

# **eMemory Technology Inc. and Subsidiary**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2023 and 2022 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
eMemory Technology Inc.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of eMemory Technology Inc. and its subsidiaries (collectively referred to as the "Group") as of March 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. 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.

### **Basis for Qualified Conclusion**

As stated in Note 11 to the consolidated financial statements, The balance of investment accounted for using the equity method of eMemory Technology Inc. and its subsidiaries on March 31, 2023 and 2022 is \$14,291 and \$2,402 thousand, respectively, and share of loss of associates for the three months then ended March 31, 2023 and 2022 is \$903 and \$679 thousand, respectively. These investment amounts, as well as related information disclosed in Note 30 to the consolidated financial statements, were based on unreviewed financial statements of the investees for the same reporting periods as those of the Group.

### **Qualified Conclusion**

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the investment accounted for using the equity method and related share of loss of associates as described in the preceding paragraph been reviewed, 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2023 and 2022 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 Yu-Feng Huang and Su-Li Fang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

April 26, 2023

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 audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.*

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

### CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2023 (Reviewed)		December 31, 2022 (Audited)		March 31, 2022 (Reviewed)		LIABILITIES AND EQUITY	March 31, 2023 (Reviewed)		December 31, 2022 (Audited)		March 31, 2022 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash (Notes 6 and 26)	\$3,436,178	81	\$3,066,268	79	\$2,876,212	79	Contract liabilities - current(Notes 20 and 27)	\$ 99,440	3	\$ 67,508	2	\$ 95,801	3
Accounts receivable - net (Notes 9, 20 and 26)	181,385	4	239,381	6	131,380	4	Other payables(Notes 16 and 26)	121,145	3	181,897	5	133,362	4
Accounts receivable - related parties (Notes 20,26 and 27)	-	-	3,071	-	-	-	Other payables - related parties(Notes 26 and 27)	25	-	10	-	15	-
Other receivables (Notes 26)	1,629	-	1,018	-	5,277	-	Bonuses payable to employees and directors(Notes 21)	374,060	9	384,981	10	290,660	8
Prepayments(Notes 15)	14,976	1	20,014	1	51,691	2	Payables on equipment(Notes 26)	9,823	-	7,478	-	6,698	-
Other current assets(Notes 15 and 26)	5,066	-	4,157	-	7,489	-	Current tax liabilities(Notes 4 and 22)	183,616	4	139,676	3	187,961	5
							Lease liabilities - current(Notes 13 and 26)	2,957	-	3,299	-	3,250	-
Total current assets	3,639,234	86	3,333,909	86	3,072,049	85	Other current liabilities(Notes 16 and 27)	1,796	-	1,979	-	2,046	-
							Total current liabilities	792,862	19	786,828	20	719,793	20
<b>NON-CURRENT ASSETS</b>							<b>NON-CURRENT LIABILITIES</b>						
Financial assets at fair value through other comprehensive income - noncurrent(Notes 7 and 26)	4,976	-	4,914	-	13,779	-	Lease liabilities - noncurrent(Notes 13 and 26)	1,760	-	2,237	-	4,717	-
Financial assets at amortized cost – noncurrent (Notes 8, 26and 28)	116	-	116	-	116	-	Net defined benefit liabilities - noncurrent(Notes 4 and 17)	15,552	-	15,712	1	18,999	-
Investment accounted for using the equity method(Notes 11)	14,291	-	15,185	-	2,402	-	Guarantee deposits received(Notes 27)	10	-	10	-	10	-
Property, plant and equipment(Notes 12)	456,434	11	460,797	12	458,663	13	Total non-current liabilities	17,322	-	17,959	1	23,726	-
Right-of-use assets(Notes 13)	4,624	-	5,438	-	7,879	-	Total liabilities	810,184	19	804,787	21	743,519	20
Intangible assets(Notes 14)	101,086	3	74,187	2	69,810	2	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY(Notes 18 and 19)</b>						
Deferred tax assets(Notes 4 and 22)	1,757	-	2,743	-	2,454	-	Ordinary shares	761,885	18	761,845	19	761,272	21
Prepayments for equipment	1,143	-	-	-	-	-	Capital surplus	211,939	5	210,522	5	312,530	9
Refundable deposits	862	-	822	-	438	-	Retained earnings						
Total non-current assets	585,289	14	564,202	14	555,541	15	Legal reserve	635,956	15	635,956	16	526,270	14
							Special reserve	30,985	1	30,985	1	60,101	2
							Unappropriated earnings	2,143,204	51	1,830,114	47	1,625,832	45
							Total retained earnings	2,810,145	67	2,497,055	64	2,212,203	61
							Other equity						
							Exchange differences on the translation of the financial statements of foreign operations	669	-	706	-	( 16)	-
							Unrealized gain (loss) on financial assets at fair value through other comprehensive income	( 5,624)	-	( 5,686)	-	( 33,225)	( 1)
							Total other equity	( 4,955)	-	( 4,980)	-	( 33,241)	( 1)
							Treasury shares	( 404,238)	( 10)	( 404,238)	( 10)	( 404,238)	( 11)
							Total equity attributable to shareholders of the Company	3,374,776	80	3,060,204	78	2,848,526	79
							<b>NON-CONTROLLING INTERESTS(Notes 18)</b>						
							Total equity	3,414,339	81	3,093,324	79	2,884,071	80
<b>TOTAL</b>	<b>\$4,224,523</b>	<b>100</b>	<b>\$3,898,111</b>	<b>100</b>	<b>\$3,627,590</b>	<b>100</b>	<b>TOTAL</b>	<b>\$4,224,523</b>	<b>100</b>	<b>\$3,898,111</b>	<b>100</b>	<b>\$3,627,590</b>	<b>100</b>

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

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE(Notes 20 and 27)	\$ 667,751	100	\$ 727,107	100
OPERATING COSTS	-	-	-	-
GROSS PROFIT	<u>667,751</u>	<u>100</u>	<u>727,107</u>	<u>100</u>
OPERATING EXPENSES(Notes 13,21 and 27)				
Selling and marketing expenses	49,996	7	45,728	6
General and administrative expenses	64,562	10	71,335	10
Research and development expenses	186,163	28	197,917	27
Reversal of expected credit loss(Notes 9)	( 64 )	-	( 1,134 )	-
Total operating expenses	<u>300,657</u>	<u>45</u>	<u>313,846</u>	<u>43</u>
OPERATING INCOME	<u>367,094</u>	<u>55</u>	<u>413,261</u>	<u>57</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income(Notes 21)	10,497	2	2,148	-
Other income(Notes 13 and 21)	373	-	373	-
Other gains and losses(Notes 21 and 24)	( 5,505 )	( 1 )	13,040	2
Finance costs(Notes 21)	( 26 )	-	( 42 )	-
Share of loss of associates(Notes 11)	( 903 )	-	( 679 )	-
Total non-operating income and expenses	<u>4,436</u>	<u>1</u>	<u>14,840</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	371,530	56	428,101	59
INCOME TAX EXPENSE(Notes 4 and 22)	<u>63,972</u>	<u>10</u>	<u>65,863</u>	<u>9</u>
NET PROFIT	<u>307,558</u>	<u>46</u>	<u>362,238</u>	<u>50</u>

(Continued)

