

**ELITE SEMICONDUCTOR
MICROELECTRONICS TECHNOLOGY INC.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2022 AND 2021**

For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Elite Semiconductor Microelectronics Technology Inc.

Opinion

We have audited the accompanying parent company only balance sheets of Elite Semiconductor Microelectronics Technology Inc. as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of Elite Semiconductor Microelectronics Technology Inc. as at December 31, 2022 and 2021, and its financial performance and its 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 Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the Parent Company Only Financial Statements section of our report. We are independent of Elite Semiconductor Microelectronics Technology Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountants 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 Elite Semiconductor Microelectronics Technology Inc.’s 2022 parent company only financial statements. 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, we do not provide a separate opinion on these matters.

Key audit matters for Elite Semiconductor Microelectronics Technology Inc.'s 2022 parent company only financial statements are stated as follows:

Allowance for inventory valuation losses

Description

Refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses, and Note 6(5) for details of inventories. As of December 31, 2022, the Company's inventories and allowance for inventory valuation losses amounted to NT\$9,212,355 thousand and NT\$865,439 thousand, respectively.

Elite Semiconductor Microelectronics Technology Inc. is primarily engaged in researching, developing, manufacturing, selling integrated circuits. Elite Semiconductor Microelectronics Technology Inc. recognises inventories at the lower of cost and net realisable value. An allowance for inventory valuation losses is provided for those inventories aged over a certain period and those individually identified as obsolete or damaged. As the estimation of net realisable value for individually obsolete or damaged inventories is subject to management's judgment, we considered the allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We have performed primary audit procedures for the above matter, including assessing the reasonability of the policies and procedures adopted to provide for inventory losses based on the understanding of Elite Semiconductor Microelectronics Technology Inc. operations and industry, including the historical information of depletion of inventories, and the rationality of judging obsolete inventory items. We validated the appropriateness of relevant information in the inventory aging report utilised by Elite Semiconductor Microelectronics Technology Inc. to confirm that the information in the report is consistent with its policy. We then evaluated and confirmed the reasonableness of net realisable value for inventories through validating respective supporting documents and information.

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 Elite Semiconductor Microelectronics Technology Inc.'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 Elite Semiconductor Microelectronics Technology Inc. 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 Elite Semiconductor Microelectronics Technology Inc.'s financial reporting process.

Auditor's 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 auditor's 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 professional skepticism throughout the audit. We also:

- A. 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.
- B. 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 Elite Semiconductor Microelectronics Technology Inc.'s internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- D. 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 Elite Semiconductor Microelectronics Technology Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause Elite Semiconductor Microelectronics Technology Inc. to cease to continue as a going concern.
- E. 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.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Elite Semiconductor Microelectronics Technology Inc. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of parent company only 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Shu-Chien, Pai

Ya-Huei, Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan

February 23, 2023

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,705,997	19	\$ 8,749,239	43
1110	Financial assets at fair value through profit or loss - current	6(2)	94,813	1	173,513	1
1136	Financial assets at amortised cost - current		-	-	110,720	1
1150	Notes receivable, net		9	-	-	-
1170	Accounts receivable, net	6(4)	886,551	5	1,910,845	9
1180	Accounts receivable due from related parties, net	6(4) and 7(2)	1,482	-	-	-
1200	Other receivables		81,556	-	115,503	1
1210	Other receivables due from related parties	7(2)	100	-	-	-
1220	Current income tax assets		220,468	1	-	-
130X	Inventories	6(5)	8,346,916	42	5,363,309	27
1410	Prepayments		440,854	2	60,776	-
1470	Other current assets		821	-	170	-
11XX	Total current assets		13,779,567	70	16,484,075	82
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	6,495	-	17,697	-
1550	Investments accounted for using equity method	6(6)	1,423,932	7	1,385,929	7
1600	Property, plant and equipment	6(7) and 8	1,991,347	10	1,237,536	6
1755	Right-of-use assets	6(8)	71,272	1	69,562	-
1760	Investment property, net	6(9)	15,761	-	16,731	-
1780	Intangible assets	6(10)(11)	51,410	-	83,825	1
1840	Deferred income tax assets	6(28)	213,192	1	3,116	-
1900	Other non-current assets	6(12) and 8	2,140,867	11	857,372	4
15XX	Total non-current assets		5,914,276	30	3,671,768	18
1XXX	Total assets		\$ 19,693,843	100	\$ 20,155,843	100

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ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity			December 31, 2022		December 31, 2021	
			Notes	AMOUNT	%	AMOUNT
Current liabilities						
2100	Short-term borrowings	6(13)	\$ 3,175,000	16	\$ 1,700,000	8
2130	Contract liabilities - current	6(21)	6,096	-	21,399	-
2150	Notes payable		2,399	-	2,205	-
2170	Accounts payable		2,132,751	11	2,799,845	14
2180	Accounts payable - related parties	7(2)	88,172	1	52,939	-
2200	Other payables	6(14) and 7(2)	1,432,504	7	1,830,027	9
2230	Current income tax liabilities		-	-	904,582	5
2250	Provisions for liabilities - current	6(12)(24)	530,888	3	-	-
2280	Lease liabilities - current		9,224	-	7,509	-
2300	Other current liabilities		6,966	-	5,611	-
21XX	Total current liabilities		7,384,000	38	7,324,117	36
Non-current liabilities						
2540	Long-term borrowings	6(15)	643,400	3	-	-
2550	Provisions for liabilities - non-current		19,850	-	18,040	-
2570	Deferred income tax liabilities	6(28)	55,208	-	15,455	-
2580	Lease liabilities - non-current		62,421	1	63,328	1
2600	Other non-current liabilities	6(16)	14,634	-	13,488	-
25XX	Total non-current liabilities		795,513	4	110,311	1
2XXX	Total Liabilities		8,179,513	42	7,434,428	37
Equity						
Share capital						
3110	Common stock	6(18)	2,861,570	15	2,861,570	14
Capital surplus						
3200	Capital surplus	6(19)	255,317	1	181,329	1
Retained earnings						
3310	Legal reserve	6(20)	2,014,288	10	1,516,762	8
3320	Special reserve		23,906	-	-	-
3350	Unappropriated retained earnings		6,553,259	33	8,323,076	41
Other equity interest						
3400	Other equity interest		(46,310)	-	(23,906)	-
3500	Treasury shares	6(18)	(147,700)	(1)	(137,416)	(1)
3XXX	Total equity		11,514,330	58	12,721,415	63
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		\$ 19,693,843	100	\$ 20,155,843	100

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

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			Year ended December 31,			
			2022		2021	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(21) and 7(2)	\$ 16,207,898	100	\$ 23,844,898	100
5000	Operating costs	6(5)(26)(27) and 7(2)	(13,290,337)	(82)	(15,165,773)	(63)
5950	Gross profit		2,917,561	18	8,679,125	37
	Operating expenses	6(26)(27)				
6100	Selling expenses	7(2)	(337,139)	(2)	(486,325)	(2)
6200	General and administrative expenses		(321,690)	(2)	(563,666)	(2)
6300	Research and development expenses	7(2)	(1,533,186)	(10)	(1,777,702)	(8)
6450	Expected credit impairment gain	12(2)	-	-	5,713	-
6000	Total operating expenses		(2,192,015)	(14)	(2,821,980)	(12)
6900	Operating profit		725,546	4	5,857,145	25
	Non-operating income and expenses					
7100	Interest income	6(22)	83,306	1	27,254	-
7010	Other income	6(23) and 7(2)	69,068	-	56,853	-
7020	Other gains and losses	6(24)	360,144	2	(75,268)	-
7050	Finance costs	6(25)	(33,488)	-	(20,341)	-
7070	Share of profit of associates and joint ventures accounted for using equity method	6(6)	35,216	-	63,540	-
7000	Total non-operating income and expenses		514,246	3	52,038	-
7900	Profit before income tax		1,239,792	7	5,909,183	25
7950	Income tax expense	6(28)	(197,599)	(1)	(932,972)	(4)
8200	Profit for the period		\$ 1,042,193	6	\$ 4,976,211	21
	Other comprehensive income-net					
	Other comprehensive income components that will not be reclassified to profit or loss					
8311	Remeasurement of defined benefit plans	6(16)	(\$ 1,322)	-	(\$ 949)	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(11,202)	-	(14,721)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(11,202)	-	(14,721)	-
8300	Other comprehensive loss for the period-net		(\$ 23,726)	-	(\$ 30,391)	-
8500	Total comprehensive income for the period		\$ 1,018,467	6	\$ 4,945,820	21
	Profit attributable to:					
	Earnings per share (in dollars)	6(29)				
9750	Basic earnings per share		\$ 3.71		\$ 17.76	
9850	Diluted earnings per share		\$ 3.71		\$ 17.63	

