

**eMemory Technology Inc.**

**Parent Company Only Financial Statements for the  
Years Ended December 31, 2023 and 2022 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
eMemory Technology Inc.

### Opinion

We have audited the accompanying parent company only financial statements of eMemory Technology Inc. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and the parent company only financial performance and the parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's parent company only financial statements for the year ended December 31, 2023 is stated as follows:

1. Royalty fees are the Company's major source of revenue; refer to Note 19 for related information. When the customers of the Company and the IC design houses use the Company's intellectual property to kick off mass production and the goods have been produced and shipped from the wafer foundries, the wafer foundries will pay royalty fees to the Company based on a certain percentage of the wafer price.
2. The Company recognizes royalty revenue based on the contract regulations, at the time the royalty reports are signed and returned. Hence, there is a risk that the royalty revenue from wafer foundries is not recognized at the appropriate time.

3. We confirmed the accuracy of the timing of royalty revenue recognition by understanding the revenue recognition policy of the Company, assessing the reasonableness of the timing of revenue recognition, performing relevant tests of controls and analytical procedures, and selecting a certain number of royalty revenue transactions before and after the end of the reporting period and checking them against the relevant supporting documents and accounting records.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Cheng-Chih Lin and Ya-Yun Chang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 21, 2024

*Notice to Readers*

*The accompanying parent company only financial statements are intended only to present the parent company only financial position, parent company only financial performance and parent company only 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 parent company only financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.*

## EMEMORY TECHNOLOGY INC.

### PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022		LIABILITIES AND EQUITY	2023		2022	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash (Notes 4, 6 and 25)	\$ 2,594,104	71	\$ 2,935,574	76	Contract liabilities - current (Notes 19 and 26)	\$ 79,194	2	\$ 67,777	2
Accounts receivable - net (Notes 4, 9, 19 and 25)	179,770	5	209,101	5	Other payables (Notes 15 and 25)	160,780	5	169,837	4
Accounts receivable - related parties (Notes 4, 19, 25 and 26)	-	-	3,071	-	Other payables - related parties (Notes 15, 25 and 26)	1,685	-	10	-
Other receivables (Notes 4 and 25)	2,795	-	986	-	Bonuses payable to employees and directors (Note 20)	349,031	10	384,981	10
Other receivables - related parties (Notes 4, 25 and 26)	7,512	-	21,895	1	Payables on equipment (Note 25)	9,220	-	6,735	-
Prepayments (Note 14)	13,803	-	17,862	1	Current tax liabilities (Notes 4 and 21)	44,435	1	139,676	4
Other current assets (Notes 4, 14 and 25)	4,880	-	4,157	-	Lease liabilities - current (Notes 4, 12 and 25)	1,690	-	3,299	-
					Other current liabilities (Note 15)	2,252	-	1,582	-
Total current assets	<u>2,802,864</u>	<u>76</u>	<u>3,192,646</u>	<u>83</u>	Total current liabilities	<u>648,287</u>	<u>18</u>	<u>773,897</u>	<u>20</u>
<b>NON-CURRENT ASSETS</b>					<b>NON-CURRENT LIABILITIES</b>				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 7 and 25)	5,369	-	4,914	-	Lease liabilities - noncurrent (Notes 4, 12 and 25)	547	-	2,237	-
Financial assets at amortized cost - noncurrent (Notes 4, 8, 25 and 27)	118	-	116	-	Net defined benefit liabilities - noncurrent (Notes 4 and 16)	13,010	-	15,712	1
Investment accounted for using the equity method (Notes 4 and 10)	107,719	3	120,790	3	Guarantee deposits received	10	-	10	-
Property, plant and equipment (Notes 4 and 11)	469,013	13	458,760	12	Total non-current liabilities	<u>13,567</u>	<u>-</u>	<u>17,959</u>	<u>1</u>
Right-of-use assets (Notes 4 and 12)	2,182	-	5,438	-	Total liabilities	<u>661,854</u>	<u>18</u>	<u>791,856</u>	<u>21</u>
Intangible assets (Notes 4 and 13)	68,939	2	66,254	2	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 4, 17 and 18)</b>				
Deferred tax assets (Notes 4 and 21)	3,770	-	2,743	-	Ordinary shares	746,423	20	761,845	20
Prepayments for equipment (Notes 14 and 28)	224,714	6	-	-	Capital surplus	114,313	3	210,522	5
Refundable deposits	440	-	399	-	Retained earnings				
Total non-current assets	<u>882,264</u>	<u>24</u>	<u>659,414</u>	<u>17</u>	Legal reserve	761,844	21	635,956	16
					Special reserve	4,980	-	30,985	1
					Unappropriated earnings	1,400,884	38	1,830,114	48
					Total retained earnings	2,167,708	59	2,497,055	65
					Other equity				
					Exchange differences on the translation of the financial statements of foreign operations	61	-	706	-
					Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(5,231)	-	(5,686)	-
					Total other equity	(5,170)	-	(4,980)	-
					Treasury shares	-	-	(404,238)	(11)
					Total equity	<u>3,023,274</u>	<u>82</u>	<u>3,060,204</u>	<u>79</u>
<b>TOTAL</b>	<u>\$ 3,685,128</u>	<u>100</u>	<u>\$ 3,852,060</u>	<u>100</u>	<b>TOTAL</b>	<u>\$ 3,685,128</u>	<u>100</u>	<u>\$ 3,852,060</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

## EMEMORY TECHNOLOGY INC.

### PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 19 and 26)	\$ 2,931,463	100	\$ 3,109,833	100
OPERATING COSTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
GROSS PROFIT	<u>2,931,463</u>	<u>100</u>	<u>3,109,833</u>	<u>100</u>
OPERATING EXPENSES (Notes 4, 20 and 26)				
Selling and marketing expenses	160,204	5	172,355	5
General and administrative expenses	262,912	9	285,249	9
Research and development expenses	762,872	26	769,700	25
Reversal of expected credit loss (Notes 4 and 9)	<u>(54)</u>	<u>-</u>	<u>(1,338)</u>	<u>-</u>
Total operating expenses	<u>1,185,934</u>	<u>40</u>	<u>1,225,966</u>	<u>39</u>
OPERATING INCOME	<u>1,745,529</u>	<u>60</u>	<u>1,883,867</u>	<u>61</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 20)	61,400	2	14,664	-
Other income (Notes 4, 12, 20 and 26)	2,223	-	2,760	-
Other gains and losses (Notes 4, 20, 23 and 26)	(339)	-	59,308	2
Finance costs (Notes 4, 20 and 26)	(78)	-	(144)	-
Share of loss of subsidiaries and associates (Notes 4 and 10)	<u>(46,523)</u>	<u>(2)</u>	<u>(44,077)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>16,683</u>	<u>-</u>	<u>32,511</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,762,212	60	1,916,378	62
INCOME TAX EXPENSE (Notes 4 and 21)	<u>287,769</u>	<u>10</u>	<u>304,469</u>	<u>10</u>
NET PROFIT FOR THE YEAR	<u>1,474,443</u>	<u>50</u>	<u>1,611,909</u>	<u>52</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 16)	2,083	-	2,702	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (loss) (Notes 4, 17 and 25)	455	-	(6,562)	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive (loss) income of subsidiaries and associates accounted for using the equity method (Notes 4, 10 and 17)	<u>(645)</u>	<u>-</u>	<u>818</u>	<u>-</u>
Other comprehensive income (loss) for the year	<u>1,893</u>	<u>-</u>	<u>(3,042)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,476,336</u>	<u>50</u>	<u>\$ 1,608,867</u>	<u>52</u>

(Continued)

# EMEMORY TECHNOLOGY INC.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 19.76</u>		<u>\$ 21.61</u>	
Diluted	<u>\$ 19.70</u>		<u>\$ 21.51</u>	

The accompanying notes are an integral part of the parent company only financial statements.

