,940</u>

Number of Shares

Unit: Thousand Shares

	For the Three Months Ended March 31	
	2024	2023
Weighted average number of ordinary shares used in the computation of basic earnings per share	27,113	27,076
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	183	269
Restricted employee share options	<u>56</u>	<u>60</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>27,352</u>	<u>27,405</u>

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

23. SHARE-BASED PAYMENT ARRANGEMENTS - RESTRICTED SHARE PLAN FOR EMPLOYEES

On August 2, 2021, the shareholders approved a restricted share plan for employees with a total amount of \$1,500 thousand, consisting of 150 thousand shares. The subscription base date of July 27, 2022 was determined by the board of directors on July 21, 2022. The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

- a. The employees who acquire the restricted shares (including share dividends) under the Regulation but have not met the vesting conditions should provide the shares to the agency designated by the Company acting as the trust custodian and cooperate in complying with all related procedures and preparing the required documents.
- b. In addition to the restrictions stipulated in the custody of the preceding paragraph, the employees who acquire the restricted shares (including share dividends) under the Regulation but have not met the vesting conditions except occurrence of inheritance due to this Regulation shall not sell, mortgage, transfer, donate, pledge or, in any other way, dispose of these shares (including share dividends).
- c. Employees who acquire the restricted shares but have not met the vesting conditions have other rights the same as those of ordinary shareholders of the Company, including but not limited to the rights to receive dividends, bonuses and capital surplus in shares and to vote on cash increases by share issuance.
- d. The attendance proposals, speeches, voting rights and other equity-related matters at the shareholders' meeting of the Company are delegated to trust custody agencies before the vesting conditions are met.
- e. During the vested period, if the Company handles capital reduction not due to statutory capital reduction, the new shares with restricted employee rights shall be cancelled according to the capital reduction ratio. If the Company is handling cash capital reduction, the cash returned by the Company must be delivered to the trust and can only be delivered to the employees after the vested conditions are met. However, if the employees do not meet the vested conditions, the Company will recover such cash.

The vesting conditions of restricted shares are lift restrictions according to the following timeline and the proportion of restricted shares granted to the employees:

- a. Still employed after one-year anniversary of the grant can obtain the following proportion of shares: 25%.
- b. Still employed after two-year anniversary of the grant can obtain the following proportion of shares: 25%.
- c. Still employed after three-year anniversary of the grant can obtain the following proportion of shares: 25%.
- d. Still employed after four-year anniversary of the grant can obtain the following proportion of shares: 25%.

If an employee fails to meet the vesting conditions, the Company will withdraw the restricted shares (including share dividends).

The fair value of NT\$187 per share of the newly issued restricted shares was priced using the market-price-based method. The unearned employee benefit of \$28,050 thousand was recognized on the basis of vesting conditions and expensed on a straight-line base over the vesting period. Compensation costs of \$1,871 thousand and \$3,636 thousand were recognized, respectively, within the vesting period for the three months ended March 31, 2024 and 2023.

Information on the restricted share plan for employees was as follows:

Number of Shares

	Unit: Thousand Shares	
	For the Three Months Ended March 31	
	2024	2023
Balance at January 1	105	150
Issuance of shares	-	-
Forfeited (Note)	<u>(8)</u>	<u>-</u>
Balance at March 31	<u>97</u>	<u>150</u>

Note: The forfeited shares for the three months ended March 31, 2024 were the shares that were withdrawn due to the vesting conditions not being met.

24. CASH FLOWS INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the Group entered into the following non-cash investing activities which were not reflected in the statements of cash flows for the three months ended March 31, 2024 and 2023:

- 1) As of March 31, 2024, December 31, 2023 and March 31, 2023, the unsettled payments for purchases of property, plant and equipment were \$4,416 thousand, \$79 thousand and \$280 thousand, respectively, and were recorded as other payables in the financial statements.
- 2) As of March 31, 2024, December 31, 2023 and March 31, 2023, the unsettled payments for purchases of intangible assets were \$7,549 thousand, \$0 thousand and \$0 thousand, respectively, and were recorded as other payables in the financial statements.

b. Changes in liabilities arising from financing activities

For the three months ended March 31, 2024

	Opening Balance	Cash Flows	Non-cash Changes			Others	Closing Balance
			New Leases	Interest Expense	Exchange Rate Impact		
Lease liabilities	<u>\$ 8,774</u>	<u>\$ (2,081)</u>	<u>\$ 3,181</u>	<u>\$ 111</u>	<u>\$ 36</u>	<u>\$ (111)</u>	<u>\$ 9,910</u>