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

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity
2021									
Balance at January 1, 2021		\$ 2,857,589	\$ 109,677	\$ 1,409,039	\$ 8,524	\$ 4,019,327	\$ 5,536	(\$ 145,649)	\$ 8,264,043
Profit for the year		-	-	-	-	4,976,211	-	-	4,976,211
Other comprehensive loss for the year		-	-	-	-	(949)	(29,442)	-	(30,391)
Total comprehensive income (loss) for the period		-	-	-	-	4,975,262	(29,442)	-	4,945,820
Distribution of 2020 earnings:	6(20)								
Legal reserve appropriated		-	-	107,723	-	(107,723)	-	-	-
Cash dividends of ordinary share		-	-	-	-	(572,314)	-	-	(572,314)
Reversal of special reserve		-	-	-	(8,524)	8,524	-	-	-
Disposal of parent company's share by subsidiary recognised as treasury share	6(19)	-	40,089	-	-	-	-	8,233	48,322
Recognition of changes in ownership interests in subsidiaries - cash dividends distributed by subsidiaries	6(19)	-	1,146	-	-	-	-	-	1,146
Adjustment of capital surplus due to cash dividends that subsidiaries received from parent	6(19)	-	11,739	-	-	-	-	-	11,739
Recognition of changes in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	6(19)	-	(27)	-	-	-	-	-	(27)
Difference between proceeds on actual acquisition of equity interest in a subsidiary and its carrying amount	6(19)	-	(311)	-	-	-	-	-	(311)
Issuance of new shares due to employee stock options exercised	6(17)(18)(19)	3,981	18,946	-	-	-	-	-	22,927
Expired cash dividends transferred to capital surplus	6(19)	-	70	-	-	-	-	-	70
Balance at December 31, 2021		<u>\$ 2,861,570</u>	<u>\$ 181,329</u>	<u>\$ 1,516,762</u>	<u>\$ -</u>	<u>\$ 8,323,076</u>	<u>(\$ 23,906)</u>	<u>(\$ 137,416)</u>	<u>\$ 12,721,415</u>
2022									
Balance at January 1, 2022		\$ 2,861,570	\$ 181,329	\$ 1,516,762	\$ -	\$ 8,323,076	(\$ 23,906)	(\$ 137,416)	\$ 12,721,415
Profit for the year		-	-	-	-	1,042,193	-	-	1,042,193
Other comprehensive loss for the year		-	-	-	-	(1,322)	(22,404)	-	(23,726)
Total comprehensive income (loss) for the period		-	-	-	-	1,040,871	(22,404)	-	1,018,467
Distribution of 2021 earnings:	6(20)								
Legal reserve appropriated		-	-	497,526	-	(497,526)	-	-	-
Cash dividends of ordinary share		-	-	-	-	(2,289,256)	-	-	(2,289,256)
Special reserve appropriated		-	-	-	23,906	(23,906)	-	-	-
Acquisition of the Company's share by subsidiary recognised as treasury share		-	-	-	-	-	-	(10,284)	(10,284)
Recognition of changes in ownership interests in subsidiaries - cash dividends distributed by subsidiaries	6(19)	-	989	-	-	-	-	-	989
Adjustment of capital surplus due to cash dividends that subsidiaries received from parent	6(19)	-	44,720	-	-	-	-	-	44,720
Recognition of changes in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	6(19)	-	(29)	-	-	-	-	-	(29)
Change in associates and joint ventures accounted for using equity method	6(19)	-	28,165	-	-	-	-	-	28,165
Expired cash dividends transferred to capital surplus	6(19)	-	143	-	-	-	-	-	143
Balance at December 31, 2022		<u>\$ 2,861,570</u>	<u>\$ 255,317</u>	<u>\$ 2,014,288</u>	<u>\$ 23,906</u>	<u>\$ 6,553,259</u>	<u>(\$ 46,310)</u>	<u>(\$ 147,700)</u>	<u>\$ 11,514,330</u>

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

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Year ended December 31,	
	Notes	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,239,792	\$ 5,909,183
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(9)(26)	505,867	401,657
Amortisation	6(10)(26)	122,085	116,866
Expected credit impairment gain	12(2)	-	(5,713)
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(24)	11,804	(52,007)
Interest expenses	6(25)	33,488	20,341
Interest income	6(22)	(83,306)	(27,254)
Dividend income	6(23)	(771)	(3,155)
Impairment loss	6(10)(11)(24)	-	18,302
Share of profit of associates and joint ventures accounted for using equity method		(35,216)	(63,540)
Onerous contracts losses	6(12)(24)	530,888	-
Gains on lease modifications	6(24)	(1,213)	(4)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit and loss		66,896	47,042
Notes receivable	(	9)	-
Accounts receivable		1,024,294	(400,325)
Accounts receivable - related parties	(	1,482)	973
Other receivables		35,879	(17,200)
Other receivables - related parties		100	-
Inventories	(	2,983,607)	606,335
Prepayments	(	380,078)	(37,299)
Other current assets	(	651)	5,013
Other non-current assets	(	1,182,950)	-
Changes in operating liabilities			
Notes payable		194	90
Accounts payable	(	667,094)	518,187
Accounts payable-related parties		35,233	52,939
Contract liabilities	(	15,303)	16,063
Other payables	(	395,340)	1,193,033
Other current liabilities		1,355	(3,639)
Other non-current liabilities		104	(2,049)
Cash (outflow) inflow generated from operations	(	2,139,041)	8,293,839
Interest received		81,174	23,562
Interest paid	(	29,390)	(19,246)
Income taxes paid	(	1,492,972)	(172,357)
Net cash flows (used in) from operating activities	(	3,580,229)	8,125,798

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ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31,	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 83,540)	(\$ 144,324)
Disposal of financial assets at amortised cost		194,260	170,308
Acquisition of property, plant and equipment	6(30)	(1,269,380)	(850,539)
Acquisition of intangible assets	6(30)	(89,454)	(106,876)
Increase in refundable deposits		(86,279)	(836,550)
Dividends received		50,343	18,250
Net cash flows used in investing activities		(1,284,050)	(1,749,731)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(30)	1,475,000	360,000
Increase in long-term borrowings	6(30)	643,400	-
Increase (decrease) short-term notes and bills payable	6(30)	271	(148,869)
Repayment of lease liabilities	6(30)	(8,241)	(7,499)
Decrease in guarantee deposit received	6(30)	(280)	(298)
Proceeds from exercise of employee stock options		-	22,927
Cash dividends paid	6(20)	(2,289,256)	(572,314)
Expired cash dividends	6(19)	143	70
Net cash flows used in financing activities		(178,963)	(345,983)
Net (decrease) increase in cash and cash equivalents		(5,043,242)	6,030,084
Cash and cash equivalents at beginning of year	6(1)	8,749,239	2,719,155
Cash and cash equivalents at end of year	6(1)	\$ 3,705,997	\$ 8,749,239

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

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC. AND SUBSIDIARIES
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE
INDICATED)

1. HISTORY AND ORGANISATION

Elite Semiconductor Microelectronics Technology Inc. (the “Company”) was incorporated in May 1998 and commenced operations in December 1998. The Company is engaged in the research, development, production, manufacturing, and sales of dynamic and static random access memory, flash memory, analog integrated circuit, analog and digital mixed integrated circuit. The Company is also engaged in the related design and technical R&D services for the above products.

The Company merged with Ji Xin Technology Co., Ltd. on December 5, 2005, and merged with Eon Silicon Solution Inc. on June 8, 2016, with the Company as the surviving company.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on February 23, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board (“IASB”)</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs that came into effect as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) Effect of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
- (a) Financial assets (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”), requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the parent company only financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency.

Foreign currency transactions and balances

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re - translation at the balance sheet date are recognised in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re -translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation difference s are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment.
Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Operating leases(lessor)

Rental income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight -line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(14) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries are entities controlled by the Company (including structured entities). The Company controls the entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. All unrealised profit or loss resulting from transactions between the Company and its subsidiaries have been eliminated in full. Accounting policies of subsidiaries have been adjusted when necessary in order to be consistent with those of the Company.
- C. The Company's share of profit or loss in subsidiaries after acquisition is recognised in profit or loss, whereas its share of other comprehensive income in subsidiaries after acquisition is recognised in other comprehensive income. If the Company's share of loss in a subsidiary exceeds its share of equity in such a subsidiary, the Company continues to recognise losses in its shareholding percentage.

- D. If a change in shareholding in a subsidiary does not result in a loss of control (i.e. transactions with non-controlling interests), such a change is accounted for as an equity transaction, that is, a transaction with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- F. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- H. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- I. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- J. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

- K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- L. Pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners’ equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3~50 years
Machinery and equipment	3~8 years
Testing equipment	3~8 years
Others	3~10 years

(16) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term.

Starting from the lease date, the Company assesses whether it can reasonably determine its option to extend the lease or purchase the underlying asset, or not to terminate the lease. The Company considers all relevant facts and circumstances that will generate economic incentives to exercise or not exercise the options. Such circumstances include all expected changes in facts and situations from the start of the lease to the day when the option is exercised. Main factors to consider include contractual terms and conditions within the period of options and the importance of the underlying asset to the lessee's operations, etc. The lease term will be reassessed if a significant change or a major change in circumstances occurs within the Company's control range. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost. The cost is the amount of the initial measurement of lease liability. The right -of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 20 years.

(18) Intangible assets

- A. Patents, professional technology, and customer relationship
Separately acquired patent is stated at historical cost. Patents, professional technology, and customer relationship acquired in a business combination are recognised at fair value at the acquisition date, and amortised on a straight-line basis over their estimated useful lives of 3 years.
- B. Goodwill
Goodwill arises in a business combination accounted for by applying the acquisition method.
- C. Other intangible assets, mainly computer software, are stated at cost and amortised on a straight-line basis over their estimated useful lives of 1 ~ 3 years.

(19) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amount of goodwill is evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or Company of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or Company of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, for short-term accounts payable without bearing interest, as the effect of discounting is insignificant, they are measured subsequently at original invoice amount.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(23) Provisions

Provisions (including decommissioning liabilities and onerous contracts) are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

I. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds at the balance sheet date of a currency and term consistent with the currency and term of the employment benefit obligations.

II. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as other equity.

III. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee

compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

- E. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(27) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

- A. The Company manufactures and sells integrated circuit. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. The Company accepts sales orders from customers. Sales revenue is recognised according to the contract price, and the Company transfers the promised goods or services to customers. Since the customer's payment period does not exceed one year, the Company has not adjusted the monetary time value of the transaction price.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As at December 31, 2022, the carrying amount of inventories was \$8,346,916.

B. Evaluation of onerous contract losses

A portion of refundable deposits of the Company is a capacity reservation agreement with the supplier. According to the agreement, if the Company's actual purchased quantities does not meet the agreed requirements, the prepaid guaranty fund will be forfeited based on the agreement, and the agreement cannot be terminated. In response to the recent fluctuations in the overall market economic environment affecting market demand, the Company has made onerous contracts losses.