(Concluded)

**EMEMORY TECHNOLOGY INC.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)**

	Ordinary Shares		Capital Surplus	Retained Earnings				Other Equity		Treasury Shares	Total Equity
	Number of Shares (In Thousands)	Amount		Legal Reserve	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
Appropriation of 2021 earnings											
Legal reserve	-	-	-	109,686	-	(109,686)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(29,116)	29,116	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(931,990)	(931,990)	-	-	-	(931,990)
Changes in percentage of ownership interests in subsidiaries	-	-	(13,814)	-	-	-	-	-	-	-	(13,814)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	14,182	-	-	-	-	-	-	-	14,182
Issuance of cash dividends from capital surplus	-	-	(111,839)	-	-	-	-	-	-	-	(111,839)
Net profit for the year ended December 31, 2022	-	-	-	-	-	1,611,909	1,611,909	-	-	-	1,611,909
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	2,702	2,702	818	(6,562)	-	(3,042)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	1,614,611	1,614,611	818	(6,562)	-	1,608,867
Issuance of ordinary shares under employee share options	61	610	18,812	-	-	-	-	-	-	-	19,422
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(31,750)	(31,750)	-	31,750	-	-
BALANCE, DECEMBER 31, 2022	76,185	761,845	210,522	635,956	30,985	1,830,114	2,497,055	706	(5,686)	(404,238)	3,060,204
Appropriation of 2022 earnings											
Legal reserve	-	-	-	125,888	-	(125,888)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(26,005)	26,005	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(1,417,769)	(1,417,769)	-	-	-	(1,417,769)
Changes in percentage of ownership interests in subsidiaries	-	-	8,365	-	-	-	-	-	-	-	8,365
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	186	-	-	-	-	-	-	-	186
Issuance of cash dividends from capital surplus	-	-	(111,929)	-	-	-	-	-	-	-	(111,929)
Net profit for the year ended December 31, 2023	-	-	-	-	-	1,474,443	1,474,443	-	-	-	1,474,443
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	2,083	2,083	(645)	455	-	1,893
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	1,476,526	1,476,526	(645)	455	-	1,476,336
Issuance of ordinary shares under employee share options	25	248	7,633	-	-	-	-	-	-	-	7,881
Retirement of treasury shares	(1,567)	(15,670)	(464)	-	-	(388,104)	(388,104)	-	-	404,238	-
BALANCE, DECEMBER 31, 2023	74,643	\$ 746,423	\$ 114,313	\$ 761,844	\$ 4,980	\$ 1,400,884	\$ 2,167,708	\$ 61	\$ (5,231)	\$ -	\$ 3,023,274

The accompanying notes are an integral part of the parent company only financial statements.



# EMEMORY TECHNOLOGY INC.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,762,212	\$ 1,916,378
Adjustments for:		
Depreciation expenses	38,753	38,436
Amortization expenses	79,311	30,379
Reversal of expected credit loss	(54)	(1,338)
Finance costs	78	144
Interest income	(61,400)	(14,664)
Dividend income	(363)	(932)
Share-based payments	580	176
Share of loss of subsidiaries and associates	46,523	44,077
Gain on disposal of investments	-	(86)
Net loss (gain) on foreign currency exchange	23,196	(15,904)
Intangible assets transferred to expenses	35	-
Changes in operating assets and liabilities		
Accounts receivable	21,677	(109,077)
Accounts receivable - related parties	3,038	(3,084)
Other receivables	-	5,118
Other receivables - related parties	14,383	(18,314)
Prepayments	4,059	6,479
Other current assets	(723)	(352)
Contract liabilities	11,417	(10,550)
Other payables	(9,007)	21,146
Other payables - related parties	1,675	10
Other current liabilities	670	(241)
Net defined benefit liabilities	(619)	(776)
Bonuses payable to employees and directors	(35,950)	129,992
Cash generated from operations	1,899,491	2,017,017
Interest received	59,589	13,829
Income tax paid	(384,037)	(303,940)
Net cash generated from operating activities	<u>1,575,043</u>	<u>1,726,906</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	4,654
Acquisition of financial assets at fair value through profit or loss	-	(370,000)
Proceeds from disposal of financial assets at fair value through profit or loss	-	370,086
Acquisition of investments accounted for using the equity method	(26,126)	(121,763)
Acquisition of property, plant and equipment	(43,140)	(38,197)
Increase in refundable deposits	(41)	(3)
Acquisition of intangible assets	(82,031)	(29,420)
Increase in prepayments for equipment	(224,714)	-
Dividends received	363	932
Net cash used in investing activities	<u>(375,689)</u>	<u>(183,711)</u>

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## EMEMORY TECHNOLOGY INC.

### PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

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	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	\$ (3,299)	\$ (3,233)
Dividends paid	(1,529,693)	(1,043,820)
Exercise of employee share options	7,881	19,422
Interest paid	<u>(78)</u>	<u>(144)</u>
Net cash used in financing activities	<u>(1,525,189)</u>	<u>(1,027,775)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(15,635)</u>	<u>17,851</u>
NET (DECREASE) INCREASE IN CASH	(341,470)	533,271
CASH AT THE BEGINNING OF THE YEAR	<u>2,935,574</u>	<u>2,402,303</u>
CASH AT THE END OF THE YEAR	<u>\$ 2,594,104</u>	<u>\$ 2,935,574</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

# EMEMORY TECHNOLOGY INC.

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 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 parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors and authorized for issue on February 21, 2024.

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

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

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

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the parent company only financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. 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
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, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

The parent company only 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.

When preparing these parent company only financial statements, the Company used the equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income (loss) of subsidiaries and associates, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) 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:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right 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.

d. Foreign currencies

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

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

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

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

For the purpose of presenting parent company only financial statements, the financial statements of the Company's foreign operations (including subsidiaries and associates that are prepared using functional currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole.

f. Investments in associates

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

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

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

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's parent company only financial statements only to the extent of interests in the associate that are not related to the Company.

g. Property, plant and equipment

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Internally generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible asset is the sum of the expenditures incurred from the date when such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible asset is measured on the same basis as an intangible asset that is acquired separately.

### 3) Derecognition of intangible assets

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

#### i. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Company reviews the carrying amount of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication of an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the carrying amount of the asset can be allocated on a reasonable and consistent basis to the cash-generating unit (CGU), the Company compares the carrying amount of the CGU, including the portion of the asset's carrying amount allocated to the CGU, with the recoverable amount of the CGU to which the asset belongs. If this reasonable and consistent basis of allocation cannot be applied to the CGU to which the asset belongs and can be applied to the smallest group of CGUs to which the CGU belongs, this smallest group is used for impairment testing.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

#### j. Financial instruments

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

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

#### 1) Financial assets

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



a) Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

i. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash, accounts receivable (including related parties), other receivables (including related parties) and other current assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash includes time deposits, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash is held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not

permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

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

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

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

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Equity instruments

Equity instruments issued by the Company are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

## 3) Financial liabilities

### a) Subsequent measurement

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

### b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## k. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

### 1) Licensing revenue

#### a) Technical service revenue

The Company identifies performance obligations from contracts with customers and recognizes revenue when performance obligations are satisfied.

#### b) Royalty revenue

Revenue received from the intellectual property that remains operational without renewal or technical support is royalty revenue. When customers use the intellectual property in mass production at the foundries, the royalty prices are determined based on the production volume, sales amount or other methods of measurement; and revenue is recognized in accordance with the terms of the arrangements.