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (loss) (Notes 18 and 26)	\$ 62	-	(\$ 2,351)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on the translation of the financial statements of foreign operations (Notes 18)	( 18)	-	122	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method(Notes 18)	7	-	( 2)	-
Other comprehensive income (loss)	51	-	( 2,231)	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 307,609</u>	<u>46</u>	<u>\$ 360,007</u>	<u>50</u>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO:</b>				
Shareholders of the Company	\$ 313,090	47	\$ 366,019	50
Non-controlling interests	( 5,532)	( 1)	( 3,781)	-
	<u>\$ 307,558</u>	<u>46</u>	<u>\$ 362,238</u>	<u>50</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Shareholders of the Company	\$ 313,115	47	\$ 363,764	50
Non-controlling interests	( 5,506)	( 1)	( 3,757)	-
	<u>\$ 307,609</u>	<u>46</u>	<u>\$ 360,007</u>	<u>50</u>
<b>EARNINGS PER SHARE(Notes 23)</b>				
Basic	<u>\$ 4.20</u>		<u>\$ 4.91</u>	
Diluted	<u>\$ 4.18</u>		<u>\$ 4.89</u>	

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

(Concluded)

**EMEMORY TECHNOLOGY INC. AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Company											Non-Controlling Interests	Total Equity
	Ordinary Shares		Capital Surplus	Legal Reserve	Retained Earnings			Other Equity		Treasury Shares	Total		
	Number of Shares (In Thousands)	Amount			Special Reserve	Unappropriated Earnings	Total	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE, JANUARY 1, 2022	76,124	\$ 761,235	\$ 303,181	\$ 526,270	\$ 60,101	\$ 1,259,813	\$ 1,846,184	(\$ 112)	(\$ 30,874)	(\$ 404,238)	\$ 2,475,376	\$ 47,415	\$ 2,522,791
Changes in percentage of ownership interests in subsidiaries	-	-	8,192	-	-	-	-	-	-	-	8,192	( 8,192 )	-
Net profit (loss) for the three months ended March 31, 2022	-	-	-	-	-	366,019	366,019	-	-	-	366,019	( 3,781 )	362,238
Other comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	-	-	-	96	( 2,351 )	-	( 2,255 )	24	( 2,231 )
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	-	366,019	366,019	96	( 2,351 )	-	363,764	( 3,757 )	360,007
Issuance of ordinary shares under employee share options	3	37	1,157	-	-	-	-	-	-	-	1,194	61	1,255
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	18	18
BALANCE, MARCH 31, 2022	76,127	\$ 761,272	\$ 312,530	\$ 526,270	\$ 60,101	\$ 1,625,832	\$ 2,212,203	(\$ 16)	(\$ 33,225)	(\$ 404,238)	\$ 2,848,526	\$ 35,545	\$ 2,884,071
BALANCE, JANUARY 1, 2023	76,185	\$ 761,845	\$ 210,522	\$ 635,956	\$ 30,985	\$ 1,830,114	\$ 2,497,055	\$ 706	(\$ 5,686)	(\$ 404,238)	\$ 3,060,204	\$ 33,120	\$ 3,093,324
Changes in percentage of ownership interests in subsidiaries	-	-	181	-	-	-	-	-	-	-	181	( 181 )	-
Change in capital surplus from investments in associates accounted for using the equity method	-	-	2	-	-	-	-	-	-	-	2	-	2
Net profit (loss) for the three months ended March 31, 2023	-	-	-	-	-	313,090	313,090	-	-	-	313,090	( 5,532 )	307,558
Other comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	-	-	-	( 37 )	62	-	25	26	51
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	-	313,090	313,090	( 37 )	62	-	313,115	( 5,506 )	307,609
Issuance of ordinary shares under employee share options	4	40	1,234	-	-	-	-	-	-	-	1,274	-	1,274
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	324	324
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	11,806	11,806
BALANCE, MARCH 31, 2023	76,189	\$ 761,885	\$ 211,939	\$ 635,956	\$ 30,985	\$ 2,143,204	\$ 2,810,145	\$ 669	(\$ 5,624)	(\$ 404,238)	\$ 3,374,776	\$ 39,563	\$ 3,414,339

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

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<b>Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 371,530	\$ 428,101
Adjustments for:		
Depreciation expenses	9,831	9,556
Amortization expenses	15,756	4,774
Reversal of expected credit loss	( 64)	( 1,134)
Finance costs	26	42
Interest income	( 10,497)	( 2,148)
Share-based payments	324	18
Share of loss of associates	903	679
Property, plant and equipment transferred to expenses	68	-
Net loss (gain) on foreign currency exchange	4,404	( 9,523)
Intangible assets transferred to expenses	216	-
Changes in operating assets and liabilities		
Accounts receivable	57,018	( 23,491)
Accounts receivable - related parties	3,038	-
Other receivables	( 5)	-
Prepayments	5,689	( 24,431)
Other current assets	( 909)	( 3,635)
Contract liabilities	31,932	18,858
Other payables	( 60,749)	( 19,033)
Other payables- related parties	15	15
Other current liabilities	( 183)	118
Net defined benefit liabilities	( 160)	( 191)
Bonuses payable to employees and directors	( 10,921)	35,671
Cash generated from operations	417,262	414,246
Interest received	9,891	2,142
Income tax paid	( 19,697)	( 16,760)
Net cash generated from operating activities	<u>407,456</u>	<u>399,628</u>

(Continued)



# EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<b>Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(\$ 2,384)	(\$ 10,160)
Increase in refundable deposits	( 40)	-
Decrease in refundable deposits	-	33
Acquisition of intangible assets	( 42,871)	( 2,148)
Increase in prepayments for equipment	( 1,143)	-
Net cash used in investing activities	<u>( 46,438)</u>	<u>( 12,275)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of the principal portion of lease liabilities	( 819)	( 802)
Exercise of employee share options	1,274	1,255
Interest paid	( 26)	( 42)
Increase in non-controlling interests	<u>11,806</u>	<u>-</u>
Net cash generated from financing activities	<u>12,235</u>	<u>411</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE</b>		
<b>BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>( 3,343)</u>	<u>5,683</u>
<b>NET INCREASE IN CASH</b>	<b>369,910</b>	<b>393,447</b>
<b>CASH AT THE BEGINNING OF THE PERIOD</b>	<u><b>3,066,268</b></u>	<u><b>2,482,765</b></u>
<b>CASH AT THE END OF THE PERIOD</b>	<u><b>\$ 3,436,178</b></u>	<u><b>\$ 2,876,212</b></u>

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

(Concluded)

# EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

eMemory Technology Inc. (the “Company”) was incorporated in Hsinchu City, Republic of China, and commenced business in September 2000. The Company’s main business activities include researching, developing, manufacturing and selling embedded flash memory products, etc.

The Company’s shares have been listed on the Taipei Exchange (TPEX) since January 2011.

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 and authorized for issue on April 26, 2023.

### 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)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company and the entities controlled by the Company (collectively, the “Group”) accounting policies.

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

<b><u>New, Amended and Revised Standards and Interpretations</u></b>	<b><u>Effective Date Announced by IASB (Note 1)</u></b>
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
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

The 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. The consolidated financial statements do not present all the disclosures required for 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 (i.e., its subsidiaries).

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amount of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the Company.

See Note 10, Table 3 and Table 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

##### d. Other significant accounting policies

Except for the following, please refer to the summary of significant accounting policies in the consolidated financial statements for the year ended December 31, 2022.