As at December 31, 2022, the carrying amount of the provision for onerous contract was \$530,888.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 115	\$ 115
Checking accounts and demand deposits	711,798	747,543
Time deposits	2,994,084	8,001,581
	<u>\$ 3,705,997</u>	<u>\$ 8,749,239</u>

A. The Company transacts with various financial institutions with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Details of the Company's cash and cash equivalents pledged to others as collateral are provided in Note 8.

C. To achieve its goal of sustainable development for the environment, the Company's time deposits include the green deposits amounting to \$10,000 as at December 31, 2022.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2022	December 31, 2021
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 286	\$ 286
Emerging stocks	7,767	69,438
Beneficiary certificates	45,465	45,465
Corporate bonds	31,226	31,226
Subtotal	84,744	146,415
Valuation adjustment	10,069	27,098
Total	<u>\$ 94,813</u>	<u>\$ 173,513</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Years ended December 31,	
	2022	2021
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	(\$ 3,554)	\$ 52,087
Debit instruments	(6,939)	1,504
Beneficiary certificates	(1,311)	(1,584)
Total	<u>(\$ 11,804)</u>	<u>\$ 52,007</u>

B. The Company has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2)C(b).

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 29,650	\$ 29,650
Valuation adjustment	(23,155)	(11,953)
	<u>\$ 6,495</u>	<u>\$ 17,697</u>

The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$6,495 and \$17,697 as at December 31, 2022, and 2021, respectively.

(4) Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable - general customers	\$ 886,551	\$ 1,910,845
Accounts receivable - related parties	1,482	-
	<u>888,033</u>	<u>1,910,845</u>
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 888,033</u>	<u>\$ 1,910,845</u>

A. The aging analysis of accounts receivable is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ 878,807	\$ 1,910,504
Up to 30 days	9,226	341
31 to 90 days	-	-
91 to 180 days	-	-
Over 181 days	-	-
	<u>\$ 888,033</u>	<u>\$ 1,910,845</u>

The above aging analysis is based on past due date.

B. As at December 31, 2022, and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$888,033 and \$1,910,845, respectively.

C. The fair value of the collaterals held by the Company as guarantee for accounts receivable are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank guarantee	\$ 42,284	\$ 55,304
Pledged certificates of deposit	39,923	17,992
Guarantee deposits received (shown as "other non-current liabilities")	5,621	5,106
Letters of credit	812,396	935,013
Company promissory notes/checks	<u>507,813</u>	<u>667,065</u>
	<u>\$ 1,408,037</u>	<u>\$ 1,680,480</u>

D. Information relating to credit risk of accounts receivable is provided in Note 12(2).

E. As at December 31, 2022, and 2021, accounts receivable were all from contracts with customers. As at January 1, 2021, the balance of receivables from contracts with customers amounted to \$1,505,780.

F. The Company has no accounts receivable pledged to others.

(5) Inventories

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 459,626	(\$ 1,314)	\$ 458,312
Work in process	6,467,614	(519,747)	5,947,867
Finished goods	2,280,691	(344,378)	1,936,313
Inventory in transit	4,424	-	4,424
	<u>\$ 9,212,355</u>	<u>(\$ 865,439)</u>	<u>\$ 8,346,916</u>
December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 58,400	(\$ 842)	\$ 57,558
Work in process	3,688,463	(3,188)	3,685,275
Finished goods	1,621,180	(20,856)	1,600,324
Inventory in transit	20,152	-	20,152
	<u>\$ 5,388,195</u>	<u>(\$ 24,886)</u>	<u>\$ 5,363,309</u>

The cost of inventories recognised as expense for the years:

Years ended December 31,		
	2022	2021
Cost of goods sold	\$ 12,449,784	\$ 15,239,658
Loss on market value decline and obsolete and slow-moving inventories (gain on reversal of decline)	840,553 (	73,885)
	<u>\$ 13,290,337</u>	<u>\$ 15,165,773</u>

As the Company sold some inventory which were previously provided with allowance for decline in market value, the Company recognised gain on reversal of decline in market value for the years ended December 31, 2021.

(6) Investments accounted for using equity method

	Years ended December 31,	
	2022	2021
Subsidiaries:		
Elite Investment Services Ltd.	\$ 667,546	\$ 612,100
Charng Feng Investment Ltd.	549,356	566,029
Jie Yong Investment Ltd.	178,955	188,931
Elite Semiconductor Memory Technology Inc.	29,725	20,551
Eon Silicon Solution Inc. USA	(1,650)	(1,682)
	<u>\$ 1,423,932</u>	<u>\$ 1,385,929</u>

Information about the subsidiaries is provided in Note 4(3) in the 2022 consolidated financial statements.

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery equipment	Test equipment	Others	Total
At January 1, 2022						
Cost	\$ 168,768	\$ 667,335	\$ 700,438	\$ 329,940	\$ 1,916,684	\$ 3,783,165
Accumulated depreciation and impairment	-	(433,861)	(413,484)	(194,253)	(1,504,031)	(2,545,629)
	<u>\$ 168,768</u>	<u>\$ 233,474</u>	<u>\$ 286,954</u>	<u>\$ 135,687</u>	<u>\$ 412,653</u>	<u>\$ 1,237,536</u>
<u>2022</u>						
At January 1	\$ 168,768	\$ 233,474	\$ 286,954	\$ 135,687	\$ 412,653	\$ 1,237,536
Additions	394,130	351,974	46,559	42,442	402,966	1,238,071
Transfers (Note)	-	-	9,259	2,826	-	12,085
Depreciation charge	-	(37,071)	(56,683)	(31,779)	(370,812)	(496,345)
At December 31	<u>\$ 562,898</u>	<u>\$ 548,377</u>	<u>\$ 286,089</u>	<u>\$ 149,176</u>	<u>\$ 444,807</u>	<u>\$ 1,991,347</u>
At December 31, 2022						
Cost	\$ 562,898	\$ 1,019,309	\$ 756,256	\$ 375,208	\$ 2,319,650	\$ 5,033,321
Accumulated depreciation and impairment	-	(470,932)	(470,167)	(226,032)	(1,874,843)	(3,041,974)
	<u>\$ 562,898</u>	<u>\$ 548,377</u>	<u>\$ 286,089</u>	<u>\$ 149,176</u>	<u>\$ 444,807</u>	<u>\$ 1,991,347</u>

	Land	Buildings and structures	Machinery equipment	Test equipment	Others	Total
At January 1, 2021						
Cost	\$ 9,023	\$ 636,446	\$ 518,018	\$ 284,731	\$ 1,480,677	\$ 2,928,895
Accumulated depreciation and impairment	-	(398,943)	(375,047)	(165,365)	(1,213,527)	(2,152,882)
	<u>\$ 9,023</u>	<u>\$ 237,503</u>	<u>\$ 142,971</u>	<u>\$ 119,366</u>	<u>\$ 267,150</u>	<u>\$ 776,013</u>
<u>2021</u>						
At January 1	\$ 9,023	\$ 237,503	\$ 142,971	\$ 119,366	\$ 267,150	\$ 776,013
Additions	159,745	23,581	157,570	20,516	436,007	797,419
Transfers (Note)	-	7,308	24,850	24,693	-	56,851
Depreciation charge	-	(34,918)	(38,437)	(28,888)	(290,504)	(392,747)
At December 31	<u>\$ 168,768</u>	<u>\$ 233,474</u>	<u>\$ 286,954</u>	<u>\$ 135,687</u>	<u>\$ 412,653</u>	<u>\$ 1,237,536</u>
At December 31, 2021						
Cost	\$ 168,768	\$ 667,335	\$ 700,438	\$ 329,940	\$ 1,916,684	\$ 3,783,165
Accumulated depreciation and impairment	-	(433,861)	(413,484)	(194,253)	(1,504,031)	(2,545,629)
	<u>\$ 168,768</u>	<u>\$ 233,474</u>	<u>\$ 286,954</u>	<u>\$ 135,687</u>	<u>\$ 412,653</u>	<u>\$ 1,237,536</u>

Note: Transferred from prepayments for equipment (shown as “Other non-current assets”).

A. For the years ended December 31, 2022 and 2021, there was no capitalisation of borrowing costs attributable to the intangible assets.

B. The Company has no property, plant and equipment pledged to others.

(8) Leasing arrangements—lessee

A. The Company leases various assets including land, buildings and structures, business vehicles, and printers. Rental contracts are typically made for periods of 2 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Short-term leases with a lease term of 12 months or less comprise of business vehicles and staff dormitory.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Book value</u>	
Land	\$ 57,912	\$ 58,801
Buildings and structures	3,662	5,079
Business vehicles	7,204	2,565
Printers	2,494	3,117
	<u>\$ 71,272</u>	<u>\$ 69,562</u>
	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	
Land	\$ 3,574	\$ 3,420
Buildings and structures	1,417	1,417
Business vehicles	2,938	2,480
Printers	623	623
	<u>\$ 8,552</u>	<u>\$ 7,940</u>

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$7,576 and \$5,702, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 815	\$ 1,074
Expense on short-term lease contracts	<u>\$ 558</u>	<u>\$ 533</u>

E. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$9,614 and \$9,106, respectively.

(9) Investment property

	Buildings and structures
<u>At January 1, 2022</u>	
Cost	\$ 20,369
Accumulated depreciation and impairment	(3,638)
	<u>\$ 16,731</u>
<u>2022</u>	
At January 1	\$ 16,731
Depreciation charge	(970)
At December 31	<u>\$ 15,761</u>
<u>At December 31, 2022</u>	
Cost	\$ 20,369
Accumulated depreciation and impairment	(4,608)
	<u>\$ 15,761</u>
	Buildings and structures
<u>At January 1, 2021</u>	
Cost	\$ 20,369
Accumulated depreciation and impairment	(2,668)
	<u>\$ 17,701</u>
<u>2021</u>	
At January 1	\$ 17,701
Depreciation charge	(970)
At December 31	<u>\$ 16,731</u>
<u>At December 31, 2021</u>	
Cost	\$ 20,369
Accumulated depreciation and impairment	(3,638)
	<u>\$ 16,731</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Years ended December 31,	
	2022	2021
Rental income from investment property	<u>\$ 2,562</u>	<u>\$ 2,562</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 970</u>	<u>\$ 970</u>

- B. The fair value of the investment property held by the Company as at December 31, 2022 and 2021 was \$8,314 and, \$8,130, respectively, which was valued by income approach. Key assumptions are as follows:

	December 31, 2022	December 31, 2021
Rate of net return on capital (Note)	17.37%	18.57%

Note: Calculated based on the weighted average capital cost of capital.