## l. Leases

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

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Company subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

2) The Company as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting from a change in future lease payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the parent company only balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

m. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and rereasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that rereasurement is recognized in profit or loss.

o. Share-based payment arrangements

1) Employee share options granted to employees

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

2) Equity-settled share-based payment arrangements granted to the employees of a subsidiary

The grant by the Company of its equity instruments to the employees of a subsidiary under employee share options is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## 5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

### Key Sources of Estimation Uncertainty

#### a. Estimated impairment of financial assets

The provision for impairment of accounts receivable (including related parties) is based on assumptions on probability of default and loss given default. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Bank deposits	\$ 2,594,079	\$ 2,935,549
Cash on hand	<u>25</u>	<u>25</u>
	<u>\$ 2,594,104</u>	<u>\$ 2,935,574</u>

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

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Bank deposits	0.001%-5.63%	0.001%-4.27%

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

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
<u>Non-current</u>		
Investments in equity instruments at FVTOCI	<u>\$ 5,369</u>	<u>\$ 4,914</u>

(Continued)

	<u>December 31</u>	
	2023	2022
Domestic investments		
Unlisted shares		
Ordinary shares - Syntronix Corporation	\$ <u>5,369</u>	\$ <u>4,914</u> (Concluded)

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 Company's strategy of holding these investments for long-term purposes.

The Company took the investment strategy into consideration to sell and derecognize investments in equity instruments at FVTOCI. The information related to derecognition in 2022 is as follows:

	<b>For the Year Ended December 31, 2022</b>
Fair value at the date of derecognition	\$ 4,654
Accumulated loss on disposal of retained earnings transferred from other equity	(31,750)

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2023	2022
<u>Non-current</u>		
Domestic investments		
Pledged time deposits	\$ <u>118</u>	\$ <u>116</u>

- a. Refer to Note 25 for information relating to the credit risk management and impairment of financial assets at amortized cost.
- b. Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as security.

## 9. ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	2023	2022
Accounts receivable	\$ 179,813	\$ 209,198
Less: Allowance for impairment loss	<u>(43)</u>	<u>(97)</u>
	<u>\$ 179,770</u>	<u>\$ 209,101</u>



The average credit term is 30 to 60 days, and no interest was charged on accounts receivable. The Company uses other publicly available financial information or its own trading records to rate its major customers. The Company'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 Company 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 Company'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 Company's different customer base.

The Company 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 Company 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 Company measures the loss allowance for accounts receivable, and the information is as follows:

December 31, 2023

	<b>Not Past Due</b>	<b>1 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 181 Days</b>	<b>Total</b>
Gross carrying amount	\$ 169,650	\$ 9,702	\$ 461	\$ -	\$ -	\$ 179,813
Loss allowance (lifetime ECLs)	<u>-</u>	<u>(33)</u>	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>(43)</u>
Amortized cost	<u>\$ 169,650</u>	<u>\$ 9,669</u>	<u>\$ 451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,770</u>

December 31, 2022

	<b>Not Past Due</b>	<b>1 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 181 Days</b>	<b>Total</b>
Gross carrying amount	\$ 194,270	\$ 9,996	\$ 4,932	\$ -	\$ -	\$ 209,198
Loss allowance (lifetime ECLs)	<u>-</u>	<u>(25)</u>	<u>(72)</u>	<u>-</u>	<u>-</u>	<u>(97)</u>
Amortized cost	<u>\$ 194,270</u>	<u>\$ 9,971</u>	<u>\$ 4,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,101</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 97	\$ 1,435
Less: Net remeasurement of loss allowance	<u>(54)</u>	<u>(1,338)</u>
Balance at December 31	<u>\$ 43</u>	<u>\$ 97</u>

## 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Investments in subsidiaries	\$ 95,656	\$ 105,605
Investments in associates	<u>12,063</u>	<u>15,185</u>
	<u>\$ 107,719</u>	<u>\$ 120,790</u>

### a. Investments in subsidiaries

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
PUFsecurity Corporation	\$ 89,757	\$ 104,543
eMemory Japan Corporation	<u>5,899</u>	<u>1,062</u>
	<u>\$ 95,656</u>	<u>\$ 105,605</u>

<b>Name of Subsidiary</b>	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
PUFsecurity Corporation	75.38%	76.17%
eMemory Japan Corporation	100%	100%

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 its 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 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 at a price of NT\$7.5 per share. Therefore, eMemory Technology Inc.'s shareholding percentage decreased from 79.82% to 76.17%.

PUFsecurity Corporation increased its capital by issuing 3,000 thousand shares with a par value of NT\$10 in April 2023, and the paid-in capital increased to NT\$113,430 thousand, which was divided into 113,430 thousand shares with a par value of NT\$1. The Company subscribed for 1,457 thousand shares in cash for NT\$14,568 thousand but did not subscribe for the shares in accordance with its original shareholding proportion, which caused its proportion of ownership to decrease from 76.17% to 75.41%.

The employees of the Company and PUFsecurity Corporation exercised the employee share options issued by PUFsecurity Corporation in 2023. Therefore, eMemory Technology Inc.'s shareholding percentage decreased from 75.41% to 75.38%.

The Company invested and established eMemory Japan Corporation in March 2022, and the Company remitted an investment fund of JPY50,000 thousand on October 21, 2022 and February 3, 2023.

The investments in the subsidiary accounted for using the equity method and the share of profit or loss and other comprehensive income (loss) of those investments for the years ended December 31, 2023 and 2022 were based on the subsidiary's financial statements which have been audited for the same years.

b. Investments in associates

	<u>December 31</u>	
	2023	2022
Associates that is not individually material		
iMQ Technology Inc.	<u>\$ 12,063</u>	<u>\$ 15,185</u>
	<u>Proportion of Ownership and Voting Rights</u>	
	<u>December 31</u>	
Name of Associate	2023	2022
iMQ Technology Inc.	2.28%	2.34%

The employees of iMQ Technology Inc. exercised the employee share option in 2022. Therefore, the Company's shareholding percentage decreased from 2.69% to 2.34%.

The employees of iMQ Technology Inc. exercised the employee share option in 2023. Therefore, the Company's shareholding percentage decreased from 2.34% to 2.28%.

Information about associates that is not individually material

	<u>For the Year Ended December 31</u>	
	2023	2022
The Company's share of :		
Loss from continuing operations	\$ (3,317)	\$ (2,080)
Other comprehensive loss	<u>9</u>	<u>1</u>
Total comprehensive loss for the period	<u>\$ (3,308)</u>	<u>\$ (2,079)</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 for the years ended December 31, 2023 and 2022 was based on the associate's financial statements which have been audited for the same years.

## 11. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>	
	2023	2022
Assets used by the Company	\$ 465,434	\$ 455,117
Assets leased under operating leases	<u>3,579</u>	<u>3,643</u>
	<u>\$ 469,013</u>	<u>\$ 458,760</u>

a. Assets used by the Company

	Freehold Land	Buildings	Research and Development Equipment	Office Equipment	Total
<u>Cost</u>					
Balance at January 1, 2023	\$ 122,874	\$ 391,286	\$ 86,551	\$ 21,163	\$ 621,874
Additions	-	1,809	37,129	6,812	45,750
Disposals	-	(17,924)	(24,256)	(2,530)	(44,710)
Balance at December 31, 2023	<u>\$ 122,874</u>	<u>\$ 375,171</u>	<u>\$ 99,424</u>	<u>\$ 25,445</u>	<u>\$ 622,914</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2023	\$ -	\$ 111,218	\$ 48,048	\$ 7,491	\$ 166,757
Depreciation expense	-	11,560	19,098	4,775	35,433
Disposals	-	(17,924)	(24,256)	(2,530)	(44,710)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 104,854</u>	<u>\$ 42,890</u>	<u>\$ 9,736</u>	<u>\$ 157,480</u>
Carrying amount at December 31, 2023	<u>\$ 122,874</u>	<u>\$ 270,317</u>	<u>\$ 56,534</u>	<u>\$ 15,709</u>	<u>\$ 465,434</u>
<u>Cost</u>					
Balance at January 1, 2022	\$ 123,905	\$ 388,508	\$ 97,908	\$ 16,651	\$ 626,972
Additions	-	6,801	20,907	7,577	35,285
Disposals	-	(989)	(32,264)	(3,065)	(36,318)
Transfers from assets leased under operating leases	(1,031)	(3,034)	-	-	(4,065)
Balance at December 31, 2022	<u>\$ 122,874</u>	<u>\$ 391,286</u>	<u>\$ 86,551</u>	<u>\$ 21,163</u>	<u>\$ 621,874</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	\$ -	\$ 101,127	\$ 60,798	\$ 6,718	\$ 168,643
Depreciation expense	-	11,769	19,514	3,838	35,121
Disposals	-	(989)	(32,264)	(3,065)	(36,318)
Transfers from assets leased under operating leases	-	(689)	-	-	(689)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 111,218</u>	<u>\$ 48,048</u>	<u>\$ 7,491</u>	<u>\$ 166,757</u>
Carrying amount at December 31, 2022	<u>\$ 122,874</u>	<u>\$ 280,068</u>	<u>\$ 38,503</u>	<u>\$ 13,672</u>	<u>\$ 455,117</u>

b. Assets leased under operating leases

	Freehold Land	Buildings	Total
<u>Cost</u>			
Balance at January 1 and December 31, 2023	<u>\$ 1,145</u>	<u>\$ 3,299</u>	<u>\$ 4,444</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ -	\$ 801	\$ 801
Depreciation expense	-	64	64
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 865</u>	<u>\$ 865</u>
Carrying amount at December 31, 2023	<u>\$ 1,145</u>	<u>\$ 2,434</u>	<u>\$ 3,579</u>