For the three months ended March 31, 2023

	Opening Balance	Cash Flows	Non-cash Changes			Others	Closing Balance
			New Leases	Interest Expense	Exchange Rate Impact		
Lease liabilities	<u>\$ 7,161</u>	<u>\$ (2,001)</u>	<u>\$ 8,321</u>	<u>\$ 90</u>	<u>\$ -</u>	<u>\$ (90)</u>	<u>\$ 13,481</u>

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities of the Group will be able to continue as going concerns while considering operating risks and maximizing the returns to shareholders through the optimization of the debt and equity balance. There were no significant changes in the Group's overall strategy.

The capital structure of the Group consists of equity of the Group (comprising share capital, capital reserve and retained earnings).

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

Under the recommendations of the key management, to balance the overall capital structure, the Group may distribute dividends and adjust the number of new shares issued.

26. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements which are not measured at fair value approximate their fair values.

b. Categories of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 1,441,775	\$ 1,714,086	\$ 1,532,478
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (2)	86,273	83,452	59,646

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost - current, trade receivables and refundable deposits (included in other non-current assets).

2) The balances include financial liabilities at amortized cost, which comprise notes payable, trade payables and other payables (not including payables for salaries and bonuses, insurance, pensions and business tax) that are measured at amortized cost.

c. Financial risk management objectives and policies

The Group's major financial instruments included trade receivables, trade payables and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (currency risk and interest rate risk), credit risk and liquidity risk.

The corporate treasury function reports regularly to the board of directors, who monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

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

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

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

Sensitivity analysis

The Group was mainly exposed to the fluctuations in the USD and the RMB.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currencies of the entities of the Group against the relevant foreign currencies (the USD and RMB). A sensitivity rate of 1% is 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 their translation was adjusted at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicated an increase in pretax profit when the functional currencies of the entities of the Group weakened by 1% against the relevant foreign currency. For a 1% strengthening of the functional currencies of the entities of the Group against the relevant foreign currency, there would be an equal and opposite impact on pretax profit and the balances below would be negative.

	USD Impact		RMB Impact	
	For the Three Months Ended		For the Three Months Ended	
	March 31		March 31	
	2024	2023	2024	2023
Profit or loss	\$ 6,141	\$ 5,140	\$ 2,675	\$ 5,098

The above impact on profit and loss was mainly attributable to the exposure on USD bank deposits, USD receivables, USD payables, RMB bank deposits and RMB receivables at the end of the reporting period.

The Group's sensitivity to the USD increased during the current period mainly because of an increase in USD bank deposits. The Group's sensitivity to the RMB decreased during the current period mainly because of a decrease in RMB bank deposits.

b) Interest rate risk

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

	March 31, 2024	December 31, 2023	March 31, 2023
Interest rate risk on fair value			
Financial assets	\$ 448,000	\$ 549,870	\$ 534,950
Financial liabilities	9,910	8,774	13,481
Interest rate risk on cash flow			
Financial assets	746,763	878,578	715,890

Sensitivity analysis

The sensitivity analysis in the next paragraph was based on the exposure of the Group's non-derivative instruments to interest rate risks at the end of the reporting period. A 100 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.

Had interest rates been 100 basis points higher/lower and all other variables been held constant, the Group's pretax profit for the three months ended March 31, 2024 and 2023 would have increased/decreased by \$1,867 thousand and \$1,790 thousand, respectively, which was mainly attributable to the Group's exposure to interest rate risks on its floating-rate bank deposits.

The Group's sensitivity to interest rates increased during the current period mainly because of the increased in floating-rate bank deposits.

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 of 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 the failure of counterparties to discharge an obligation pertaining to financial assets recognized in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties.

The Group's concentration of credit risk of 68%, 81% and 58% of total amounts of trade receivables as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively, was attributable to the Group's two largest customers.

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.