- C. For the years ended December 31, 2022 and 2021, there was no capitalisation of borrowing costs attributable to the investment property.

- D. The Company has no investment property pledged to others.

(10) Intangible assets

	Patents and professional technology	Customer relationship	Goodwill	Others	Total
<u>At January 1, 2022</u>					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 642,413	\$ 768,649
Accumulated amortisation and impairment	(34,478)	(11,000)	(80,758)	(558,588)	(684,824)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,825</u>	<u>\$ 83,825</u>
<u>2022</u>					
At January 1	\$ -	\$ -	\$ -	\$ 83,825	\$ 83,825
Additions	-	-	-	89,454	89,454
Transfers (Note)	-	-	-	216	216
Amortisation	-	-	-	(122,085)	(122,085)
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,410</u>	<u>\$ 51,410</u>
<u>At December 31, 2022</u>					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 637,902	\$ 764,138
Accumulated amortisation and impairment	(34,478)	(11,000)	(80,758)	(586,492)	(712,728)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,410</u>	<u>\$ 51,410</u>

	Patents and professional technology	Customer relationship	Goodwill	Others	Total
<u>At January 1, 2021</u>					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 535,108	\$ 661,344
Accumulated amortisation and impairment	(30,654)	(11,000)	(62,456)	(445,546)	(549,656)
	<u>\$ 3,824</u>	<u>\$ -</u>	<u>\$ 18,302</u>	<u>\$ 89,562</u>	<u>\$ 111,688</u>
<u>2021</u>					
At January 1	\$ 3,824	\$ -	\$ 18,302	\$ 89,562	\$ 111,688
Additions	-	-	-	106,876	106,876
Transfer (Note)	-	-	-	429	429
Amortisation	(3,824)	-	-	(113,042)	(116,866)
Impairment loss	-	-	(18,302)	-	(18,302)
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,825</u>	<u>\$ 83,825</u>
<u>At December 31, 2021</u>					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 642,413	\$ 768,649
Accumulated amortisation and impairment	(34,478)	(11,000)	(80,758)	(558,588)	(684,824)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,825</u>	<u>\$ 83,825</u>

Note: Transferred from prepayments for equipment (shown as “Other non-current assets”).

A. Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2022	2021
Operating costs	\$ -	\$ 3,824
Selling expenses	313	372
General and administrative expenses	3,261	1,864
Research and development expenses	118,511	110,806
	<u>\$ 122,085</u>	<u>\$ 116,866</u>

B. For the years ended December 31, 2022 and 2021, there was no capitalisation of borrowing costs attributable to the intangible assets.

C. Impairment information about the intangible assets is provided in 6(11).

D. The Company has no intangible assets pledged to others.

(11) Impairment of non-financial assets

The Company carried out the impairment assessments on the recoverable amount of goodwill on the balance sheet date. The recoverable amount of cash-generating units is determined based on the value-in-use calculations. These calculations use cash flow projections approved by the management covering a five-year period as the basis for estimation. The discount rate was 18.57% in 2021. The value-in-use used by the Company to calculate cash-generating units is derived from historical information on estimated future revenue growth rates, gross profit margins, and operating expense ratios, with reference to future industrial economic trends.

The recoverable amount calculated based on the above key assumptions is lower than the book value of goodwill. As a result, the Company recognised impairment losses of \$18,302 for the year

ended December 31, 2021.

For the year ended December 31, 2022 : none.

(12) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments for purchases	\$ 1,182,950	\$ -
Refundable deposits (Note 1)	927,380	841,101
Prepayments for equipment	26,568	12,302
Pledged time deposits	3,969	3,969
	<u>\$ 2,140,867</u>	<u>\$ 857,372</u>

Note 1: A portion of refundable deposits of the Company is a capacity reservation agreement with the supplier. According to the agreement, the Company promises to purchase wafer production capacity within the agreed period and quantities after the Company has paid the guaranty fund in advance, the supplier will then provide the agreed production capacity to the Company. If the Company's actual purchased quantities does not meet the agreed requirements, the prepaid guaranty fund will be forfeited based on the agreement, and the agreement cannot be terminated. In response to the recent fluctuations in the overall market economic environment affecting market demand, the Company has made provision for onerous contracts liabilities, and recognised them under provisions for liabilities and other losses, respectively.

(13) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	<u>\$ 3,175,000</u>	1.56%~2.275%	None
<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	<u>\$ 1,700,000</u>	0.70%~0.86%	None

Interest expense recognised in profit or loss amounted to \$30,588 and \$16,829 for the years ended December 31, 2022 and 2021, respectively.

(14) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accrued salaries and bonuses	\$ 1,153,979	\$ 1,255,968
Accrued employees' compensation and directors' remuneration	25,302	377,182
Payables on equipment	90,089	94,831
Others	163,134	102,046
	<u>\$ 1,432,504</u>	<u>\$ 1,830,027</u>

(15) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>		<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings					
Secured borrowings	Note	1.425%~1.55%	Land, buildings and structures	\$	643,400
Less:Current portion					-
				\$	643,400

Note: Borrowing period is from October 7, 2022 to October 7, 2037, interest is repayable monthly, and starting from October, 2025, the same amount of principal is repayable every three months.

As at December 31, 2021: None.

(16) Pension

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 8,817)	(\$ 8,474)
Fair value of plan assets	<u>435</u>	<u>117</u>
	(8,382)	(8,357)
Unadjusted amount for the period	<u>-</u>	<u>1,402</u>
Net liability recognised in the balance sheet	<u>(\$ 8,382)</u>	<u>(\$ 6,955)</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2022			
At January 1	(\$ 8,474)	\$ 117	(\$ 8,357)
Current service cost	(176)	-	(176)
Interest (expense) income	(59)	<u>1</u>	(58)
	(8,709)	<u>118</u>	(8,591)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	178	178
Change in financial assumptions	528	-	528
Experience adjustments	(636)	<u>-</u>	(636)
	(108)	<u>178</u>	<u>70</u>
Pension fund contribution	<u>-</u>	<u>139</u>	<u>139</u>
At December 31	<u>(\$ 8,817)</u>	<u>\$ 435</u>	<u>(\$ 8,382)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2021			
At January 1	(\$ 14,033)	\$ 2,663	(\$ 11,370)
Current service cost	(333)	-	(333)
Interest (expense) income	(42)	7	(35)
	(14,408)	2,670	(11,738)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	39	39
Change in demographic assumptions	(9)	-	(9)
Change in financial assumptions	382	-	382
Experience adjustments	537	-	537
	910	39	949
Pension fund contribution	-	2,432	2,432
Paid pension	5,024	(5,024)	-
Unadjusted amount for the period	-	-	1,402
At December 31	(\$ 8,474)	\$ 117	(\$ 6,955)

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two -year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company have no right to participate in managing and operating that fund and hence the Company are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as at December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2022	2021
Discount rate	1.30%	0.70%
Future salary increase	3.00%	3.00%

Assumptions regarding future mortality experience are set based on the sixth life experience table in Taiwan for the years ended December 31, 2022 and 2021.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 209)	\$ 215	\$ 189	(\$ 185)
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 223)	\$ 230	\$ 204	(\$ 199)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methodology and assumptions used in preparing the sensitivity analysis are same as prior year.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$144.

(g) As at December 31, 2022, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ -
1-2 year	-
2-5 year	896
Over 5 years	9,114
	<u>\$ 10,010</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the above pension plans of the Company for the years ended December 31, 2022 and 2021 were \$37,013 and \$32,440, respectively.

(17) Share-based payment

A. For the years ended December 31, 2022 and 2021, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Succeeding of 2010 Eon Silicon Solution Inc.'s employee stock options	August 10, 2010, October 15, 2010 and January 13, 2011	4,000 thousand shares (Note 2)	10 years	Note 1
Succeeding of 2013 Eon Silicon Solution Inc.'s employee stock options	August 19, 2013	7,500 thousand shares (Note 2)	10 years	Note 1

Note 1: The accumulative proportion of the new shares that can be vested and exercised after fulfilling two years of service, three years of service, and four years of service are 50%, 75% and 100%, respectively.

Note 2: The quantities granted by the Company from the succeeding of Eon Silicon Solution Inc. employee stock option plan was the same quantities granted on the grant date of the original plan. After the merger, the succeeding of Eon Silicon Solution Inc.’s 2010 and 2013 employee stock option plans were 219 thousand shares and 688 thousand shares, respectively.

The above share-based payment arrangements are settled by equity.

B. Details of the share-based payment arrangements are as follows:

Succeeding of Eon Silicon Solution Inc.'s employee stock options:

	2022		2021	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	14	\$ 57.6	518	\$ 57.6~217.4
Options exercised	-	-	(398)	57.6
Options expired	-	-	(106)	217.4
Options outstanding at December 31	<u>14</u>	\$ 53.3	<u>14</u>	\$ 57.6
Option exercisable at December 31	<u>14</u>		<u>14</u>	

C. No stock options were exercised for the year ended December 31, 2022. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2021 was \$85.2 (in dollars).

D. As at December 31, 2022 and 2021, the range of exercise prices of stock options outstanding were \$53.3 (in dollars), and \$57.6 (in dollars), respectively; the weighted-average remaining contractual period was 0.64 years, and 1.64 years, respectively.