(Continued)

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2022	\$ 114	\$ 265	\$ 379
Transfers from assets used by the Company	<u>1,031</u>	<u>3,034</u>	<u>4,065</u>
Balance at December 31, 2022	<u>\$ 1,145</u>	<u>\$ 3,299</u>	<u>\$ 4,444</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ -	\$ 52	\$ 52
Transfers from assets used by the Company	-	689	689
Depreciation expense	<u>-</u>	<u>60</u>	<u>60</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 801</u>	<u>\$ 801</u>
Carrying amount at December 31, 2022	<u>\$ 1,145</u>	<u>\$ 2,498</u>	<u>\$ 3,643</u> (Concluded)

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:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Year 1	<u>\$ 61</u>	<u>\$ 61</u>

There was no indication of impairment for the years ended December 31, 2023 and 2022.

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

<b>Buildings</b>	
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	3-5 years

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Buildings	\$ 1,063	\$ 2,978
Transportation equipment	<u>1,119</u>	<u>2,460</u>
	<u>\$ 2,182</u>	<u>\$ 5,438</u>

	<b>For the Year Ended December 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	\$ 1,915	\$ 1,914
Transportation equipment	<u>1,341</u>	<u>1,341</u>
	<u>\$ 3,256</u>	<u>\$ 3,255</u>
Income from the subleasing of right-of-use assets (presented in other income)	<u>\$ (1,431)</u>	<u>\$ (1,431)</u>

Except for the aforementioned additions and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2023 and 2022.

b. Lease liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Current	\$ <u>1,690</u>	\$ <u>3,299</u>
Non-current	\$ <u>547</u>	\$ <u>2,237</u>

Discount rates for lease liabilities were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Buildings	1.38%-1.68%	1.38%-1.68%
Transportation equipment	2.73%	2.73%

c. Other lease information

Refer to Note 11 for operating leases related to leases arrangements of property, plant and equipment.

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses relating to short-term leases	\$ <u>2,457</u>	\$ <u>2,243</u>
Total cash outflow for leases	<u>\$ (5,833)</u>	<u>\$ (5,620)</u>

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

### 13. INTANGIBLE ASSETS

	Patents	Software	Trademarks	Total
<u>Cost</u>				
Balance at January 1, 2023	\$ 160,920	\$ 27,968	\$ 2,883	\$ 191,771
Additions	9,211	72,820	-	82,031
Disposals	(49)	(19,818)	-	(19,867)
Reclassification	<u>(35)</u>	<u>-</u>	<u>-</u>	<u>(35)</u>
Balance at December 31, 2023	<u>\$ 170,047</u>	<u>\$ 80,970</u>	<u>\$ 2,883</u>	<u>\$ 253,900</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2023	\$ 106,366	\$ 16,279	\$ 2,872	\$ 125,517
Amortization expense	15,975	63,326	10	79,311
Disposals	<u>(49)</u>	<u>(19,818)</u>	<u>-</u>	<u>(19,867)</u>
Balance at December 31, 2023	<u>\$ 122,292</u>	<u>\$ 59,787</u>	<u>\$ 2,882</u>	<u>\$ 184,961</u>
Carrying amount at December 31, 2023	<u>\$ 47,755</u>	<u>\$ 21,183</u>	<u>\$ 1</u>	<u>\$ 68,939</u>
<u>Cost</u>				
Balance at January 1, 2022	\$ 153,629	\$ 7,870	\$ 2,883	\$ 164,382
Additions	7,342	22,078	-	29,420
Disposals	<u>(51)</u>	<u>(1,980)</u>	<u>-</u>	<u>(2,031)</u>
Balance at December 31, 2022	<u>\$ 160,920</u>	<u>\$ 27,968</u>	<u>\$ 2,883</u>	<u>\$ 191,771</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2022	\$ 89,700	\$ 4,678	\$ 2,791	\$ 97,169
Amortization expense	16,717	13,581	81	30,379
Disposals	<u>(51)</u>	<u>(1,980)</u>	<u>-</u>	<u>(2,031)</u>
Balance at December 31, 2022	<u>\$ 106,366</u>	<u>\$ 16,279</u>	<u>\$ 2,872</u>	<u>\$ 125,517</u>
Carrying amount at December 31, 2022	<u>\$ 54,554</u>	<u>\$ 11,689</u>	<u>\$ 11</u>	<u>\$ 66,254</u>

The Company's major products are NeoBit®, NeoFuse®, NeoPUF®, NeoEE®, and NeoMTP®, etc. There are 1,209 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

#### 14. OTHER ASSETS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Prepayments		
Prepayments for software	\$ 1,454	\$ 7,172
Prepayments for annual fee on the patents	5,707	6,028
Prepayments for software maintenance	1,637	1,688
Prepayments for membership	1,198	1,150
Others	<u>3,807</u>	<u>1,824</u>
	<u>\$ 13,803</u>	<u>\$ 17,862</u>
Other assets		
Temporary payments	<u>\$ 4,880</u>	<u>\$ 4,157</u>
<u>Non-current</u>		
Prepayments for equipment		
Prepayments for building purchase	<u>\$ 224,714</u>	<u>\$ -</u>

#### 15. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Other payables		
Bonuses	\$ 116,707	\$ 119,451
Payable for annual leave	5,359	7,065
Payable for professional service fees	1,553	1,426
Others	<u>37,161</u>	<u>41,895</u>
	<u>\$ 160,780</u>	<u>\$ 169,837</u>
Other liabilities		
Receipt under custody	\$ 1,670	\$ 1,555
Receipts in advance	582	-
Temporary receipts	<u>-</u>	<u>27</u>
	<u>\$ 2,252</u>	<u>\$ 1,582</u>

#### 16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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



b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Company has no right to influence the investment policy and strategy.