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

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The Group considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The critical accounting judgments and key sources of estimation uncertainty followed in these consolidated financial statements refer to the consolidated financial statements for the year ended December 31, 2022

**6. CASH**

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Bank deposits	\$ 3,436,143	\$ 3,066,233	\$ 2,876,177
Cash on hand	<u>35</u>	<u>35</u>	<u>35</u>
	<u>\$ 3,436,178</u>	<u>\$ 3,066,268</u>	<u>\$ 2,876,212</u>

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
<u>Non-current</u>			
Investments in equity instruments at FVTOCI	<u>\$ 4,976</u>	<u>\$ 4,914</u>	<u>\$ 13,779</u>
Domestic investments			
Unlisted shares			
Ordinary shares- Powerchip Technology Corporation	\$ -	\$ -	\$ 7,378
Ordinary shares - Syntronix Group	<u>4,976</u>	<u>4,914</u>	<u>6,401</u>
	<u>\$ 4,976</u>	<u>\$ 4,914</u>	<u>\$ 13,779</u>

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

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
<u>Non-current</u>			
Domestic investments			
Pledged time deposits	<u>\$ 116</u>	<u>\$ 116</u>	<u>\$ 116</u>
a. Refer to Note 26 for information relating to the credit risk management and impairment of financial assets at amortized cost.			
b. Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security.			

## 9. ACCOUNTS RECEIVABLE, NET

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Accounts receivable	\$ 181,418	\$ 239,478	\$ 131,681
Less: Allowance for impairment loss	<u>(33)</u>	<u>(97)</u>	<u>(301)</u>
	<u>\$ 181,385</u>	<u>\$ 239,381</u>	<u>\$ 131,380</u>

The average credit term was 30 to 60 days; and no interest was charged on accounts receivable. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

Credit exposure is controlled by counterparty limits that are reviewed and approved.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position and economic condition of the industry in which the customer operates. 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 an account 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. For accounts receivable 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 Group measures the loss allowance for accounts receivable, and the information is as follows:

March 31, 2023

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	\$ 173,940	\$ 7,478	\$ -	\$ -	\$ -	\$ 181,418
Loss allowance (lifetime ECLs)	<u>-</u>	<u>(33)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33)</u>
Amortized cost	<u>\$ 173,940</u>	<u>\$ 7,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,385</u>

December 31, 2022

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	\$ 224,550	\$ 9,996	\$ 4,932	\$ -	\$ -	\$ 239,478
Loss allowance (lifetime ECLs)	<u>-</u>	<u>(25)</u>	<u>(72)</u>	<u>-</u>	<u>-</u>	<u>(97)</u>
Amortized cost	<u>\$ 224,550</u>	<u>\$ 9,971</u>	<u>\$ 4,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,381</u>

March 31, 2022

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	\$ 109,583	\$ 18,441	\$ 343	\$ 3,314	\$ -	\$ 131,681
Loss allowance (lifetime ECLs)	<u>-</u>	<u>(80)</u>	<u>(3)</u>	<u>(218)</u>	<u>-</u>	<u>(301)</u>
Amortized cost	<u>\$ 109,583</u>	<u>\$ 18,361</u>	<u>\$ 340</u>	<u>\$ 3,096</u>	<u>\$ -</u>	<u>\$ 131,380</u>

The movements of the loss allowance of accounts receivable were as follows:

	For the Three Months Ended	
	March 31, 2023	March 31, 2022
Balance at January 1	\$ 97	\$ 1,435
Less: Net remeasurement of loss allowance	<u>(64)</u>	<u>(1,134)</u>
Balance at March 31	<u>\$ 33</u>	<u>\$ 301</u>

**10. SUBSIDIARIES**Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			March 31, 2023	December 31, 2022	March 31, 2022	
eMemory Technology Inc.	PUFsecurity Corporation	Product designing, software services, data processing services, intellectual property, etc.	76.17%	76.17%	79.77%	1
	eMemory Japan Corporation	Product designing, intellectual property management, technology services	100%	100%	-	2
PUFsecurity Corporation	PUFsecurity USA Corporation	Sales promotion	100%	100%	100%	-
	PUFsecurity Technology (Shanghai) Corporation	Product designing and related services	100%	100%	-	3

Remarks:

- 1) PUFsecurity Corporation increased its capital by issuing 15,000 thousand shares with a par value of NT\$10 in January 2022, and the paid in capital increased to NT\$101,611 thousand, which was divided into 101,611 thousand shares with a par value of NT\$1. The Company subscribed for 11,107 thousand shares in cash for NT\$111,066 thousand, but did not subscribe for the shares in accordance with its original shareholding proportion, which caused it's the proportion of ownership to decrease from 80.82% to 79.82%.

The employees of the Company and PUFsecurity Corporation exercised the employee share options issued by PUFsecurity Corporation for the three months ended March 31, 2022. Therefore, the Company's shareholding percentage decreased from 79.82% to 79.77%.

The employees of the Company and PUFsecurity Corporation exercised the employee share options issued by PUFsecurity Corporation in 2022. On July 27, 2022, for the purpose of transferring shares to its employees, PUFsecurity Corporation's board of directors resolved to buy back 4,000 thousand shares of PUFsecurity Corporation's ordinary shares with the price of NT\$7.5 per share. Therefore, eMemory Technology Inc.'s shareholding percentage decreased from 79.77% to 76.17%.

- 2) eMemory Technology Inc. invested and established eMemory Japan Corporation in March 2022, and the Company remitted investment fund of JPY50,000 thousand on October 21, 2022 and February 3, 2023.
- 3) PUFsecurity Corporation invested and established PUFsecurity Technology (Shanghai) Corporation in July 2022, and PUFsecurity Corporation remitted investment fund of US\$250 thousand on February 3, 2023.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in associates

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Associates that is not individually material			
iMQ Technology Inc.	<u>\$ 14,291</u>	<u>\$ 15,185</u>	<u>\$ 2,402</u>

Although the shareholding ratio is less than 20%, the Company is able to exercise significant influence over iMQ Technology Inc. since the chairman of the Company is the same person as the chairman of iMQ Technology Inc.

For information about the nature of business, main operating location and country of incorporation of the associate, refer to Table 3.

The investments in the associates accounted for using the equity method, and the share of profit or loss and other comprehensive income (loss) of those investments have not been reviewed by CPA.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Assets used by the Group	\$ 456,113	\$460,475	\$ 458,337
Assets leased under operating leases	<u>321</u>	<u>322</u>	<u>326</u>
	<u><u>\$456,434</u></u>	<u><u>\$460,797</u></u>	<u><u>\$ 458,663</u></u>

### a. Assets used by the Group

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Research and Development Equipment</b>	<b>Office Equipment</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2023	\$ 123,905	\$ 394,320	\$ 89,651	\$ 22,613	\$ 630,489
Additions	-	-	4,553	176	4,729
Disposals	-	-	( 12,267)	( 1,952)	( 14,219)
Reclassified	-	-	( 49)	( 21)	( 70)
Effect of exchange rate changes	-	-	( 1)	( 6)	( 7)
Balance at March 31, 2023	<u>\$ 123,905</u>	<u>\$ 394,320</u>	<u>\$ 81,887</u>	<u>\$ 20,810</u>	<u>\$ 620,922</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2023	\$ -	\$ 111,962	\$ 49,816	\$ 8,236	\$ 170,014
Depreciation expense	-	3,032	4,831	1,153	9,016
Disposals	-	-	( 12,267)	( 1,952)	( 14,219)
Reclassified	-	-	( 1)	( 1)	( 2)
Balance at March 31, 2023	<u>\$ -</u>	<u>\$ 114,994</u>	<u>\$ 42,379</u>	<u>\$ 7,436</u>	<u>\$ 164,809</u>
Carrying amount at March 31, 2023	<u>\$ 123,905</u>	<u>\$ 279,326</u>	<u>\$ 39,508</u>	<u>\$ 13,374</u>	<u>\$ 456,113</u>
Carrying amount at December 31, 2022 and January 1, 2023	<u>\$ 123,905</u>	<u>\$ 282,358</u>	<u>\$ 39,835</u>	<u>\$ 14,377</u>	<u>\$ 460,475</u>
<u>Cost</u>					
Balance at January 1, 2022	\$ 123,905	\$ 388,508	\$ 100,198	\$ 17,646	\$ 630,257
Additions	-	1,076	5,360	659	7,095
Disposals	-	( 639)	( 17,387)	( 1,646)	( 19,672)
Balance at March 31, 2022	<u>\$ 123,905</u>	<u>\$ 388,945</u>	<u>\$ 88,171</u>	<u>\$ 16,659</u>	<u>\$ 617,680</u>