E. Expenses incurred on share-based payment transactions for the years ended December 31, 2022 and 2021 were all \$0.

(18) Share capital

A. As at December 31, 2022, the Company's authorised capital was \$3,500,000, consisting of 350,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$2,861,570 with a par value of \$10 (in dollars) per share.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2022	Unit : Thousands of shares 2021
Outstanding ordinary shares at January 1	272,803	271,605
Employee stock options exercised	-	398
Acquisition of parent company's share by subsidiary recognised as treasury shares (	355)	-
Disposal of parent company's share by subsidiary recognised as treasury shares	-	800
Outstanding ordinary shares at December 31	272,448	272,803
Treasury shares at the end of the year	13,709	13,354
Issued ordinary shares at December 31	286,157	286,157

B. Treasury shares

Due to the Company's business strategy, the number of the Company's shares held by the Company's subsidiary, Jie Young Investment Ltd., as at December 31, 2022 and 2021, were 13,709 thousand shares and 13,354 thousand shares with carrying amounts of \$352,845 and \$328,276, respectively; the average book value per share was \$25.74 and \$24.58, and the fair values per share were \$65.0 and \$165.0, respectively.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2022					
	Share premium	Treasury share transactions	Changes in ownership interests in subsidiaries	Employee stock options	Others	Total
At January 1	\$ 20,162	\$ 41,750	\$ 112,786	\$ 2,697	\$3,934	\$181,329
Recognition of changes in ownership interests in subsidiaries - cash dividends distributed by subsidiaries	-	-	989	-	-	989
Adjustment of capital surplus due to cash dividends that subsidiaries received from parent	-	-	44,720	-	-	44,720
Recognition of changes in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	-	-	(29)	-	-	(29)
Change in associates and joint ventures accounted for using equity method	-	-	28,165	-	-	28,165
Expired cash dividends transferred to capital surplus	-	-	-	-	143	143
At December 31	<u>\$ 20,162</u>	<u>\$ 41,750</u>	<u>\$ 186,631</u>	<u>\$ 2,697</u>	<u>\$4,077</u>	<u>\$255,317</u>

	2021					
	Share premium	Treasury share transactions	Changes in ownership interests in subsidiaries	Employee stock options	Others	Total
At January 1	\$ -	\$ 1,661	\$ 100,239	\$ 3,913	\$3,864	\$109,677
Disposal of company's share by subsidiary recognised as treasury share	-	40,089	-	-	-	40,089
Recognition of change in ownership interests in subsidiaries - cash dividends distributed by subsidiaries	-	-	1,146	-	-	1,146
Adjustment of capital surplus due to cash dividends that subsidiaries received from parent	-	-	11,739	-	-	11,739
Recognition of change in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	-	-	(27)	-	-	(27)
Difference between proceeds on actual acquisition of equity interest in a subsidiary and its carrying amount	-	-	(311)	-	-	(311)
Issuance of new shares due to employee stock options exercised	20,162	-	-	(1,216)	-	18,946
Expired cash dividends transferred to capital surplus	-	-	-	-	70	70
At December 31	<u>\$ 20,162</u>	<u>\$ 41,750</u>	<u>\$ 112,786</u>	<u>\$ 2,697</u>	<u>\$3,934</u>	<u>\$181,329</u>

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be appropriated in the following order:

- (a) Payment of all taxes and dues.
- (b) Offset previous years, operating losses, if any
- (c) Setting aside 10% of remaining amount as legal reserve, unless the accumulated amount of the legal reserve has reached the total authorised capital of the Company
- (d) Setting aside or reversing a special reserve according to relevant regulations.
- (e) The remainder from this year and prior years may be appropriated as dividends according to a resolution in the shareholders' meeting.

B. Dividend policy

The Company is in the growth phase. To meet future operation requirements, long-term financial plan and the requirement of cash dividends distributing to the shareholders, the distributable earnings for current year can be entirely distributed to the shareholders, which shall be proposed by the Board of Directors and resolved in the shareholders' meeting every year. Dividends to the shareholders can be distributed in the form of cash or shares, and cash dividends shall account for at least 50% of the total dividends distributed.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reserved subsequently, the reversed amount could be included in the distributable earnings.
- E. As approved by the Board of Directors on February 26, 2021, the appropriations of 2020 earnings would be legal reserve of \$107,724 and cash dividend of \$2 (in dollars) per share. The aforementioned appropriations had been resolved in the shareholders' meeting on July 12, 2021, and distributed on July 30, 2021.
- F. As approved by the Board of Directors on February 25, 2022, the appropriations of 2021 earnings would be legal reserve of \$497,526 and cash dividend of \$2,289,256, constituting \$8 (in dollars) per share. The aforementioned appropriations had been resolved in the shareholders' meeting on June 15, 2022, and distributed on July 29, 2022.
- G. As approved by the Board of Directors on February 23, 2023, the appropriations of 2022 earnings would be legal reserve of \$104,087 and cash dividend of \$1.8(in dollars) per share. The aforementioned appropriations had not yet been approved at the shareholders' meeting.

(21) Operating revenue

	Years ended December 31,	
	2022	2021
Revenue from contracts with customers	\$ 16,207,898	\$ 23,844,898

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major geographical regions:

Year ended December 31, 2022	Domestic area	Asia	Others	Total
Integrated circuits	\$ 7,244,896	\$ 8,841,579	\$121,423	\$ 16,207,898

Year ended December 31, 2021	Domestic area	Asia	Others	Total
Integrated circuits	\$ 11,523,346	\$ 12,196,154	\$125,398	\$ 23,844,898

B. Contract liabilities

The Company has recognised the following revenue-related contract liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities- advance sales receipts	\$ 6,096	\$ 21,399	\$ 5,336

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	Years ended December 31,	
	2022	2021
Contract liabilities – advance sales receipts	\$ 23,459	\$ 5,276

(22) Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 82,128	\$ 26,740
Interest income from financial assets at amortised cost	205	249
Other interest income	973	265
	\$ 83,306	\$ 27,254

(23) Other income

	Years ended December 31,	
	2022	2021
Rent income	\$ 5,926	\$ 5,669
Dividend income	771	3,155
Other income, others	62,371	48,029
	<u>\$ 69,068</u>	<u>\$ 56,853</u>

(24) Other gains and losses

	Years ended December 31,	
	2022	2021
Gains arising from lease modifications	\$ 1,213	\$ 4
Foreign exchange gains (losses)	949,763	(108,007)
(Losses) gains on financial assets at fair value through profit or loss	(11,804)	52,007
Impairment loss	-	(18,302)
Onerous contracts losses	(530,888)	-
Miscellaneous disbursements	(48,140)	(970)
	<u>\$ 360,144</u>	<u>(\$ 75,268)</u>

(25) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 30,588	\$ 16,829
Provisions for liabilities - amortisation of discount	1,810	1,545
Lease liabilities	815	1,074
Total interest expense	<u>33,213</u>	<u>19,448</u>
Others	275	893
	<u>\$ 33,488</u>	<u>\$ 20,341</u>

(26) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expenses	\$ 1,466,873	\$ 2,424,794
Depreciation charges on property, plant and equipment	\$ 496,345	\$ 392,747
Depreciation charges on right-of-use assets	\$ 8,552	\$ 7,940
Depreciation charges on investment property	\$ 970	\$ 970
Amortisation charges on intangible assets	\$ 122,085	\$ 116,866

(27) Employee benefit expenses

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 1,320,781	\$ 2,247,037
Labor and health insurance fees	71,598	57,726
Pension costs	37,247	32,820
Directors' remuneration	20,195	70,264
Other personnel expenses	17,052	16,947
	\$ 1,466,873	\$ 2,424,794

- A. In accordance with the Articles of Incorporation of the Company dated July 12, 2021, the profit before income tax of the current year and before covering employees' compensation and directors' remuneration, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be lower than 1% for directors' remuneration.

In accordance with the Articles of Incorporation of the Company dated June 15, 2022, the distributable profit of the current year, shall be distributed as employees' compensation and directors' remuneration, the ratio shall not be lower than 1% for employees' compensation and shall not be higher than 1% for directors' remuneration.

- B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$12,651 and \$314,318, respectively; directors remuneration was accrued at \$12,651 and \$62,864, respectively. The aforementioned amounts were recognised in wages and salaries expenses. The employees' compensation and directors' remuneration were estimated and accrued based on 5% and 1% of distributable profit of current year ended December 31, 2022. The employees' compensation and directors' remuneration were estimated and accrued based on 5% and 1% of distributable profit of current year ended December 31, 2021.
- C. The employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

D. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profit for the year	\$ 306,915	\$ 931,043
Tax on undistributed earnings	60,944	-
Prior year income tax (over) underestimation	63	(1,781)
Total current tax	<u>367,922</u>	<u>929,262</u>
Deferred tax:		
Origination and reversal of temporary differences	(170,323)	3,710
Income tax expense	<u>\$ 197,599</u>	<u>\$ 932,972</u>

(b) The income tax charge relating to components of other comprehensive income: None.

(c) The income tax charged to equity during the period: None.