The amounts based on the actuarial report of the Company's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of funded defined benefit obligation	\$ 27,961	\$ 29,520
Fair value of plan assets	<u>(14,951)</u>	<u>(13,808)</u>
Net defined benefit liabilities	<u>\$ 13,010</u>	<u>\$ 15,712</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2022	<u>\$ 31,147</u>	<u>\$ (11,957)</u>	<u>\$ 19,190</u>
Net interest expense (income)	<u>156</u>	<u>(62)</u>	<u>94</u>
Recognized in profit or loss	<u>156</u>	<u>(62)</u>	<u>94</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(919)	(919)
Actuarial loss (gain)			
Changes in financial assumptions	(1,926)	-	(1,926)
Experience adjustments	<u>143</u>	<u>-</u>	<u>143</u>
Recognized in other comprehensive income	<u>(1,783)</u>	<u>(919)</u>	<u>(2,702)</u>
Contributions from the employer	<u>-</u>	<u>(870)</u>	<u>(870)</u>
Balance at December 31, 2022	<u>29,520</u>	<u>(13,808)</u>	<u>15,712</u>
Net interest expense (income)	<u>443</u>	<u>(214)</u>	<u>229</u>
Recognized in profit or loss	<u>443</u>	<u>(214)</u>	<u>229</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(81)	(81)
Actuarial loss (gain)			
Changes in financial assumptions	792	-	792
Experience adjustments	<u>(2,794)</u>	<u>-</u>	<u>(2,794)</u>
Recognized in other comprehensive income	<u>(2,002)</u>	<u>(81)</u>	<u>(2,083)</u>
Contributions from the employer	<u>-</u>	<u>(848)</u>	<u>(848)</u>
Balance at December 31, 2023	<u>\$ 27,961</u>	<u>\$ (14,951)</u>	<u>\$ 13,010</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Discount rate	1.25%	1.50%
Expected rate of salary increase	4.50%	4.50%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Discount rate		
0.25% increase	<u>\$ (791)</u>	<u>\$ (867)</u>
0.25% decrease	<u>\$ 821</u>	<u>\$ 901</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 783</u>	<u>\$ 861</u>
0.25% decrease	<u>\$ (758)</u>	<u>\$ (833)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Expected contributions to the plans for the next year	<u>\$ 882</u>	<u>\$ 912</u>
Average duration of the defined benefit obligation	11.5 years	12 years

## 17. EQUITY

### a. Ordinary shares

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Numbers of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>74,643</u>	<u>76,185</u>
Shares issued	<u>\$ 746,423</u>	<u>\$ 761,845</u>

For the year ended December 31, 2023, the shares changed due to the employees' exercise of their employee share options and the reduction in the retirement of treasury stock.

### b. Capital surplus

	<u>December 31</u>	
	<u>2023</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	\$ 7,633	\$ 60,421
Arising from issuance of ordinary - exercised/invalid employee share options	14,451	62,636
<u>May be used to offset a deficit only</u>		
Arising from changes in percentage of ownership interests in subsidiaries (2)	22,248	13,883
Arising from share of changes in capital surplus of associates (2)	63,134	62,948
<u>May not be used for any purpose</u>		
Arising from employee share options	<u>6,847</u>	<u>10,634</u>
	<u>\$ 114,313</u>	<u>\$ 210,522</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 20 (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 shareholders' meetings on June 9, 2023 and June 15, 2022, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 125,888	\$ 109,686
Reversal of 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 and \$111,839 thousand in the shareholders' meetings on June 9, 2023 and June 15, 2022, respectively.

The appropriations of earnings for 2023 had been proposed by the Company's board of directors on February 21, 2024. The appropriations and dividends per share were as follows:

	<b>For the Year Ended December 31, 2023</b>
Reversal of special reserve	\$ (190)
Cash dividends	\$ 1,306,409
Cash dividends per share (NT\$)	\$ 17.50

The appropriations of earnings for 2023 are subject to the resolution of the shareholders in their meeting to be held on June 19, 2024.

d. Other equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 706	\$ (112)
Recognized for the year		
Share from subsidiaries and associates accounted for using the equity method	<u>(645)</u>	<u>818</u>
Other comprehensive (loss) gain recognized for the year	<u>(645)</u>	<u>818</u>
Balance at December 31	<u>\$ 61</u>	<u>\$ 706</u>

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

	<b>For the Year Ended December 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>455</u>	<u>(6,562)</u>
Other comprehensive income (loss) recognized for the year	<u>455</u>	<u>(6,562)</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>31,750</u>
Balance at December 31	<u>\$ (5,231)</u>	<u>\$ (5,686)</u>

e. Treasury shares

	<b>Unit: In Thousands of Shares</b>			
<b>Purpose of Buy-Back</b>	<b>Number of Shares at January 1</b>	<b>Increase During the Year</b>	<b>Decrease During the Year</b>	<b>Number of Shares at December 31</b>
<u>2023</u>				
Shares transferred to employees	<u>1,567</u>	<u>-</u>	<u>(1,567)</u>	<u>-</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 a price interval ranging from NT\$177.80 to NT\$400 per share. The Company has bought back 1,567 thousand shares at a total cost of NT\$404,238 thousand. Under the Securities and Exchange Act, shares not transferred within the said time limit shall be deemed not issued by the Company, and amendment registration shall be processed. The Company's board of directors resolved to reduce the capital on October 24, 2023, and the effective date of the capital reduction was October 31, 2023.

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.

## 18. SHARE-BASED PAYMENTS

### Employee share option plan of the Company

Qualified employees of the Company were granted 500 options in February 2016. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the TPEX on the grant date. For any subsequent changes in the Company's ordinary shares or for any cash dividends issued in excess of the ratio required in the issuance rule, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	<b>For the Year Ended December 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	69	\$ 318.4	130	\$ 318.4
Options exercised	<u>(25)</u>	318.4	<u>(61)</u>	318.4
Balance at December 31	<u>44</u>	318.4	<u>69</u>	318.4
Options exercisable, end of period	<u>44</u>	318.4	<u>69</u>	318.4

The weighted-average share prices on the exercise date of the share options for the year ended December 31, 2023 and 2022 were \$1,795 and \$1,108, respectively.

Information on outstanding options is as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Range of exercise price (NT\$)	\$ 318.4	\$ 318.4
Weighted-average remaining contractual life (in years)	2.15	3.15

Options granted in February 2016 were priced using the Black-Scholes pricing model and the inputs of the model were as follows:

Grant-date share price (NT\$)	\$ 351
Exercise price (NT\$)	\$ 351
Expected volatility	43.24%
Expected life (in years)	6-7 years
Expected dividend yield	-
Risk-free interest rate	0.71%-0.75%

Compensation cost recognized were both NT\$0 for the year ended December 31, 2023 and 2022.

## 19. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Royalty revenue	\$ 2,124,413	\$ 2,474,635
Technical service revenue	<u>807,050</u>	<u>635,198</u>
	<u>\$ 2,931,463</u>	<u>\$ 3,109,833</u>

### a. Contract balances

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Accounts receivable (including related parties) (Note 9)	<u>\$ 179,770</u>	<u>\$ 212,172</u>	<u>\$ 100,634</u>
Contract liabilities			
Technical service revenue	<u>\$ 79,194</u>	<u>\$ 67,777</u>	<u>\$ 78,327</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Company'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 Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
From contract liabilities at the beginning of the year		
Technical service revenue	<u>\$ 38,461</u>	<u>\$ 53,879</u>

### b. Partially completed contracts

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Domestic	\$ 1,837,448	\$ 1,951,189
Asia	940,931	1,014,343
Others	<u>153,084</u>	<u>144,301</u>
	<u>\$ 2,931,463</u>	<u>\$ 3,109,833</u>

## 20. NET PROFIT FROM CONTINUING OPERATIONS

### a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Bank deposits	\$ 61,390	\$ 14,660
Others	<u>10</u>	<u>4</u>
	<u>\$ 61,400</u>	<u>\$ 14,664</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Rental income	\$ 1,860	\$ 1,828
Dividend income	<u>363</u>	<u>932</u>
	<u>\$ 2,223</u>	<u>\$ 2,760</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Net foreign exchange (loss) gain	\$ (20,489)	\$ 31,089
Commission income (Note 26)	19,548	27,910
Gain on disposal of investments	-	86
Others	<u>602</u>	<u>223</u>
	<u>\$ (339)</u>	<u>\$ 59,308</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	\$ 77	\$ 144
Others	<u>1</u>	<u>-</u>
	<u>\$ 78</u>	<u>\$ 144</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
An analysis of depreciation by function		
Operating expenses	<u>\$ 38,753</u>	<u>\$ 38,436</u>
An analysis of amortization by function		
Selling and marketing expenses	\$ 33	\$ 33
General and administrative expenses	5,486	1,743
Research and development expenses	<u>73,792</u>	<u>28,603</u>
	<u>\$ 79,311</u>	<u>\$ 30,379</u>

For the information on the amortization of intangible assets allocated to each single item, please refer to Note 13.



f. Employee benefits expense

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Post-employment benefits (Note 16)		
Defined contribution plans	\$ 20,134	\$ 19,151
Defined benefit plans	<u>229</u>	<u>94</u>
	<u>20,363</u>	<u>19,245</u>
Share-based payments		
Equity-settled	<u>580</u>	<u>176</u>
Other employee benefits	<u>933,507</u>	<u>1,006,582</u>
Total employee benefits expense	<u>\$ 954,450</u>	<u>\$ 1,026,003</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 954,450</u>	<u>\$ 1,026,003</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 year ended December 31, 2023 and 2022, which were approved by the Company's board of directors on February 21, 2024 and February 22, 2023, respectively, are as follows:

Accrual rate

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Employees' compensation	15%	15%
Remuneration of directors	1.5%	1.5%

Amount

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	<u>\$ 302,977</u>	<u>\$ 344,259</u>
Remuneration of directors	<u>\$ 30,298</u>	<u>\$ 34,426</u>

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the year 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.