(Continued)



	<b>Freehold Land</b>	<b>Buildings</b>	<b>Research and Development Equipment</b>	<b>Office Equipment</b>	<b>Total</b>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	\$ -	\$ 101,127	\$ 61,948	\$ 7,199	\$ 170,274
Depreciation expense	-	2,868	4,999	874	8,741
Disposals	-	(639)	(17,387)	(1,646)	(19,672)
Balance at March 31, 2022	<u>\$ -</u>	<u>\$ 103,356</u>	<u>\$ 49,560</u>	<u>\$ 6,427</u>	<u>\$ 159,343</u>
Carrying amount at March 31, 2022	<u>\$ 123,905</u>	<u>\$ 285,589</u>	<u>\$ 38,611</u>	<u>\$ 10,232</u>	<u>\$ 458,337</u>

(Concluded)

b. Assets leased under operating leases

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1 and March 31, 2023	<u>\$ 114</u>	<u>\$ 265</u>	<u>\$ 379</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ -	\$ 57	\$ 57
Depreciation expense	-	1	1
Balance at March 31, 2023	<u>\$ -</u>	<u>\$ 58</u>	<u>\$ 58</u>
Carrying amount at March 31, 2023	<u>\$ 114</u>	<u>\$ 207</u>	<u>\$ 321</u>
Carrying amount at December 31, 2022 and January 1, 2023	<u>\$ 114</u>	<u>\$ 208</u>	<u>\$ 322</u>
<u>Cost</u>			
Balance at January 1 and March 31, 2022	<u>\$ 114</u>	<u>\$ 265</u>	<u>\$ 379</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ -	\$ 52	\$ 52
Depreciation expense	-	1	1
Balance at March 31, 2022	<u>\$ -</u>	<u>\$ 53</u>	<u>\$ 53</u>
Carrying amount at March 31, 2022	<u>\$ 114</u>	<u>\$ 212</u>	<u>\$ 326</u>

Operating leases are related to leases of buildings with lease terms of 1 year. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Year 1	<u>\$ 15</u>	<u>\$ 30</u>	<u>\$ 15</u>

There was no indication of impairment for the three months ended March 31, 2023 and 2022.

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

Buildings	
Office main buildings	35-50 years
Electrical power equipment	5-10 years
Air-conditioning equipment	5-8 years
Extinguishment equipment	5 years
Research and development equipment	3-8 years
Office equipment	3-10 years

### 13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
<u>Carrying amount</u>			
Buildings	\$ 2,499	\$ 2,978	\$ 4,414
Transportation equipment	<u>2,125</u>	<u>2,460</u>	<u>3,465</u>
	<u>\$ 4,624</u>	<u>\$ 5,438</u>	<u>\$ 7,879</u>

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 7</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 479	\$ 479
Transportation equipment	<u>335</u>	<u>335</u>
	<u>\$ 814</u>	<u>\$ 814</u>
Income from the subleasing of right-of-use assets (presented in other income)	<u>(\$ 358)</u>	<u>(\$ 358)</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets for the three months ended March 31, 2023 and 2022.

b. Lease liabilities

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Carrying amount</u>			
Current	\$ 2,957	\$ 3,299	\$ 3,250
Non-current	\$ 1,760	\$ 2,237	\$ 4,717

Discount rates for lease liabilities were as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Buildings	1.38%~1.68%	1.38%~1.68%	1.38%~1.68%
Transportation equipment	2.73%	2.73%	2.73%

c. Other lease information

Refer to Note 12 for operating leases related to leases arrangements of property, plant and equipment.

	<u>For the Three Months Ended March 31</u>	
	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	\$ 1,225	\$ 707
Total cash outflow for leases	(\$ 2,070)	(\$ 1,551)

The Group's leases of certain parking space and machine rooms qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

#### 14. INTANGIBLE ASSETS

	<b>Patents</b>	<b>Software</b>	<b>Trademarks</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2023	\$ 168,765	\$ 33,193	\$ 3,000	\$ 204,958
Additions	2,662	40,209	-	42,871
Disposals	-	( 2,826)	-	( 2,826)
Reclassified	( 216)	-	-	( 216)
Balance at March 31, 2023	<u>\$ 171,211</u>	<u>\$ 70,576</u>	<u>\$ 3,000</u>	<u>\$ 244,787</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2023	\$ 106,556	\$ 21,284	\$ 2,931	\$ 130,771
Amortization expense	4,152	11,594	10	15,756
Disposals	-	( 2,826)	-	( 2,826)
Balance at March 31, 2023	<u>\$ 110,708</u>	<u>\$ 30,052</u>	<u>\$ 2,941</u>	<u>\$ 143,701</u>
Carrying amount at March 31, 2023	<u>\$ 60,503</u>	<u>\$ 40,524</u>	<u>\$ 59</u>	<u>\$ 101,086</u>
Carrying amount at December 31, 2022 and January 1,2023	<u>\$ 62,209</u>	<u>\$ 11,909</u>	<u>\$ 69</u>	<u>\$ 74,187</u>

(Continued)

	<b>Patents</b>	<b>Software</b>	<b>Trademarks</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2022	\$ 158,784	\$ 7,870	\$ 3,000	\$ 169,654
Additions	2,148	-	-	2,148
Disposals	( 51)	( 1,827)	-	( 1,878)
Balance at March 31, 2022	<u>\$ 160,881</u>	<u>\$ 6,043</u>	<u>\$ 3,000</u>	<u>\$ 169,924</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2022	\$ 89,713	\$ 4,678	\$ 2,827	\$ 97,218
Amortization expense	4,248	498	28	4,774
Disposals	( 51)	( 1,827)	-	( 1,878)
Balance at March 31, 2022	<u>\$ 93,910</u>	<u>\$ 3,349</u>	<u>\$ 2,855</u>	<u>\$ 100,114</u>
Carrying amount at March 31, 2022	<u>\$ 66,971</u>	<u>\$ 2,694</u>	<u>\$ 145</u>	<u>\$ 69,810</u> (Concluded)

The Group's major products are NeoBit®, NeoFuse®, NeoPUF®, NeoEE® and NeoMTP®, etc. There are 1,258 patents currently owned or pending approval for the products mentioned above. According to the requirements of IAS 38, the research and development costs were recognized as research and development expenses, instead of capitalized, in the periods when incurred. The costs of the patents and the trademarks mentioned above were the costs of the relevant fees and professional service expenses for legal right applications.