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

The following tables show the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The tables were based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

March 31, 2024

	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
Non-interest bearing	\$ 84,609	\$ 1,664	\$ -	\$ -
Lease liabilities	<u>1,985</u>	<u>4,469</u>	<u>3,758</u>	<u>-</u>
	<u>\$ 86,594</u>	<u>\$ 6,133</u>	<u>\$ 3,758</u>	<u>\$ -</u>

December 31, 2023

	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
Non-interest bearing	\$ 81,991	\$ 1,461	\$ -	\$ -
Lease liabilities	<u>1,887</u>	<u>4,431</u>	<u>2,715</u>	<u>-</u>
	<u>\$ 83,878</u>	<u>\$ 5,892</u>	<u>\$ 2,715</u>	<u>\$ -</u>

March 31, 2023

	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
Non-interest bearing	\$ 58,543	\$ 1,103	\$ -	\$ -
Lease liabilities	<u>2,086</u>	<u>5,225</u>	<u>6,597</u>	<u>-</u>
	<u>\$ 60,629</u>	<u>\$ 6,328</u>	<u>\$ 6,597</u>	<u>\$ -</u>

b) Financing facilities

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured bank loan facilities:			
Amount used	\$ -	\$ -	\$ -
Amount unused	<u>-</u>	<u>-</u>	<u>109,170</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,170</u>

27. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions, revenue and expense 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 as follows.

Remuneration of Key Management Personnel

	For the Three Months Ended	
	March 31	
	2024	2023
Short-term employee benefits	<u>\$ 16,627</u>	<u>\$ 14,649</u>

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

28. UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments of the Group as of the end of the reporting period were as follows:

Unrecognized commitments are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Acquisition of property, plant and equipment	<u>\$ 6,665</u>	<u>\$ 7,301</u>	<u>\$ 10,876</u>

29. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On June 26, 2023, the shareholders approved a restricted share plan consisting of 180 thousand shares with a par value of NT\$10 for employees, issued free of charge. The plan was approved by the FSC under Rule No. 1130338005 on April 3, 2024. The subscription base date of April 9, 2024 was determined by the board on April 22, 2024.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

March 31, 2024

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 20,306	32.000 (USD:NTD)	\$ 649,791
USD	90	7.095 (USD:RMB)	2,886
RMB	60,688	4.408 (RMB:NTD)	267,514
<u>Financial liabilities</u>			
Monetary items			
USD	1,204	32.000 (USD:NTD)	38,528

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 20,807	30.705 (USD:NTD)	\$ 638,889
USD	190	7.083 (USD:RMB)	5,839
RMB	97,858	4.327 (RMB:NTD)	423,433
<u>Financial liabilities</u>			
Monetary items			
USD	1,211	30.705 (USD:NTD)	37,191

March 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,004	30.45 (USD:NTD)	\$ 517,762
USD	590	6.872 (USD:RMB)	17,877
RMB	115,055	4.431 (RMB:NTD)	509,808
<u>Financial liabilities</u>			
Monetary items			
USD	711	30.45 (RMB:NTD)	21,657

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

Foreign Currency	For the Three Months Ended March 31			
	2024		2023	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
USD	31.448 (USD:NTD)	\$ 31,831	30.395 (USD:NTD)	\$ (410)
RMB	4.366 (RMB:NTD)	<u>(400)</u>	4.441 (RMB:NTD)	<u>386</u>
		<u>\$ 31,431</u>		<u>\$ (24)</u>

31. SEPARATELY DISCLOSED ITEMS

a. Information on 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):
None
- 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: Table 1
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital:
None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- 9) Trading in derivative instruments: None
- 10) Intercompany relationships and significant intercompany transactions: Table 2

b. Information on investees: Table 3.

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 4.

- 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: Table 5
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 6

32. SEGMENT INFORMATION

Financial Information

The Group is mainly an important operating department engaged in the manufacture and sale of various circuit testing solutions for semiconductors, including IC front-end test solutions (probe cards and substrates), IC back-end test solutions (load boards and burn-in boards) and other related testing boards. The financial report is the measurement basis for the chief operating decision maker of the Group to allocate resources and evaluate performance, thus reporting single-related segment operating information is not necessary.

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Keystone Microtech Corporation	Land and buildings	March 15, 2024	\$ 433,750	According to the contract	Madison Asset Management Corp.	Non-related-party transactions	-	-	-	\$ -	Real estate valuation report	Based on the Company's long-term operational needs and expansion of production capacity	-

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 5)	Payment Terms	% of Total Sales or Assets (Note 3)
0	Keystone Microtech Corporation	SHANGHAI XINCHENG TECHNOLOGY CO., LTD	1	Sales	\$ 111	120 days after the end of the month	0.03
		SHANGHAI XINCHENG TECHNOLOGY CO., LTD	1	Trade receivables from related parties	862	120 days after the end of the month	0.03
		KSMT USA CORPORATION	1	Equity	31,496	Capital Increase	1.17

Intercompany relationships:

- a. Keystone Microtech Corporation is engaged in the manufacture and sale of various circuit testing solutions for semiconductors, and other related testing boards.
- b. KSMT USA CORPORATION is engaged in marketing, case design and technical consulting services for semiconductor test carriers and components.
- c. KEYSTONE MICROTECH International Ltd SAMOA is engaged in general investment business.
- d. SHANGHAI XINCHENG TECHNOLOGY CO., LTD is engaged in selling of semiconductor test components and provision of technical consultation and technical services.