## 21. 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 Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 288,796	\$ 301,512
Income tax on unappropriated earnings	<u>-</u>	<u>1,443</u>
	288,796	302,955
Deferred tax		
In respect of the current year	<u>(1,027)</u>	<u>1,514</u>
Income tax expense recognized in profit or loss	<u>\$ 287,769</u>	<u>\$ 304,469</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before tax	<u>\$ 1,762,212</u>	<u>\$ 1,916,378</u>
Income tax expense calculated at the statutory rate	\$ 352,442	\$ 383,276
Nondeductible expenses in determining taxable income	9,233	8,612
Income tax on unappropriated earnings	-	1,443
Unrecognized deductible temporary differences and investment credits	<u>(73,906)</u>	<u>(88,862)</u>
Income tax expense recognized in profit or loss	<u>\$ 287,769</u>	<u>\$ 304,469</u>

### b. Current tax liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax liabilities		
Income tax payable	<u>\$ 44,435</u>	<u>\$ 139,676</u>

### c. Deferred tax assets

The movements of deferred tax assets was as follows:

For the Year ended December 31, 2023

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>			
Temporary differences	<u>\$ 2,743</u>	<u>\$ 1,027</u>	<u>\$ 3,770</u>

For the Year ended December 31, 2022

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>			
Temporary differences	<u>\$ 4,257</u>	<u>\$ (1,514)</u>	<u>\$ 2,743</u>
d. Income tax assessments			

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

**22. EARNINGS PER SHARE**

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<b>2023</b>	<b>2022</b>
Basic earnings per share	<u>\$ 19.76</u>	<u>\$ 21.61</u>
Diluted earnings per share	<u>\$ 19.70</u>	<u>\$ 21.51</u>

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

**Net Profit for the Year**

	<u>For the Year Ended December 31</u>	
	<b>2023</b>	<b>2022</b>
Earnings used in the computation of basic earnings per share	\$ 1,474,443	\$ 1,611,909
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Employee share options	-	-
Earnings used in the computation of diluted earnings per share	<u>\$ 1,474,443</u>	<u>\$ 1,611,909</u>

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

	<u>For the Year Ended December 31</u>	
	<b>2023</b>	<b>2022</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	74,629	74,586
Effect of potentially dilutive ordinary shares:		
Employees' compensation	152	277
Employee share options	<u>48</u>	<u>78</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>74,829</u>	<u>74,941</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.

### 23. GOVERNMENT GRANTS

The Company applied for the 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 actual distribution of government grant income, which expired on November 30, 2021, was NT\$33,074 thousand, had been fully recognized as government grant income. The collateral provided by the Company included cashier checks, whose drawees are banking industries and guarantee letters. The amounts of guarantees were NT\$34,300 thousand and NT\$14,724 thousand, respectively, and the guarantees were released on July 11, 2022.

### 24. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue a going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company’s overall strategy has no significant changes.

The capital structure of the Company consists of issued ordinary shares, capital surplus, retained earnings and other equity.

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

### 25. FINANCIAL INSTRUMENTS

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

The management believes the carrying 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

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ _____ -	\$ _____ -	\$ <u>5,369</u>	\$ <u>5,369</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ _____	\$ _____	\$ 4,914	\$ 4,914

There were no transfers between Levels 1 and 2 in the current and prior years.

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

Financial Assets	Financial Assets at FVTOCI	
	2023	2022
Balance at January 1	\$ 4,914	\$ 16,130
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	455	(6,562)
Disposal	_____	_____(4,654)
Balance at December 31	<u>\$ 5,369</u>	<u>\$ 4,914</u>

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
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

	December 31	
	2023	2022
<u>Financial assets</u>		
Financial asset at amortized cost (Note 1)	\$ 2,789,171	\$ 3,174,892
Investment in equity instrument at FVTOCI	5,369	4,914
<u>Financial liabilities</u>		
Amortized cost (Note 2)	39,123	30,241

Note 1: The balances include financial assets measured at amortized cost, which comprise cash, accounts receivable (including related parties), other receivables (including related parties) 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 Company's major financial instruments included equity investments, accounts receivable (including related parties), lease liabilities and other payables (including related parties). The Company'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 Company 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 Company's main financial plans are reviewed by the board of directors in accordance with relevant regulations and internal control system.

1) Market risk

The Company'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 Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

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

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

Sensitivity analysis

The Company is mainly exposed to the exchange rate fluctuations of the USD, CNY 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), other receivables, payables on equipment and other payables (including related parties).

	<u>USD Impact</u>		<u>CNY Impact</u>		<u>JPY Impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>		<u>December 31</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Profit or loss	\$ 79,969	\$ 29,200	\$ 196	\$ 455	\$ 20	\$ 436

b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Fair value interest rate risk		
Financial assets	\$ 2,178,632	\$ 2,497,632
Cash flow interest rate risk		
Financial assets	415,565	438,033

#### Sensitivity analysis

The sensitivity analyses below are determined based on the Company'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 assets 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 Company's pre-tax profit for the years ended December 31, 2023 and 2022 would increase/decrease by \$416 thousand and \$438 thousand, respectively, mainly due to the Company'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 Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company 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 parent company only balance sheets.

In order to minimize credit risk, the Company has made credit and receivable management regulations to ensure that follow-up action is taken to recover overdue debts. In addition, the Company 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 Company'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 Company 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 Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

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

The following table details the Company'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 Company can be required to pay. The tables included both interest and principal cash flows.

December 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	\$ 15,289	\$ 23,528	\$ 316	\$ -	\$ 39,133
Lease liabilities	<u>162</u>	<u>324</u>	<u>1,227</u>	<u>550</u>	<u>2,263</u>
	<u>\$ 15,451</u>	<u>\$ 23,852</u>	<u>\$ 1,543</u>	<u>\$ 550</u>	<u>\$ 41,396</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>\$ 1,713</u>	<u>\$ 550</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	\$ 10,652	\$ 19,283	\$ 316	\$ -	\$ 30,251
Lease liabilities	<u>281</u>	<u>563</u>	<u>2,532</u>	<u>2,263</u>	<u>5,639</u>
	<u>\$ 10,933</u>	<u>\$ 19,846</u>	<u>\$ 2,848</u>	<u>\$ 2,263</u>	<u>\$ 35,890</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>

b) Financing facilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Unsecured bank overdraft facilities (Annual revisits)		
Amount unused	<u>\$ 150,000</u>	<u>\$ 150,000</u>



## 26. TRANSACTIONS WITH RELATED PARTIES

The transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
PUFsecurity Corporation	Subsidiaries
eMemory Japan Corporation	Subsidiaries
HeFeChip Corporation Limited	Substantive related parties (substantive related parties before September 28, 2023)
T.C. Chen	Key management personnel

b. Operating revenue

<u>Line Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
		<u>2023</u>	<u>2022</u>
Sales	Subsidiaries	\$ 4,594	\$ 2,869
	Substantive related parties	<u>14,519</u>	<u>3,084</u>
		<u>\$ 19,113</u>	<u>\$ 5,953</u>