The above intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives as follows:

Patents	5 years
Software	1-3 years
Trademarks	5 years

## 15. OTHER ASSETS

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
<u>Current</u>			
Prepayments			
Prepayments for annual fee on the patents	\$ 5,768	\$ 6,028	\$ 5,676
Prepayments for software	1,727	7,392	36,217
Prepayments for membership	751	1,293	2,622
Prepayments for outsourced testing	321	321	2,009
Prepayments for software maintenance	1,539	1,688	1,528
Others	4,870	3,292	3,639
	<u>\$ 14,976</u>	<u>\$ 20,014</u>	<u>\$ 51,691</u>
Other assets			
Temporary payments	<u>\$ 5,066</u>	<u>\$ 4,157</u>	<u>\$ 7,489</u>

## 16. OTHER LIABILITIES

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
<u>Current</u>			
Other payables			
Bonuses	\$ 76,791	\$ 125,298	\$ 80,492
Payable for annual leave	1,760	7,446	1,716
Payable for professional service fees	1,518	1,992	2,924
Others	<u>41,076</u>	<u>47,161</u>	<u>48,230</u>
	<u>\$ 121,145</u>	<u>\$ 181,897</u>	<u>\$ 133,362</u>
Other liabilities			
Receipt under custody	\$ 1,747	\$ 1,952	\$ 1,614
Temporary receipts	49	27	10
Receipts in advance	<u>-</u>	<u>-</u>	<u>422</u>
	<u>\$ 1,796</u>	<u>\$ 1,979</u>	<u>\$ 2,046</u>

## 17. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined contribution retirement plans which calculated using the projected pension cost stated on December 31, 2022 and 2021 actuarial reports were \$57 thousand and \$23 thousand for the three months ended March 31, 2023 and 2022, respectively.

## 18. EQUITY

### a. Ordinary shares

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Numbers of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
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)	<u>76,189</u>	<u>76,185</u>	<u>76,127</u>
Shares issued	<u>\$ 761,885</u>	<u>\$ 761,845</u>	<u>\$ 761,272</u>

For the three months ended March 31, 2023, the shares increased due to the employees' exercise of their employee share options.

### b. Capital surplus

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
<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	\$ 61,655	\$ 60,421	\$ 154,605
Arising from issuance of ordinary-exercised/invalid employee share options	63,263	62,636	54,005
<u>May be used to offset a deficit only</u>			
Arising from changes in percentage of ownership interests in subsidiaries (2)	14,064	13,883	35,889
Arising from share of changes in capital surplus of associates (2)	62,950	62,948	48,766
<u>May not be used for any purpose</u>			
Arising from employee share option	<u>10,007</u>	<u>10,634</u>	<u>19,265</u>
	<u>\$ 211,939</u>	<u>\$ 210,522</u>	<u>\$ 312,530</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).
  - 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries and associates resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries and associates accounted for using the equity method.
- c. Retained earnings and dividend policy

Based on the Company's Articles of Incorporation state that, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses, 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 21 (g).

The Company shall distribute dividend with considerations of the market situation and development stage, as well as future capital needs, long-term corporate development and the shareholders' cash flow needs. Based on the Company's dividend policy, in principle, the total dividends distributed shall not be less than 50% of distributable earnings, of which at least 10% will be paid as cash dividend and the remainder will be in the form of stock dividend. The board of directors shall map out the distribution proposal in consideration of future operation and capital expenditure, and present the proposal at the shareholders' meeting for approval.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. 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 2022 and 2021 which had been approved in the board of directors on February 22, 2023 and the shareholders' meeting on June 15, 2023, respectively, were as follows:

	<u>Appropriation of Earnings</u>	
	<u>For the Years Ended</u>	
	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Legal reserve	\$ 125,888	\$ 109,686
Special reserve	(\$ 26,005)	\$ (29,116)
Cash dividends	\$1,417,769	\$ 931,990
Cash dividends per share (NT\$)	\$ 19.00	\$ 12.50

The Company's shareholders also resolved to issue cash dividends from the capital surplus of \$111,929 thousand in the board of directors on February 22, 2023 and \$111,839 thousand in the shareholders' meeting on June 15, 2022, respectively.

The appropriations of earnings for 2022 will be presented to the shareholders for their approval in their meeting on June 9, 2023

- d. Other equity items

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

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 706	\$ (112)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	(44)	98
Share from associates accounted for using the equity method	<u>7</u>	<u>(2)</u>
Other comprehensive loss recognized for the year	<u>(37)</u>	<u>96</u>
Balance at March 31	<u>\$ 669</u>	<u>\$ (16)</u>

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ (5,686)	\$ (30,874)
Recognized for the year		
Unrealized gain (loss) - equity instruments	<u>62</u>	<u>(2,351)</u>
Other comprehensive income (loss) recognized for the year	<u>62</u>	<u>(2,351)</u>
Balance at March 31	<u>\$ (5,624)</u>	<u>\$ (33,225)</u>

e. Non-controlling interests

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 33,120	\$ 47,415
Change in percentage of ownership interests in subsidiaries	(181)	(8,192)
Share in loss for the year	(5,532)	(3,781)
Other comprehensive income (loss) during the year		
Exchange differences on the translation of the financial statements of foreign operations	26	24
Share-based payments	324	18
Exercise of employee share options by subsidiaries	-	61
Non-controlling interests	<u>11,806</u>	<u>-</u>
Balance at March 31	<u>\$ 39,563</u>	<u>\$ 35,545</u>

f. Treasury shares

Purpose of Buy-Back	Unit: In Thousands of Shares			
	Number of Shares at January 1	Increase During the Year	Decrease During the Year	Number of Shares at March 31
<u>2023</u>				
Shares transferred to employees	<u>1,567</u>	<u>-</u>	<u>-</u>	<u>1,567</u>
<u>2022</u>				
Shares transferred to employees	<u>1,567</u>	<u>-</u>	<u>-</u>	<u>1,567</u>

In September 2018, for the purpose of transferring shares to its employees, the Company's board of directors resolved to buy back 2,500 thousand shares of the Company's ordinary shares from the TPEX market from September 14, 2018 to November 13, 2018 with the price interval ranging from NT\$177.80 to NT\$400 per share. The Company has bought back 1,567 thousand shares with total cost of NT\$404,238 thousand.

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. SHARE-BASED PAYMENTS

The Company did not issue employee share options for the three months ended March 31, 2023 and 2022. The information of employee share options was as follows:

	For the Three Months Ended March 31			
	2023		2022	
	Number of Options (thousand)	Weighted-average Exercise Price (NT\$)	Number of Options (thousand)	Weighted-average Exercise Price (NT\$)
Balance at January 1	69	\$ 318.4	130	\$ 318.4
Options exercised	<u>(4)</u>	318.4	<u>(3)</u>	318.4
Balance at March 31	<u>65</u>	318.4	<u>127</u>	318.4
Options exercisable, end of period	<u>65</u>	318.4	<u>127</u>	318.4

Compensation cost recognized were both NT\$0 thousand for the three months ended March 31, 2023 and 2022.

Qualified employees of PUFsecurity Corporation were granted 9,337 options in January 2020. Each option entitles the holder to subscribe for one thousand ordinary shares of PUFsecurity Corporation. The options granted are valid for 3 years and exercisable at certain percentages one year after the grant date. The options were granted at an exercise price of NT\$1. For any subsequent changes in PUFsecurity Corporation's ordinary shares, the exercise price is adjusted accordingly.



The information of employee share options was as follows:

	<b>For the Three Months Ended March 31,2022</b>	
	<b>Number of Options</b>	<b>Weighted-average Exercise Price(NT\$)</b>
Balance at January 1	4,180	\$ 1
Options exercised	( 37 )	1
Options forfeited	( 30 )	1
Balance at March 31	<u>4,113</u>	1
Options exercisable, end of period	<u>4,113</u>	1

Compensation cost recognized were NT\$1 thousand for the three months ended March 31, 2022.