Note 1: Intercompany transactions information between parent company and subsidiaries are noted within the number column as follows:

- a. "0" for the parent company.
- b. Subsidiaries are numbered from "1".

Note 2: Parties involved in the transaction have a directional relationship noted by the following:

- a. "1" represents transactions from parent company to subsidiaries.
- b. "2" represents transactions from subsidiaries to parent company.
- c. "3" represents transactions between subsidiaries.

Note 3: The amounts of asset account and liability account are calculated as a percentage of the consolidated total assets. The amounts of income account are calculated as a percentage of the consolidated total sales.

Note 4: The transactions information between intercompany relationship have been eliminated in the consolidated financial statements.

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of March 31, 2024			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2024	December 31, 2023	Number of Shares (Thousand)	Percentage of Ownership	Carrying Amount			
The Company	KEYSTONE MICROTECH International Ltd	SAMOA	General investment business	\$ 18,251 (US\$ 600)	\$ 18,251 (US\$ 600)	600	100	\$ 6,170	\$ (4,608)	\$ (4,608)	Notes 1 and 2
	KSMT USA CORPORATION	California	Sales of semiconductor test components and provision of technical consultation and technical services	31,496 (US\$ 1,000)	-	1,000	100	31,261	(726)	(726)	Notes 1 and 2

Note 1: The amount recognized was determined based on the financial statements which were reviewed and attested by certified public accountants engaged by the Company during the same period.

Note 2: The transactions have been eliminated in the consolidated financial statements.

Note 3: Refer to Table 4 for information on our mainland China investee companies.

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2024	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2024	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of March 31, 2024 (Note 2)	Accumulated Repatriation of Investment Income as of March 31, 2024
					Outward	Inward						
SHANGHAI XINCHENG TECHNOLOGY CO., LTD	Sales of semiconductor test components and provision of technical consultation and technical services	\$ 17,904 (US\$ 590)	(b)	\$ 17,904 (US\$ 590)	\$ -	\$ -	\$ 17,904 (US\$ 590)	\$ (4,608)	100	\$ (4,608)	\$ 5,847	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$17,904 (US\$590 thousand) (Note 3)	\$17,904 (US\$590 thousand) (Notes 3 and 4)	\$1,407,080 (Note 5)

Note 1: Three methods of investment are the following:

- a. Direct investment.
- b. Reinvestment in China through a company located in a third region.
- c. Other methods.

Note 2: The amount recognized was determined based on the financial statements which were audited and attested by certified public accountants engaged by the Company during the same period.

Note 3: The amount was calculated by the actual outflow exchange rate from each time.

Note 4: Approved by the Investment Commission, MOEA (2) No. 11200128900.

Note 5: According to the "Principle of Examination on Investment and Technical Cooperation on Mainland China" of the Investment Review Committee, MOEA, the upper limit of the investment amount is "60% of the net value". (The equity for the three months ended March 31, 2024, was \$2,345,133 thousand \times 60% = \$1,407,080 thousand.)

Note 6: The transactions have been eliminated in the consolidated financial statements.

Note 7: The relevant figures in this exhibit are presented in New Taiwan dollars, and those involving foreign currencies are translated into New Taiwan dollars using the exchange rates at the balance sheet date; the amounts for profit or loss are translated into New Taiwan dollars using the average exchange rates for the current year.

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES

**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 FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars)**

1. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: None.
2. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.

Investee Company	Transaction Type	Purchase/Sale		Transaction Details			Notes/Accounts Receivable (Payable)		Unrealized Gain	Note
		Amount	%	Price	Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
SHANGHAI XINCHENG TECHNOLOGY CO., LTD	Sale	\$ (111)	-	Based on mutual agreement	120 days after the end of the month	30 to 120 days after the end of the month	\$ 862	-	\$ -	-

3. The amount of property transactions and the amount of the resultant gains or losses: None.
4. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.
5. The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.
6. Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.

KEYSTONE MICROTECH CORPORATION AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
MARCH 31, 2024**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Kuan Yi Investment Corporation	3,097,490	11.38

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