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

c. Operating Expenses

<u>Line Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
		<u>2023</u>	<u>2022</u>
Commission expenses	Subsidiaries	\$ 832	\$ -
R&D and design commission fees	Subsidiaries	<u>14,645</u>	<u>-</u>
		<u>\$ 15,477</u>	<u>\$ -</u>

d. Other gains and losses

<u>Line Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
		<u>2023</u>	<u>2022</u>
Commission income	Subsidiaries		
	PUFsecurity Corporation	<u>\$ 19,548</u>	<u>\$ 27,910</u>

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

<u>Line Item</u>	<u>Related Party Category</u>	<u>December 31</u>	
		<u>2023</u>	<u>2022</u>
Accounts receivable - related parties	Substantive related parties		
	HeFeChip Corporation Limited	<u>\$ -</u>	<u>\$ 3,071</u>
Other receivables - related parties	Subsidiaries		
	PUFsecurity Corporation	\$ 7,510	\$ 13,666
	eMemory Japan Corporation	<u>2</u>	<u>8,229</u>
		<u>\$ 7,512</u>	<u>\$ 21,895</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2023 and 2022, no impairment losses were recognized for trade receivables from related parties.

f. Payables to related parties

Line Item	Related Party Category	December 31	
		2023	2022
Other payables - related parties	Subsidiaries		
	eMemory Japan Corporation	\$ 1,685	\$ -
	Key management personnel T.C. Chen	<u>-</u>	<u>10</u>
		<u>\$ 1,685</u>	<u>\$ 10</u>

g. Contract liabilities

Line Item	Related Party Category	December 31	
		2023	2022
Contract liabilities	Subsidiaries	<u>\$ 3,110</u>	<u>\$ 1,485</u>

h. Lease arrangements

The Company is lessor under operating leases

The Company leases out offices to its subsidiaries, PUFsecurity Corporation, under operating leases with lease terms of 1 year. As of December 31, 2023 and 2022, the balance of the operating lease receivable was \$31 thousand and \$31 thousand, respectively. Lease income recognized for the years ended December 31, 2023 and 2022 was as follows:

Related Party Category	For the Year Ended December 31	
	2023	2022
Subsidiaries		
PUFsecurity Corporation	<u>\$ 369</u>	<u>\$ 338</u>
Interest expenses		
Subsidiaries	<u>\$ 1</u>	<u>-</u>

i. Compensation of key management personnel

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

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 121,970	\$ 142,231
Post-employment benefits	892	969
Share-based payment transactions	<u>145</u>	<u>-</u>
	<u>\$ 123,007</u>	<u>\$ 143,200</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.

## 27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	<u>December 31</u>	
	2023	2022
Pledged time deposits (classified as financial assets at amortized cost)	<u>\$ 118</u>	<u>\$ 116</u>

## 28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENT

In addition to those disclosed in other notes, significant commitments and contingencies of the Company at balance sheet date were as follows:

Detail of significant outstanding contracts of property, plant and equipment as of December 31, 2023, including tax were as follows:

Contract	Contract Amount	Payment	Unpaid Amount
Purchase of property, plant and equipment	<u>\$ 1,815,000</u>	<u>\$ 235,950</u>	<u>\$ 1,579,050</u>

## 29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company'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:

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 52,309	30.705	\$ 1,606,142
CNY	906	4.327	3,919
JPY	8,196	0.2172	<u>1,780</u>
			<u>\$ 1,611,841</u>
Non-monetary items			
JPY	27,157	0.2172	<u>\$ 5,899</u>
<u>Financial liabilities</u>			
Monetary items			
USD	220	30.705	\$ 6,753
JPY	6,316	0.2172	<u>1,372</u>
			<u>\$ 8,125</u>

December 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 19,026	30.710	\$ 584,283
CNY	2,065	4.408	9,104
JPY	37,521	0.2324	<u>8,720</u>
			<u>\$ 602,107</u>
Non-monetary items			
JPY	4,569	0.2324	<u>\$ 1,062</u>
<u>Financial liabilities</u>			
Monetary items			
USD	9	30.710	\$ 288
JPY	32	0.2324	<u>8</u>
			<u>\$ 296</u>

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

	<b>For the Year Ended December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>
		<b>Net Foreign Exchange Gains (Losses)</b>		<b>Net Foreign Exchange Gains (Losses)</b>
USD	30.705 (USD:NTD)	<u>\$ (6,588)</u>	30.710 (USD:NTD)	<u>\$ (2,311)</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: Table 2
- 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
- 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

**EMEMORY TECHNOLOGY INC.**

**MARKETABLE SECURITIES HELD**

**DECEMBER 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	December 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 Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	1,210	\$ 5,369	2.81	\$ 5,369	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 December 31, 2023.

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

**EMEMORY TECHNOLOGY INC.**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

**(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			
The Company	Buildings	October 24, 2023	\$ 1,815,000	According to the contract payment	Winsome Development Company Limited	-	Not applicable	Not applicable	Not applicable	Not applicable	The price based on valuation report issued by an external independent professional valuation company is estimated to be higher than the transaction price.	Cooperate with the long-term development strategy of the Company, meet operational needs and recruit more talents.	No

**TABLE 3****EMEMORY TECHNOLOGY INC.****INFORMATION ON INVESTEEES****FOR THE YEAR ENDED DECEMBER 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 December 31, 2023			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 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.	\$ 275,634	\$ 261,066	82,563	75.38	\$ 89,757	\$ (48,891)	\$ (37,104)	Subsidiary
	eMemory Japan Corporation	Japan	Product designing, intellectual property management, technology services	22,255	10,697	-	100.00	5,899	(6,102)	(6,102)	Subsidiary
	iMQ Technology Inc.	Hsinchu City	Electronic parts and components manufacturing	27,900	27,900	2,057	2.28	12,063	(143,789)	(3,317)	Investment accounted for using the equity method
PUFsecurity Corporation	PUFsecurity USA Corporation	USA	Sales promotion	7,777	7,777	-	100.00	4,723	543	543	Subsidiary



## EMEMORY TECHNOLOGY INC.

INFORMATION ON INVESTMENTS IN MAINLAND AND CHINA  
 FOR THE YEAR ENDED DECEMBER 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 December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
PUFsecurity Technology (Shanghai) Corporation	Product designing, related service	\$ 7,445 (USD 250)	Notes 1 and 2	\$ -	\$ 7,445 (USD 250)	\$ -	\$ 7,445 (USD 250)	\$ (810)	100.00	\$ (810)	\$ 6,613	\$ -

Accumulated Outward Remittance for Investments in Mainland China as of December 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 (USD 250)	\$ 7,445 (USD 250)	\$ 1,813,964

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  
DECEMBER 31, 2023**

No.	Name	Shares	
		Number of Shares Held	Ownership Percentage
1	SmallCap World Fund Inc.	5,251,919	7.03%
2	Government of Singapore	4,594,020	6.15%

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 year. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

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**EEMORY TECHNOLOGY INC.****STATEMENT OF CASH****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Description</b>	<b>Annual Interest Rate (%)</b>	<b>Amount</b>
Cash in banks			
Time deposits	Expired by the end of December, 2024.	0.535-1.575	\$ 1,103,478
Current accounts			57,755
Foreign currency time deposit	Including US\$44,000 thousand @30.705, RMB\$900 thousand @4.327 expired by the end of March, 2024.	2.35-5.63	1,354,914
Foreign currency accounts	Including US\$2,479 thousand @30.705, RMB\$6 thousand @4.327 and JPY\$8,185 thousand @0.2172	0.001-1.45	77,932
Cash on hand			<u>25</u>
			<u>\$ 2,594,104</u>

**EMEMORY TECHNOLOGY INC.**

**STATEMENT OF ACCOUNTS RECEIVABLE**

**DECEMBER 31, 2023**

**(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Client A	\$ 44,799
Client B	13,817
Client C	11,668
Others (Note)	<u>109,529</u>
	179,813
Less: Allowance for impairment loss	<u>(43)</u>
	<u>\$ 179,770</u>

Note: The amount of individual client in others does not exceed 5% of the account balance.