Qualified employees of PUFsecurity Corporation were granted 10,663 options in July 2020. Each option entitles the holder to subscribe for one thousand ordinary shares of PUFsecurity Corporation. The options granted are valid for 3 years and exercisable at certain percentages one year after the grant date. The options were granted at an exercise price of NT\$1. For any subsequent changes in PUFsecurity Corporation's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	<b>For the Three Months Ended March 31,2022</b>	
	<b>Number of Options</b>	<b>Weighted-average Exercise Price(NT\$)</b>
Balance at January 1	4,807	\$ 1
Options exercised	( 24 )	1
Options forfeited	( 43 )	1
Balance at March 31	<u>4,740</u>	1
Options exercisable, end of period	<u>25</u>	1

Compensation cost recognized were both NT\$0 thousand for the three months ended March 31, 2022.

Qualified employees of PUFsecurity Corporation were granted 4,089 options in September 2021. Each option entitles the holder to subscribe for one thousand ordinary shares of PUFsecurity Corporation. The options granted are valid for 5 years and exercisable at certain percentages two year after the grant date. The options were granted at an exercise price of NT\$2. For any subsequent changes in PUFsecurity Corporation's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	<b>For the Three Months Ended March 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	3,995	\$ 2	4,089	\$ 2
Options forfeited	<u>(532)</u>	2	<u>-</u>	-
Balance at March 31	<u>3,463</u>	2	<u>4,089</u>	2
Options exercisable, end of period	<u>-</u>	-	<u>-</u>	-

Compensation cost recognized were NT\$3 thousand and NT\$17 thousand for the three months ended March 31, 2023 and 2022, respectively.

Qualified employees of PUFsecurity Corporation were granted 2,090 options in June 2022. Each option entitles the holder to subscribe for one thousand ordinary shares of PUFsecurity Corporation. The options granted are valid for 5 years and exercisable at certain percentages two year after the grant date. The options were granted at an exercise price of NT\$4. For any subsequent changes in PUFsecurity Corporation's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	<b>For the Three Months Ended March 31, 2023</b>	
	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	2,080	\$ 4
Options exercisable, end of period	<u>-</u>	-

Compensation cost recognized was NT\$268 thousand for the three months ended March 31, 2023.

Qualified employees of PUFsecurity Corporation were granted 420 options in September 2022. Each option entitles the holder to subscribe for one thousand ordinary shares of PUFsecurity Corporation. The options granted are valid for 5 years and exercisable at certain percentages two year after the grant date. The options were granted at an exercise price of NT\$4. For any subsequent changes in PUFsecurity Corporation's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	<b>For the Three Months Ended March 31, 2023</b>	
	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	420	\$ 4
Options forfeited	<u>(8)</u>	4
Balance at March 31	<u>412</u>	4
Options exercisable, end of period	<u>-</u>	-

Compensation cost recognized was NT\$53 thousand for the three months ended March 31, 2023.

In March 2023, PUFsecurity Corporation issued shares, out of which some were reserved for employees' subscription. The Black-Scholes pricing model was used to price the shares, which was also used to calculate the compensation costs as NT\$0; the inputs of the model were as follows:

Grant-date share price (NT\$)	\$ 3.84
Exercise price (NT\$)	\$ 10
Expected volatility	58.88%
Expected life	12 days
Expected dividend yield	-
Risk-free interest rate	0.97%

## 20. REVENUE

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Royalty revenue	\$ 524,702	\$ 535,499
Technical service revenue	<u>143,049</u>	<u>191,608</u>
	<u>\$ 667,751</u>	<u>\$ 727,107</u>

### a. Contract balances

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>	<b>January 1, 2022</b>
Accounts receivable (including related parties ) (Note 9)	<u>\$ 181,385</u>	<u>\$ 242,452</u>	<u>\$ 131,380</u>	<u>\$ 102,669</u>
Contract liabilities				
Technical service revenue	<u>\$ 99,440</u>	<u>\$ 67,508</u>	<u>\$ 95,801</u>	<u>\$ 76,943</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

Revenue of the reporting period recognized from the beginning contract liabilities in the previous periods is as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
From contract liabilities at the beginning of the year		
Technical service revenue	<u>\$ 12,402</u>	<u>\$ 27,826</u>

b. Partially completed contracts

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Domestic	\$ 446,033	\$ 425,274
Asia	205,498	271,075
Others	<u>16,220</u>	<u>30,758</u>
	<u>\$ 667,751</u>	<u>\$ 727,107</u>

## 21. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Bank deposits	\$ 10,492	\$ 2,146
Others	<u>5</u>	<u>2</u>
	<u>\$ 10,497</u>	<u>\$ 2,148</u>

b. Other income

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Rental income	<u>\$ 373</u>	<u>\$ 373</u>

c. Other gains and losses

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Net foreign exchange gain (loss)	<u>\$ (5,505)</u>	<u>\$ 13,040</u>

d. Finance costs

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	<u>\$ 26</u>	<u>\$ 42</u>

e. Depreciation and amortization

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
An analysis of depreciation by function		
Operating expenses	<u>\$ 9,831</u>	<u>\$ 9,556</u>
An analysis of amortization by function		
Selling and marketing expenses	\$ 8	\$ 8
General and administrative expenses	1,490	432
Research and development expenses	<u>14,258</u>	<u>4,334</u>
	<u>\$ 15,756</u>	<u>\$ 4,774</u>

f. Employee benefits expense

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Post-employment benefits		
Defined contribution plans	\$ 5,776	\$ 5,091
Defined benefit plans(Note 17)	<u>57</u>	<u>23</u>
	5,833	5,114
Share-based payments (Note 19)		
Equity-settled	324	18
Other employee benefits	<u>239,615</u>	<u>258,720</u>
Total employee benefits expense	<u>\$ 245,772</u>	<u>\$ 263,852</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 245,772</u>	<u>\$ 263,852</u>

g. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of 1-25% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the three months ended March 31, 2023 and 2022 are as follows:

Accrual rate

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Employees' compensation	15%	15%
Remuneration of directors	1.5%	1.5%

Amount

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Employees' compensation	<u>\$ 67,698</u>	<u>\$ 77,572</u>
Remuneration of directors	<u>\$ 6,770</u>	<u>\$ 7,757</u>

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

The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021 which were approved by the Company's board of directors on February 22, 2023 and February 23, 2022, respectively, are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	<u>\$ 344,259</u>	<u>\$ 231,808</u>
Remuneration of directors	<u>\$ 34,426</u>	<u>\$ 23,181</u>

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, 2022 and 2021.

Information on the employees' compensation 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.

## **22. INCOME TAXES RELATING TO CONTINUING OPERATIONS**

- a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 62,986	\$ 64,060
Deferred tax		
In respect of the current year	<u>986</u>	<u>1,803</u>
Income tax expense recognized in profit or loss	<u>\$ 63,972</u>	<u>\$ 65,863</u>

b. Income tax assessments

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

**23. EARNINGS PER SHARE**

**Unit: NT\$ Per Share**

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Basic earnings per share	<u>\$ 4.20</u>	<u>\$ 4.91</u>
Diluted earnings per share	<u>\$ 4.18</u>	<u>\$ 4.89</u>

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

**Net Profit**

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Earnings used in the computation of basic earnings per share	\$ 313,090	\$ 366,019
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Employee share options	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 313,090</u>	<u>\$ 366,019</u>

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

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	74,620	74,559
Effect of potentially dilutive ordinary shares:		
Employees' compensation	152	120
Employee share options	<u>54</u>	<u>105</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>74,826</u>	<u>74,784</u>

Since the Company can offer to settle bonus 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.