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 247,958	\$ 1,181,837
Tax exempt income by tax regulation	(15,841)	(9,680)
Prior year income tax (over) underestimation	63	(1,781)
Temporary differences not recognised as deferred tax assets	70,121	(13,247)
Effect from investment tax credits	(165,646)	(224,157)
Tax on undistributed earnings	<u>60,944</u>	<u>-</u>
Income tax expense	<u>\$ 197,599</u>	<u>\$ 932,972</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
- Temporary differences:				
Bad debt expense	\$ 48	(\$ 48)	\$ -	\$ -
Unrealised exchange loss	516	(400)	-	116
Loss on market value decline and obsolete and slow-moving inventories	249	103,604	-	103,853
Pension liability	81	(10)	-	71
Onerous contract losses	-	106,178	-	106,178
Others	<u>2,222</u>	<u>752</u>	<u>-</u>	<u>2,974</u>
Subtotal	<u>3,116</u>	<u>210,076</u>	<u>-</u>	<u>213,192</u>
-Deferred tax liabilities:				
Unrealised exchange gain	(5,054)	(50,154)	-	(55,208)
Others	<u>(10,401)</u>	<u>10,401</u>	<u>-</u>	<u>-</u>
Subtotal	<u>(15,455)</u>	<u>(39,753)</u>	<u>-</u>	<u>(55,208)</u>
Total	<u>(\$ 12,339)</u>	<u>\$ 170,323</u>	<u>\$ -</u>	<u>\$ 157,984</u>

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
- Temporary differences:				
Bad debt expense	\$ 48	\$ -	\$ -	\$ 48
Unrealised exchange loss	348	168	-	516
Loss on market value decline and obsolete and slow-moving inventories	988	(739)	-	249
Pension liability	81	-	-	81
Others	2,348	(126)	-	2,222
Subtotal	<u>3,813</u>	<u>(697)</u>	<u>-</u>	<u>3,116</u>
-Deferred tax liabilities:				
Unrealised exchange gain	(7,933)	2,879	-	(5,054)
Others	(4,509)	(5,892)	-	(10,401)
Subtotal	<u>(12,442)</u>	<u>(3,013)</u>	<u>-</u>	<u>(15,455)</u>
Total	<u>(\$ 8,629)</u>	<u>(\$ 3,710)</u>	<u>\$ -</u>	<u>(\$ 12,339)</u>

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences	<u>\$ 646,589</u>	<u>\$ 295,986</u>

E. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(29) Earnings per share

Year ended December 31, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent company	<u>\$ 1,042,193</u>	280,542	<u>\$ 3.71</u>
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options		7	
Employees' compensation		<u>535</u>	
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,042,193</u>	<u>281,084</u>	<u>\$ 3.71</u>
Year ended December 31, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent company	<u>\$ 4,976,211</u>	280,221	<u>\$ 17.76</u>
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options		8	
Employees' compensation		<u>2,019</u>	
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 4,976,211</u>	<u>282,248</u>	<u>\$ 17.63</u>

(30) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment (including transferred amount)	\$ 1,250,156	\$ 854,270
Add: Ending balance of prepayment for equipment	26,568	12,302
Add: Opening balance of prepayment for equipment being transferred to intangible assets	216	429
Less: Opening balance of prepayment for equipment	(12,302)	(68,535)
Add: Opening balance of payable on equipment	94,831	146,904
Less: Ending balance of payable on equipment	(90,089)	(94,831)
Cash paid during the year	<u>\$ 1,269,380</u>	<u>\$ 850,539</u>

	Years ended December 31,	
	2022	2021
Purchase of intangible assets (including transferred amount)	\$ 89,670	\$ 107,305
Less: Opening balance of prepayment for equipment being transferred to intangible assets	(216)	(429)
Cash paid during the year	<u>\$ 89,454</u>	<u>\$ 106,876</u>

B. Changes in liabilities from financing activities:

	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities- gross
At January 1, 2022	\$ 1,700,000	\$ -	\$ -	\$ 70,837	\$ 6,533	\$ 1,777,370
Changes in cash flow from financing activities	1,475,000	271	643,400	(8,241)	(280)	2,110,150
Interest paid	-	-	-	(815)	-	(815)
Interest expense	-	-	-	815	-	815
Changes in other non-cash items	-	(271)	-	7,576	-	7,305
Change from lease modifications	-	-	-	1,473	-	1,473
At December 31, 2022	<u>\$ 3,175,000</u>	<u>\$ -</u>	<u>\$ 643,400</u>	<u>\$ 71,645</u>	<u>\$ 6,253</u>	<u>\$ 3,896,298</u>

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Guarantee deposits received	Liabilities from financing activities- gross
At January 1, 2021	\$ 1,340,000	\$ 149,756	\$ 72,929	\$ 6,831	\$ 1,569,516
Changes in cash flow from financing activities	360,000	(148,869)	(7,499)	(298)	203,334
Interest paid	-	-	(1,074)	-	(1,074)
Interest expense	-	-	1,074	-	1,074
Changes in other non-cash items	-	(887)	5,702	-	4,815
Changes from lease modifications	-	-	(295)	-	(295)
At December 31, 2021	<u>\$ 1,700,000</u>	<u>\$ -</u>	<u>\$ 70,837</u>	<u>\$ 6,533</u>	<u>\$ 1,777,370</u>

7. RELATED PARTY TRANSACTIONS

A. Names of related parties and relationship

Names of related parties	Relationship with the Company
Elite Semiconductor Memory Technology Inc.	Subsidiary
Charng Feng Investment Ltd.	"
Jie Yong Investment Ltd.	"
Elite Investment Services Ltd.	"
Elite Semiconductor (B.V.I.) Ltd. (Note 1)	"
Eon Silicon Solutions Inc. USA	"
Elite Memory Technology Inc.	Sub-subsidiary
Elite Silicon Technology Inc. (Note 2)	"
Elite Innovation Japan Ltd.	"
Elite Semiconductor Microelectronics Technology (shenzhen) Inc.	"
Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	"
CHI Microelectronics Limited	"
HHHtech Co., Ltd. (Note 3)	"
Arima Lasers Corporation	The Company's subsidiary is the director of Arima Lasers corporation
Canyon Semiconductor Inc.	Investee indirectly accounted for using equity method

Note 1: Elite Semiconductor (B.V.I.) Ltd. was liquidated in February 2021.

Note 2: Elite Silicon Technology Inc. merged with Elite Semiconductor Memory Technology Inc. in June 2022, Elite Silicon Technology Inc. was the dissolved company.

Note 3: HHHtech Co., Ltd. was liquidated in March 2022.

B. Significant transactions and balances with related parties

A. Operating revenue

	Years ended December 31,	
	2022	2021
Sales of goods:		
Associates	\$ <u>7,442</u>	\$ <u>6,556</u>

The transaction price and terms of sale of goods with related parties have no significant difference with external parties.

B. Purchases

	Years ended December 31,	
	2022	2021
Purchases of goods:		
Subsidiaries	\$ <u>1,071,031</u>	\$ <u>129,842</u>

Goods are purchased from subsidiaries on normal commercial terms and conditions.

C. Receivables from related parties:

	December 31, 2022	December 31, 2021
Accounts receivable:		
Other related parties	\$ <u>1,482</u>	\$ <u>-</u>
Other receivable-supporting services:		
Subsidiaries	<u>100</u>	<u>-</u>
Total	\$ <u>1,582</u>	\$ <u>-</u>

D. Payables to related parties:

	December 31, 2022	December 31, 2021
Accounts payable:		
Subsidiaries	\$ <u>88,172</u>	\$ <u>52,939</u>
Other payables-supporting services:		
Subsidiaries	\$ <u>12,138</u>	\$ <u>3,467</u>

E. Others:

	Years ended December 31,	
	2022	2021
Other income-supporting services:		
Subsidiaries	\$ <u>45,000</u>	\$ <u>30,000</u>
Research and development expenses:		
Subsidiaries	\$ <u>60,988</u>	\$ <u>54,314</u>
Selling expenses:		
Subsidiaries	\$ <u>81,530</u>	\$ <u>57,263</u>

C. Key management compensation

	Years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 63,473	\$ 193,066
Post-employment benefits	522	432
	<u>\$ 63,995</u>	<u>\$ 193,498</u>

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Assets item	Book value		Purposes
	December 31, 2022	December 31, 2021	
Land, buildings and structures	\$ 744,954	\$ -	Long-term borrowings
Time deposits (shown as "other non-current assets")	3,969	3,969	Guarantee deposits for land leasing
	<u>\$ 748,923</u>	<u>\$ 3,969</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

1. The Company entered into capacity reservation agreements with suppliers. According to the agreements, the supplier shall provide agreed production capacity with the Company after prepayment by the Company.
2. Unused letters of credit issued

Unused letters of credit issued from purchases by the Company is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unused letters of credit issued	<u>\$ 120,035</u>	<u>\$ -</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriations of 2022 earnings had been approved by the Board of Directors on February 23, 2023. Please refer to Note 6(20).

12. OTHERS

(1) Capital management

Considering the current industry environment, future operating development, and changes in the external environment, the Company plans the future requirement of working capital, expenditure of research and development and dividends paid to shareholders to safeguard the Company's ability to continue as a going concern, to provide returns for shareholders, to take care of the benefit of stakeholders, and to maintain an optimal capital structure, so as to promote the shareholders' value in the future.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders, or repurchase the Company's shares.

The equity to assets ratios on December 31, 2022 and 2021 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total assets	\$ 19,693,843	\$ 20,155,843
Total liabilities	(8,179,513)	(7,434,428)
Total equity	<u>\$ 11,514,330</u>	<u>\$ 12,721,415</u>
Equity to assets ratio	<u>58%</u>	<u>63%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 94,813</u>	<u>\$ 173,513</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 6,495</u>	<u>\$ 17,697</u>
Financial assets at amortised cost		
Cash and cash equivalents	\$ 3,705,997	\$ 8,749,239
Financial assets at amortised cost-current	-	110,720
Notes receivable	9	-
Accounts receivable	886,551	1,910,845
Accounts receivable - related parties	1,482	-
Other receivables	81,556	115,503
Other receivables - related parties	100	-
Time deposits (shown as "Other non-current assets")	3,969	3,969
Refundable deposits (shown as "Other non-current assets")	927,380	841,101
	<u>\$ 5,607,044</u>	<u>\$ 11,731,377</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 3,175,000	\$ 1,700,000
Notes payable	2,399	2,205
Accounts payable	2,132,751	2,799,845
Accounts payable - related parties	88,172	52,939
Other payables	1,432,504	1,830,027
Long-term borrowings(including current portion)	643,400	-
Guarantee deposits received (shown as "Other non-current liabilities")	6,253	6,533
	<u>\$ 7,480,479</u>	<u>\$ 6,391,549</u>
Lease liabilities	<u>\$ 71,645</u>	<u>\$ 70,837</u>