## EMEMORY TECHNOLOGY INC.

## STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT

FOR THE YEAR ENDED DECEMBER 31, 2023

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

Name of Financial Assets	Balance, January 1, 2023		Additions		Decrease		Changes in Fair Value	Balance, December 31, 2023	
	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount		Number of Shares (In Thousands)	Amount
Unlisted Company									
Syntronix Corporation	1,210	\$ 4,914	-	\$ -	-	\$ -	\$ 455	1,210	\$ 5,369

Note: The above financial assets were not pledged as security.

## EMEMORY TECHNOLOGY INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
 FOR THE YEAR ENDED DECEMBER 31, 2023  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2023			Additions		Investment Loss Recognized by Using the Equity Method	Capital Surplus Recognized by Using the Equity Method	Balance, December 31, 2023			Net Assets Value	Remarks
	Number of Shares (In Thousands)	%	Amount	Number of Shares (In Thousands)	Amount			Number of Shares (In Thousands)	%	Amount		
PUFsecurity Corporation	81,107	76.17	\$ 104,543	1,456	\$ 14,568	\$ (37,104)	\$ 7,750	82,563	75.38	\$ 89,757	\$ 90,653	Note 1
eMemory Japan Corporation	-	100.00	1,062	-	11,558	(6,102)	(619)	-	100.00	5,899	5,899	Note 1
iMQ Technology Inc.	2,057	2.34	15,185	-	-	(3,317)	195	2,057	2.28	12,063	12,063	Note 1
Total			\$ 120,790		\$ 26,126	\$ (46,523)	\$ 7,326			\$ 107,719	\$ 108,615	

Note 1: The net value was based on audited financial statements of the same period.

Note 2: The above investments accounted for using the equity method were not pledged as security.

## EMEMORY TECHNOLOGY INC.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS AND ACCUMULATED DEPRECIATION OF  
 RIGHT-OF-USE-ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2023  
 (In Thousands of New Taiwan Dollars)

	Balance at January 1	Additions	Disposals	Balance at December 31
Cost				
Buildings	\$ 8,594	\$ -	\$ -	\$ 8,594
Transportation equipment	<u>4,024</u>	<u>-</u>	<u>-</u>	<u>4,024</u>
	<u>12,618</u>	<u>-</u>	<u>-</u>	<u>12,618</u>
Accumulated depreciation				
Buildings	5,616	1,915	-	7,531
Transportation equipment	<u>1,564</u>	<u>1,341</u>	<u>-</u>	<u>2,905</u>
	<u>7,180</u>	<u>3,256</u>	<u>-</u>	<u>10,436</u>
	<u>\$ 5,438</u>	<u>\$ (3,256)</u>	<u>\$ -</u>	<u>\$ 2,182</u>



**EEMORY TECHNOLOGY INC.****STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Rental Period</b>	<b>Discount Rate</b>	<b>Amount</b>
Buildings	From January 2019 to December 2025	1.38%-1.68%	\$ 1,086
Transportation equipment	From November 2021 to November 2024	2.73%	<u>1,151</u>
Total			2,237
Less: Lease liabilities - current			<u>(1,690)</u>
Lease liabilities -noncurrent			<u>\$ 547</u>

**EMEMORY TECHNOLOGY INC.****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Selling and Marketing Expense</b>	<b>General and Administrative Expense</b>	<b>Research and Development Expense</b>
Payroll and related expense	\$ 125,457	\$ 129,904	\$ 551,744
Depreciation	1,368	15,591	21,794
Amortization	33	5,486	73,792
Remuneration of directors and transportation allowance	-	56,686	-
Others (Note)	<u>33,346</u>	<u>55,245</u>	<u>115,542</u>
	<u>\$ 160,204</u>	<u>\$ 262,912</u>	<u>\$ 762,872</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

## EMEMORY TECHNOLOGY INC.

SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION  
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2023			For the Year Ended December 31, 2022		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Employee benefits expenses						
Payroll and related expense	\$ -	\$ 807,105	\$ 807,105	\$ -	\$ 881,494	\$ 881,494
Remuneration of directors	-	56,686	56,686	-	62,889	62,889
Insurance	-	45,584	45,584	-	41,322	41,322
Pension	-	20,363	20,363	-	19,245	19,245
Others	-	24,712	24,712	-	21,053	21,053
	<u>\$ -</u>	<u>\$ 954,450</u>	<u>\$ 954,450</u>	<u>\$ -</u>	<u>\$ 1,026,003</u>	<u>\$ 1,026,003</u>
Depreciation	\$ -	\$ 38,753	\$ 38,753	\$ -	\$ 38,436	\$ 38,436
Amortization	\$ -	\$ 79,311	\$ 79,311	\$ -	\$ 30,379	\$ 30,379

Note 1: For the years ended December 31, 2023 and 2022, the monthly numbers of employees when added up reached 3,538 and 3,408, respectively, and the numbers of directors who did not serve concurrently as employees were 72 and 84, respectively. As of December 31, 2023 and 2022, the numbers of employees were 300 and 293, respectively, and the numbers of directors who did not serve concurrently as employees were 6 and 7, respectively.

Note 2: Companies whose stocks are listed on the Taiwan Stock Exchange or listed on the Taipei Exchange should disclose the following information:

- 1) The average employee benefits expense for the current year is \$3,108 thousand (“Total employee benefits expenses for the current year-Total directors’ remuneration”/“Number of employees for the current year-Number of directors who have not served concurrently as employees”).

The average employee benefits expense for the previous year is \$3,477 thousand (“Total employee benefits expenses for the previous year-Total directors’ remuneration”/“Number of employees for the previous year-Number of directors who have not served concurrently as employees”).

- 2) The average employee payroll and related expense for the current year is \$2,794 thousand (Total payroll and related expense for the current year/“Number of employees for the current year-Number of directors who have not served concurrently as employees”).

The average employee payroll and related expense for the previous year is \$3,182 thousand (Total payroll and related expense of the previous year/“Number of employees for the previous year-Number of directors who have not served concurrently as employees”).

- 3) Changes in the average employee payroll and related expense adjustment (12.2)% (“Average employee payroll and related expense for the current year-Average employee payroll and related expense for the previous year”/Average employee payroll and related expense for the previous year).

- 4) The Company’s compensation policy (include directors, managers and employees).

A. Pursuant to the provisions of Article 25 in the Articles of Incorporation, that no higher than 2% of the net profit before income tax shall be distributed to Directors as compensation for the then current year. The remunerations of Directors are reasonable rewards given under the weight distribution principle by taking the operation achievements and the participation degree of each Director in the daily operation activities of the Company into consideration; the Independent Directors jointly participated in the compensation distribution with the Directors. Also, the “Fixed Remuneration” and the “Remuneration for Functional Committees” were further paid to the Independent Directors on a monthly basis, in accordance with their specific duties and responsibilities.

B. The remunerations of President, Vice President and managers of the Company shall include salary, employees’ compensation and employee stock option certificates. The salary level shall be determined according to the contribution degree that the managers provided to the Company and also by taking a reference to the level implemented by other companies in the same industry, and the remuneration system will be reviewed from time to time according to the practical operation situation and related laws and regulations, to reach the balance between the sustainable operation and risk control of the Company.

C. Pursuant to the provisions of Article 25 in the Articles of Incorporation, that if there is any pre-tax profit, 1% to 25% of the profit shall be distributed to eligible employees for profit sharing. Based on the ideas of human-based management and profit sharing with employees, and also taking account of the external competitiveness, internal fairness and legality, the “Salary Management Rule” is established, which provides various and competitive salary, welfare and reward programs. In addition to the fixed bonus paid for the three traditional festivals, the annual target will be set each year, and the seasonal bonus or performance bonus, project bonus and compensations will be distributed to employees to encourage them according to the business operation performance and the status of completion of the target reviewed each season.