## 24. GOVERNMENT GRANTS

The Company applied for AI on chip R&D subsidy program “The Industrial Technology Foresight Research Program of Reconfigurable Analog Artificial Intelligence Chip”, proposed by the Ministry of Economic Affairs, and the program was approved on December 18, 2019. The total funds approved amounted to NT\$85,750 thousand, and the subsidies amounted to NT\$34,300 thousand. The accumulated government grants income recognized was NT\$33,074 thousand and was expired on November 30, 2021. The collateral provided by the Company included cashier checks whose drawees are banking industries and guarantee letters and the amounts were NT\$34,300 thousand and NT\$14,724 thousand, respectively, and the guarantee was released on July 11, 2022.

PUFsecurity Corporation applied for A+ Industrial Innovation R&D Program “PUF-based AIoT Chip Secure Element R&D Project”, proposed by the Ministry of Economic Affairs, and the program was approved on January 14, 2022. The total funds approved amounted to NT\$70,000 thousand, and the subsidies amounted to NT\$28,000 thousand. The collateral provided by PUFsecurity Corporation included cashier checks whose drawees are banking industries and the amount was NT\$28,000 thousand. The accumulated government grants income recognized was NT\$5,162 thousand.

## 25. CAPITAL MANAGEMENT

The objectives, policies and procedures of the Group's capital risk management and the composition of the Group 's capital structure are the same as those described in the consolidated financial report for the year ended December 31, 2022, please refer to Note 25 of the consolidated financial report for the year ended December 31,2022.

## 26. FINANCIAL INSTRUMENTS

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

The management believes the carrying amount of financial assets and financial liabilities not carried at fair value approximate their fair values or their fair values cannot be reliably measured.

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

- 1) Fair value hierarchy

March 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ _____ -	\$ _____ -	\$ 4,976	\$ 4,976



December 31, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>  4,914</u>	\$ <u>  4,914</u>

March 31, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u> 13,779</u>	\$ <u> 13,779</u>

There were no transfers between Levels 1 and 2 in the three months ended March 31 2023 and 2022.

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

<b>Financial Assets</b>	<b>Financial Assets at FVTOCI Equity Instruments For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 4,914	\$ 16,130
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	<u>        62</u>	( <u>  2,351</u> )
Balance at March 31	\$ <u> 4,976</u>	\$ <u> 13,779</u>

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

<b>Financial Instruments</b>	<b>Valuation Techniques and Inputs</b>
Unlisted shares - ROC	The fair value of the shares is estimated based on the balance sheet accounts of the target company, or by comparing the balance sheet or income statement accounts of comparable listed companies and calculating the implied value multiplier in the stock price.

c. Categories of financial instruments

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
<u>Financial assets</u>			
Financial asset at amortized cost (Note 1)	\$ 3,624,361	\$ 3,314,003	\$ 3,020,466
Investment in equity instrument at FVTOCI	4,976	4,914	13,779
<u>Financial liabilities</u>			
Amortized cost (Note 2)	36,467	34,373	39,030

Note 1: The balances include financial assets measured at amortized cost, which comprise cash, accounts receivable (including related parties), other receivables and other current assets.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise other payables (including related parties) and payables on equipment.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity investments, accounts receivable (including related parties), lease liabilities and other payables (including related parties). The Group's corporate financial management function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group's main financial plans are reviewed by the board of directors in accordance with relevant regulations and internal control system.

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's operating activities are partially denominated in foreign currencies and apply the natural hedge. The purpose of the Group's management of the foreign currency risk is to hedge the risk instead of making a profit.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 29.

Sensitivity analysis

The Group is mainly exposed to the exchange rate fluctuations of the USD, CNY, EUR and JPY.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative. The sensitivity analysis included cash, accounts receivable (including related parties) and other payables (including related parties).

	<u>USD Impact</u>		<u>CNY Impact</u>		<u>EUR Impact</u>		<u>JPY Impact</u>	
	<u>For the Three Months Ended March 31</u>							
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Profit or loss	\$38,552	\$15,534	\$ 460	\$ 458	\$ -	\$ (33)	\$ 242	\$ 9

b) Interest rate risk

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

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

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Fair value interest rate risk			
Financial assets	\$ 2,971,817	\$ 2,570,488	\$ 2,361,331
Cash flow interest rate risk			
Financial assets	464,442	495,861	514,962

Sensitivity analysis

The sensitivity analyses below are determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the asset outstanding at the end of the reporting period was outstanding for the whole year.

If the market interest rates had increased/decreased by 0.1% and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2023 and 2022 would increase/decrease by \$116 thousand and \$129 thousand, respectively, mainly due to the Group's exposure to floating interest rate assets.

2) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations and result in 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.

In order to minimize credit risk, the Group has made credit and receivable management regulations 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 allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The credit risk on liquid funds was limited because the counterparties are banks with good credit.

Apart from the customers whose balances exceeded 5% of the accounts receivable, the Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The customers whose balances exceeded 5% of the accounts receivable are creditworthy counterparties. Therefore, the credit risk is limited.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

The following table details the Group's remaining contractual maturity 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 included both interest and principal cash flows.

#### March 31, 2023

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 26,001	\$ 9,331	\$ 1,145	\$ -	\$ 36,477
Lease liabilities	<u>281</u>	<u>563</u>	<u>2,175</u>	<u>1,776</u>	<u>4,795</u>
	<u>\$ 26,282</u>	<u>\$ 9,894</u>	<u>\$ 3,320</u>	<u>\$ 1,776</u>	<u>\$ 41,272</u>

#### Additional information about the maturity analysis for financial liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Lease liabilities	<u>\$ 3,019</u>	<u>\$ 1,776</u>	<u>\$ -</u>

#### December 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 13,239	\$ 20,828	\$ 316	\$ -	\$ 34,383
Lease liabilities	<u>281</u>	<u>563</u>	<u>2,532</u>	<u>2,263</u>	<u>5,639</u>
	<u>\$ 13,520</u>	<u>\$ 21,391</u>	<u>\$ 2,848</u>	<u>\$ 2,263</u>	<u>\$ 40,022</u>

Additional information about the maturity analysis for financial liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Lease liabilities	\$ <u>3,376</u>	\$ <u>2,263</u>	\$ <u>-</u>

March 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing Lease liabilities	\$ 33,738 <u>282</u>	\$ 4,852 <u>563</u>	\$ 450 <u>2,532</u>	\$ - <u>4,795</u>	\$ 39,040 <u>8,172</u>
	<u>\$ 34,020</u>	<u>\$ 5,415</u>	<u>\$ 2,982</u>	<u>\$ 4,795</u>	<u>\$ 47,212</u>

Additional information about the maturity analysis for financial liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Lease liabilities	\$ <u>3,377</u>	\$ <u>4,795</u>	\$ <u>-</u>

**27. 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. Details of transactions between the Group and other related parties are disclosed below.