B. Financial risk management policies

- (a) The Company implements comprehensive system of risk management and control to identify, measure and control all categories of risk, including market risk, credit risk, liquidity risk, and risk of cash flow so that management can effectively control and measure market risk, credit risk, liquidity risk, and risk of cash flow.
- (b) The Company's objective in managing the market risk is to reach optimisation, maintain the proper liquidity and manage all market risks collectively by taking into account the economic environment, competitive edge and risk of market value.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

1. The Company operates internationally and is exposed to foreign exchange risk arising from the various currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
2. Management has set up a policy to require the Company to manage their foreign exchange risk against their functional currency. The Company is required to hedge its entire foreign exchange risk exposure with the Company's finance team. The Company adopts forward foreign exchange contracts through the Company's finance team to manage the foreign exchange risk from future commercial transactions and recognised assets and liabilities. The foreign exchange risk will exist when currencies of future commercial transactions and recognised assets and liabilities different from the functional currency of the Company.
3. The Company's business involves some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022			
	Foreign currency		Book value
	amount		
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 203,218	30.710	\$ 6,240,825
RMB:NTD	117,452	4.408	517,728
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 57,575	30.710	\$ 1,768,128

December 31, 2021			
(Foreign currency: functional currency)	Foreign currency		Book value (NTD)
	amount		
	(In thousands)	Exchange rate	
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 368,999	27.680	\$ 10,213,892
RMB:NTD	139,387	4.344	605,497
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 73,314	27.680	\$ 2,029,332
4. The total exchange gains (losses), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$949,763 and (\$108,007), respectively.			
5. Analysis of foreign currency market risk arising from significant foreign exchange variation:			

	Year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 62,408	\$ -
RMB:NTD	1%	5,177	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 17,681)	\$ -

Year ended December 31, 2021			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 102,139	\$ -
RMB:NTD	1%	6,055	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 20,293)	\$ -

Price risk

- I. The Company's equity securities, which are exposed to price risk, are the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- II. The Company's investments in equity securities comprise shares and open-end funds issued by the domestic or foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$6,316 and \$13,492, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$650 and \$1,770, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company's cash flow interest rate risk arises from long-term borrowings and short-term borrowings with variable rate. During the years ended December 31, 2022 and 2021, the Company's borrowings at variable rate were denominated in the NTD.
- ii. If the borrowing interest rate had increased/decreased by 0.2% with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have increased/decreased by \$6,109 and \$2,720, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments stated at amortised cost and debt instruments at fair value through profit or loss.
- ii. The Company manages its credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only these with good rating are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts the assumption under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- iv. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- vii. The financial assets at amortised cost include time deposits and restricted time deposits. The banks have good rating and have no past due before. In addition to the above, the whole economic environment has not changed significantly, so the risk of credit risk is low and the effect to the financial statements is insignificant.

viii. The information about ageing analysis and collaterals of accounts receivable is provided in Note 6(4). The Company requests its significant sales customers to provide collaterals or other rights of guarantee, therefore, the Company classifies customers' accounts receivable in accordance with the nature of collaterals. The Company applies the simplified approach using loss rate methodology to assess expected credit loss. Based on the assessment, the allowance for losses that the Company should recognise is immaterial on December 31, 2022 and 2021.

IX. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable is as follows:

	2022		2021
	Accounts receivable		Accounts receivable
At January 1	\$ -	\$	5,713
Reversal of impairment loss	-	(	5,713)
At December 31	<u>\$ -</u>	\$	<u>-</u>

(c) Liquidity risk

I. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the Company's finance team. The Company's finance team monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

II. Surplus cash held by the operating entities over and above balance required for working capital management should be invested in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

III. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for nonderivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>Non-derivative financial liabilities:</u>	Less than 1	Between 1	
December 31, 2022	year	and 5 years	Over 5 years
Short-term borrowings	\$ 3,175,000	\$ -	\$ -
Notes payable	2,399	-	-
Accounts payable	2,132,751	-	-
Accounts payable - related parties	88,172	-	-
Other payables	1,432,504	-	-
Lease liabilities	10,090	23,478	44,894
Long-term borrowings (including current portion)	-	139,102	579,295
Guarantee deposits received	-	-	6,253
<u>Derivative financial liabilities:</u> None.			
<u>Non-derivative financial liabilities:</u>	Less than 1	Between 1	
December 31, 2021	year	and 5 years	Over 5 years
Short-term borrowings	\$ 1,700,000	\$ -	\$ -
Notes payable	2,205	-	-
Accounts payable	2,799,845	-	-
Accounts payable - related parties	52,939	-	-
Other payables	1,830,027	-	-
Lease liabilities	8,496	22,592	48,666
Guarantee deposits received	-	-	6,533
<u>Derivative financial liabilities:</u> None.			

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and emerging stocks, beneficiary certificates and debt securities are included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

- C. Financial instruments not measured at fair value of the Company include cash and cash equivalents, time deposits (over three-month periods), notes receivable, accounts receivable, other receivables, refundable deposits, short-term borrowings, long-term borrowings, notes payable, accounts payable, other payables, lease liabilities (current and non-current) and guarantee deposits received. Their carrying amounts approximate to their fair values.
- D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:
- (a) The related information of nature of the assets and liabilities is as follows:

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 7,152	\$ -	\$ -	\$ 7,152
Beneficiary certificates	56,009	-	-	56,009
Debt securities	31,652	-	-	31,652
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	6,495	6,495
Total	<u>\$ 94,813</u>	<u>\$ -</u>	<u>\$ 6,495</u>	<u>\$ 101,308</u>
Financial liabilities: None.				
December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 77,602	\$ -	\$ -	\$ 77,602
Beneficiary certificates	57,320	-	-	57,320
Debt securities	38,591	-	-	38,591
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	17,697	17,697
Total	<u>\$ 173,513</u>	<u>\$ -</u>	<u>\$ 17,697</u>	<u>\$ 191,210</u>
Financial liabilities: None.				

- (b) The methods and assumptions that the Company used to measure fair value are as follows:
- i. The instruments that the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed and emerging stocks</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
 - iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.
- F. The following table is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	<u>Equity instrument</u>	
	<u>2022</u>	<u>2021</u>
At January 1	\$ 17,697	\$ 32,418
Valuation adjustment	(11,202)	(14,721)
At December 31	<u>\$ 6,495</u>	<u>\$ 17,697</u>

- G. Accounting segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

		Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity						
Unlisted shares	\$	6,495	Market - comparable companies	Discount for lack of marketability	45%	The higher the discount of lack of marketability, the lower the fair value
		Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity						
Unlisted shares	\$	17,679	Market - comparable companies	Discount for lack of marketability	45%	The higher the discount of lack of marketability, the lower the fair value

- A. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2022				
				Recognised in profit or loss	Recognised in other comprehensive income	
		Favourable	Unfavourable	Favourable	Unfavourable	
		change	change	change	change	
Financial assets	Input	Change				
Equity instrument	Discount for lack of marketability	± 10%	\$ -	\$ -	\$ 531	(\$ 531)

		December 31, 2021				
				Recognised in profit or loss	Recognised in other comprehensive income	
		Favourable	Unfavourable	Favourable	Unfavourable	
		change	change	change	change	
Financial assets	Input	Change				
Equity instrument	Discount for lack of marketability	± 10%	\$ -	\$ -	\$ 1,448	(\$ 1,448)

(4) Others

As at the reporting date, the Company has assessed that the Covid-19 pandemic has no adverse impact on the Company's overall operating activities and financial statements for the year ended December 31, 2022. However, the Company will continue to monitor the development of the Covid-19 pandemic and assess its overall impact on the economic environment.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 2.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting period: None.
- J. Significant inter-company transactions during the reporting period: Please refer to table 5.

(2) Information on investees

Names, locations, and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

As at December 31, 2022, the Company had no shareholders who hold over 5% (including 5%) of the Company's shares.

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 1

Item	Description	Amount
Petty cash		\$ 115
Bank deposits		
Demand deposits -New Taiwan Dollar		296,010
-Foreign currency	USD 13,405 exchange rate 30.71	411,676
	EUR 1 exchange rate 32.72	20
	RMB 927 exchange rate 4.408	4,085
Checking accounts deposits - New Taiwan Dollar		7
Time deposits - New Taiwan Dollar		10,000
Time deposits - Foreign currency	USD 80,505 exchange rate 30.71	2,472,315
	RMB 116,100 exchange rate 4.408	511,769
		<u>\$ 3,705,997</u>

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF ACCOUNTS RECEIVABLES
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 2

Customer Name	Description	Amount	Note
General customer			
AA company		\$ 330,675	
BB company		73,239	
CC company		52,565	
DD company		45,498	
			The balance of each customer has
Others			not exceeded 5% of the accounts
		384,574	receivable.
		886,551	
Less: Allowance for bad debt		-	
			The accounts receivable past due
		886,551	over one year amounted
			to \$0.
Related parties		1,482	
		\$ 888,033	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF INVENTORIES
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 3

Item	Description	Amount		Note
		Cost	Net realisable value	
Raw materials		\$ 459,626	\$ 449,546	The net realisable value is net market value.
Work in progress		6,467,614	6,200,920	"
Finished goods		2,280,691	2,172,542	"
Inventory in transit		4,424	4,424	The replacement cost is net market value.
		\$ 9,212,355	\$ 8,827,432	
Less: Allowance on market value decline and obsolete and slow-moving inventories		(865,439)		
		\$ 8,346,916		

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 4

Name	Beginning Balance		Increase(note 1)		Decrease(note 1)		Ending Balance			Market Value or Net Equity Value		Basis of valuation	Collateral or pledge	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Ownership	Amount	Unit Price	Total Amount			
Elite Semiconductor Memory Technology Inc.	100,000	\$ 20,551	-	\$ 9,174	-	\$ -	100,000	100%	\$ 29,725	297	\$ 29,725	Equity method	None	
Charng Feng Investment Ltd.	50,000,000	566,029	-	-	-	(16,673)	50,000,000	100%	549,356	11	549,356	"	"	
Elite Investment Services Ltd.	15	612,100	-	55,446	-	-	15	100%	667,546	44,503,067	667,546	"	"	
Jie Yong Investment Ltd.	3,600,000	188,931	-	-	-	(9,976)	3,600,000	41.86%	178,955	50	178,955	"	"	
Eon Silicon Solutions Inc. USA	200,000	(1,682)	-	32	-	-	200,000	100%	(1,650)	(8)	(1,650)	"	"	
		<u>\$ 1,385,929</u>		<u>\$ 64,652</u>		<u>(\$ 26,649)</u>			<u>\$ 1,423,932</u>		<u>\$ 1,423,932</u>			

Note 1: The amount increased and decreased in the period comprise cumulative translation adjustments, valuation adjustment on financial assets and subsidiary own the Company's share.