- a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
HeFeChip Corproation Limited T.C. Chen	Substantive related parties Key management personnel

- b. Operating revenue

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Three Months Ended March 31</b>	
		<b>2023</b>	<b>2022</b>
Sales	Substantive related parties	\$ <u>750</u>	\$ <u>-</u>

The prices that the Group transferred and granted the professional technology to related parties were decided by the two sides. The payment term was open account 30 days.

c. Receivables from related parties (excluding loans to related parties)

<b>Line Item</b>	<b>Related Party Category</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Accounts receivable -related parties	Substantive related parties HeFeChip Corporarion Limited	<u>\$ -</u>	<u>\$ 3,071</u>	<u>\$ -</u>

The outstanding trade receivables from related parties are unsecured. For the year ended December 31, 2022, no impairment losses were recognized for trade receivables from related parties.

d. Contract Liabilities

<b>Related Party Category</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Substantive related parties	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>

e. Payables to related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Other payables - related parties	Key Management Personnel T.C. Chen	<u>\$ 25</u>	<u>\$ 10</u>	<u>\$ 15</u>

f. Other current liabilities

<b>Line Item</b>	<b>Related Party Category</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Receipt in advance	Substantive related parties HeFeChip Corporarion Limited	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269</u>

g. Compensation of key management personnel

The compensations to directors and the key management personnel were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 29,236	\$ 31,632
Post-employment benefits	263	235
Share-based payment transactions	<u>13</u>	<u>-</u>
	<u>\$ 29,512</u>	<u>\$ 31,867</u>

The remuneration of directors and key management personnel, as determined by the remuneration committee, was based on the performance of individuals and market trends.

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Group were provided as deposits for the tariff of imported raw materials:

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Pledged time deposits (classified as financial assets at amortized cost)	<u>\$ 116</u>	<u>\$ 116</u>	<u>\$ 116</u>

## 29. 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 and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

### March 31, 2023

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 25,404	30.45	\$ 773,546
CNY	2,075	4.431	9,194
JPY	35,415	0.2288	<u>8,103</u>
			<u>\$ 790,843</u>

### Financial liabilities

Monetary items			
USD	83	30.45	\$ 2,514
JPY	14,237	0.2288	<u>3,257</u>
			<u>\$ 5,771</u>

### December 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 21,782	30.71	\$ 668,941
CNY	2,065	4.408	9,104
JPY	37,521	0.2324	<u>8,720</u>
			<u>\$ 686,765</u>

(Continued)

<u>Financial liabilities</u>	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
Monetary items			
USD	\$ 83	30.71	\$ 2,551
JPY	32	0.2324	<u>7</u>
			<u>\$ 2,558</u>
			<u>(Concluded)</u>

March 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,098	28.625	\$ 317,669
CNY	2,031	4.506	9,154
JPY	1,745	0.2353	<u>410</u>
			<u>\$ 327,233</u>

Financial liabilities

Monetary items			
USD	244	28.625	\$ 6,988
EUR	20	31.92	652
RMB	938	0.2353	<u>221</u>
			<u>\$ 7,861</u>

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

	<b>For the Three Months Ended March 31</b>			
	<b>2023</b>		<b>2022</b>	
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>
USD	30.45 (USD:NTD)	<u>\$ (1,535)</u>	28.625 (USD:NTD)	<u>\$3,807</u>

### 30. 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):



Table 1

- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: 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, 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: None
- 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 5

### 31. SEGMENT INFORMATION

The Group's chief operating decision maker reviews the operating results regularly for the purpose of resource allocation and performance assessment. The Group's segments are aggregated into a single reportable segment.

The measurement basis of segment information presented to the chief operating decision maker is the same as that of the consolidated financial statements. The segment revenues and operating results for the three months ended March 31, 2023 and 2022 can be found in the consolidated statements of comprehensive income for the three months ended March 31, 2023 and 2022. The segment assets as of March 31, 2023 and 2022, December 31, 2022 can be found in the consolidated balance sheets as of March 31, 2023 and 2022, December 31, 2022.

**EMEMORY TECHNOLOGY INC. AND SUBSIDIARY**

**MARKETABLE SECURITIES HELD**

**MARCH 31, 2023**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2023				Note
				Number of Shares (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
The Company	<u>Shares</u> Syntronix Group	-	Financial assets at fair value through other comprehensive income - noncurrent	1,210	\$ 4,976	2.81	\$ 4,976	Note 2

Note 1: Marketable securities mentioned in the table include shares, bonds, beneficiary certificates and the derivative securities from aforementioned items, which is under the definition of IFRS 9.

Note 2: The market value was based on the fair value as of March 31, 2023.

Note 3: As of March 31, 2023, the above marketable securities had not been pledged or mortgaged.

**EMEMORY TECHNOLOGY INC. AND SUBSIDIARY**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2023  
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	The Company	PUFsecurity Corporation	1	Sales	\$ 742	-	-
			1	Other income	92	-	-
			1	Other gains and losses	3,406	-	-
			1	Contract liabilities	742	-	-
			1	Other receivables - related parties	10,859	-	-
			1	Operating expense	3,257	-	-
			1	Other receivables - related parties	9	-	-
			1	Other payables - related parties	3,257	-	-
1	PUFsecurity Corporation	PUFsecurity USA Corporation	3	Operating expense	6,067	-	-
			3	Other receivables - related parties	96	-	-
			3	Other payables - related parties	2,464	-	-

Note 1: Information about intercompany relationships should be indicated in the “No.” column, and the method of filling in the number is as follows:

1. Parent company is numbered as 0 in the “No.” column.
2. Subsidiaries are numbered sequentially according to their company name and the number starts from 1.

Note 2: There are three types of “Relationship”:

1. Parent company to subsidiaries
2. Subsidiaries to parent company
3. Subsidiaries to subsidiaries

Note 3: If financial statement accounts are classified as items in the balance sheets, the calculation of the ratio is that ending balance is divided by total assets. If the financial statement accounts are classified as items in the income statement, the calculation of the ratio is that the accumulated amount in the interim period is divided by total sales.

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

## INFORMATION ON INVESTEEES

FOR THE THREE MONTHS ENDED MARCH 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2023			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				March 31, 2023	December 31, 2022	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
The Company.	PUFsecurity Corporation	Hsinchu County	Product designing, software services, data processing services, intellectual property, etc.	\$ 261,066	\$ 261,066	81,107	76.17	\$ 87,039	\$ (23,215)	\$ (17,683)	Subsidiary
	eMemory Japan Corporation	Japan	Product designing, intellectual property management, technology services	22,255	10,697	-	100.00	11,255	( 1,237)	( 1,237)	Subsidiary
	iMQ Technology Inc.	Hsinchu City	Electronic parts and components manufacturing	27,900	27,900	2,057	2.34	14,291	(36,721)	( 903)	Investment accounted for using the equity method
PUFsecurity Corporation	PUFsecurity USA Corporation	USA	Sales promotion	7,777	7,777	-	100.00	4,374	221	221	Subsidiary

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARY

INFORMATION ON INVESTMENTS IN MAINLAND AND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2023	Accumulated Repatriation of Investment Income as of March 31, 2023
					Outward	Inward						
PUFsecurity Technology (Shanghai) Corporation	Product designing and related services	\$ 7,445 (USD 250)	Notes 1 and 2	\$ -	\$ 7,445 (USD 250)	\$ -	\$ 7,445 (USD 250)	\$ 24	100.00	\$ 24	\$ 7,614	\$ -

Accumulated Outward Remittance for Investments in Mainland China as of March 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 7,445	\$ -	\$ 2,024,866

Note 1: Direct investment in mainland China.

Note 2: PUFsecurity Corporation invested and established PUFsecurity Technology (Shanghai) Corporation in July 2022, and PUFsecurity Corporation remitted investment fund of US\$250 thousand on February 3, 2023.

**EMEMORY TECHNOLOGY INC.**

**INFORMATION OF MAJOR SHAREHOLDERS  
MARCH 31, 2023**

No.	Name	Shares	
		Number of Shares Held	Ownership Percentage
1	SmallCap World Fund Inc.	6,087,334	7.98%
2	Government of Singapore	4,855,055	6.37%

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 and preferred 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.