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 5

Item	Beginning Balance	Increase	Decrease	Transfer	Ending Balance	Collateral	Note
Land	\$ 168,768	\$ 394,130	\$ -	\$ -	\$ 562,898	Long-term borrowings	
Buildings and structures	667,335	351,974	-	-	1,019,309	Long-term borrowings	
Machinery equipment	700,438	46,559	-	9,259	756,256	None	
Testing equipment	329,940	42,442	-	2,826	375,208	None	
Other equipment	1,916,684	402,966	-	-	2,319,650	None	
	<u>\$ 3,783,165</u>	<u>\$ 1,238,071</u>	<u>\$ -</u>	<u>\$ 12,085</u>	<u>\$ 5,033,321</u>		

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 6

Item	Beginning Balance	Increase	Decrease	Transfer	Ending Balance	Note
Buildings and structures	(\$ 433,861)	(\$ 37,071)	\$ -	\$ -	(\$ 470,932)	
Machinery equipment	(413,484)	(56,683)	-	-	(470,167)	
Testing equipment	(194,253)	(31,779)	-	-	(226,032)	
Other equipment	(1,504,031)	(370,812)	-	-	(1,874,843)	
	<u>(\$ 2,545,629)</u>	<u>(\$ 496,345)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 3,041,974)</u>	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF ACCOUNTS PAYABLES
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 7

<u>Customer Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
General customer:			
A supplier		\$ 1,143,839	
B supplier		231,832	
C supplier		140,028	
D supplier		132,800	
E supplier		111,519	
			The balance of each supplier has
Others			not exceeded 5% of the accounts
		<u>372,733</u>	payable.
Related parties		<u>2,132,751</u>	
		<u>88,172</u>	
		<u>\$ 2,220,923</u>	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 8

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Contract Period</u>	<u>Interest Rate</u>	<u>Collateral or pledge</u>	<u>Note</u>
CHANG HWA COMMERCIAL BANK, LTD.	Long-term secured borrowings	\$ 643,400	2022.10.7~2037.10.7	1.425% ~ 1.55%	Land 、building and structures	
		643,400				
Less:Current portion		-				
		<u>\$ 643,400</u>				

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 9

<u>Item</u>	<u>Quantities</u>	<u>Amount</u>	<u>Note</u>
Sales revenue	1,163,656 thousands	\$ 16,308,448	
Less: sales returns and discounts	1,187 thousands	(100,550)	
Net sales revenue		<u>\$ 16,207,898</u>	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 10

Item	Amount
Direct material	
Raw materials at beginning	\$ 58,400
Add: Material purchased for the period	6,139,636
Less: Transferred to expenses	(3,794)
Raw material at the end	(459,626)
Transferred to scrap	(113,943)
Raw material consumed	5,620,673
Direct labor	37,266
Manufacturing overheads	2,566,721
Manufacturing cost	8,224,660
Work in progress at the beginning	3,688,463
Add: Work in progress purchased	7,506,300
Less: Transferred to expenses	(13,491)
Work in progress at the end	(6,467,614)
Others	(58)
Cost of finished goods	12,938,260
Add: Finished goods at the beginning	1,621,180
Finished goods purchased	25,024
Transferred from expenses	44,509
Less: Transferred to expenses	(11,236)
Finished goods at the end	(2,280,691)
Others	(2,481)
Total cost of goods sold	12,334,565
Employees' compensation	1,276
Scrapped raw material	113,943
Allowance on market value decline and obsolete and slow-moving inventories	840,553
Total operating costs	\$ 13,290,337

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF MANUFACTURING OVERHEADS
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 11

Item	Description	Amount	Note
Processing fee		\$ 1,834,876	
Depreciation charge		390,879	
Other expenses		340,966	The balance of each accounts has not exceeded 5% of the manufacturing overheads.
Total		<u>\$ 2,566,721</u>	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 12

Item	Description	Amount	Note
Salaries and wages		\$ 143,486	
Labor fee		89,051	
Fee of import and export		39,114	
Other expenses		65,488	The balance of each accounts has not exceeded 5% of the selling expenses.
Total		<u>\$ 337,139</u>	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 13

Item	Description	Amount	Note
Salaries and wages		\$ 222,561	
Labor fee		20,718	
Depreciation charge		16,293	
Other expenses		62,118	The balance of each accounts has not exceeded 5% of the administrative expenses.
Total		<u>\$ 321,690</u>	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 14

Item	Description	Amount	Note
Salaries and wages		\$ 870,875	
Testing cost		140,579	
Amortisation expenses		118,511	
Depreciation expense		88,755	
Research and development expenses		77,638	
Other expenses		236,828	The balance of each accounts has not exceeded 5% of the administrative expenses.
Total		<u>\$ 1,533,186</u>	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY
FUNCTION FOR THE CURRENT PERIOD
YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 15

Function Nature	Year ended December 31, 2022			Year ended December 31, 2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 104,054	\$ 1,216,727	\$ 1,320,781	\$ 273,354	\$ 1,973,683	\$ 2,247,037
Labour and health insurance fees	10,189	61,409	71,598	8,857	48,869	57,726
Pension costs	4,491	32,756	37,247	4,457	28,363	32,820
Directors' remuneration	-	20,195	20,195	-	70,264	70,264
Other employee benefit expenses	2,782	14,270	17,052	2,951	13,996	16,947
Depreciation Expense	390,879	114,988	505,867	291,654	110,003	401,657
Amortisation expense	-	122,085	122,085	3,824	113,042	116,866

Note:

- As at December 31, 2022 and 2021, the average number of the Company's employee were 516 and 493, respectively, including 6 and 5 directors who didn't concurrently serve as employees.
- For the entity that its shares are listed on Taiwan Stock Exchange or traded in the Taipei Exchange, the following additional disclosures are required:
 - (1) The average employee benefit expense for the current year was \$2,837.
("total employee benefit expense for the current year – total directors' remuneration"/ "the number of employees in the current year–the number of directors who didn't concurrently serve as employees."").
The average employee benefit expense for the previous year was \$4,825.
("total employee benefit expense for the previous year–total directors' remuneration"/ "the number of employees in the previous year–the number of directors who didn't concurrently serve as employees."").
 - (2) The average employee salaries and wages for the current year was \$2,590. (total salaries and wages for the current year/ "the number of employees in the current year– the number of directors who didn't concurrently serve as employees."").
The average employee salaries and wages for the previous year was \$4,605.
(total salaries and wages for the previous year/ "the number of employees in the previous year – the number of directors who didn't concurrently serve as employees."")

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY (Cont.)
FUNCTION FOR THE CURRENT PERIOD
YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Statement 15

- (3) The variation in the adjustments of the average employee salaries and wages was -44%.
("the average employee salaries and wages for the current year – the average employee salaries and wages for the previous year" / the average employee salaries and wages for the previous year)
- (4) The Company's compensation policies (including directors, supervisors, executive officers and employees).
According to the Company's Articles of Incorporation, the Compensation Committee determine the salary for the directors, taking into account the extent and value of the services provided for the management of the Company and the standards of the industry within the R.O.C. then submitted to the Board of Directors for approval. The Company could set different salaries between independent directors and general directors. According to the Company's Articles of independent directors, the salary for the independent directors should on Articles of Incorporation or been approved by stockholders' meeting, and could set reasonable salaries that different from general directors.
The Company's compensation policies of executive officers and employees are based on fixed salary of salary structure, including base salary, meal allowance, variable salary (including overtime wage and delay meal allowance), and bonus (including year-end bonus, supplemental wage).
The salary of the position is accordance with the salary standards of the industry, responsibilities in the Company and the services provided for the operational objectives of the Company.
- Besides operational performance, future business risk in industry and trend of development, the Company also take personal performance and services provided to the performance of the Company for reference to determine reasonable salary.
The performance assessment and rationality of performance about executive officers are reviewed by Compensation Committee and Board of Directors, and also adjust the system of salary through actual operating conditions and related laws.
In accordance with the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 1% for directors' remuneration.

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.

Holding of marketable securities at the end of the period

December 31, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Name and category of marketable securities	Relationship with the securities issuer	General ledger account	As at December 31, 2022				Footnote
				Number of shares	Book value (Note 1)	Ownership (%)	Fair value (Note 1)	
Elite Semiconductor Microelectronics Technology Inc.	Arima Lasers Corporation stock	Note 2	Financial assets at fair value through profit or loss	256,700	\$ 6,790	0.83	\$ 6,790	
Elite Semiconductor Microelectronics Technology Inc.	King Yuan Electronics Corporation stock	None	Financial assets at fair value through profit or loss	10,000	362	0.00	362	
Elite Semiconductor Microelectronics Technology Inc.	HSBC FRN PERPETUAL bond	None	Financial assets at fair value through profit or loss	1,000,000	21,307	Not applicable	21,307	
Elite Semiconductor Microelectronics Technology Inc.	ANZ FRN PERPETUAL bond	None	Financial assets at fair value through profit or loss	500,000	10,345	Not applicable	10,345	
Elite Semiconductor Microelectronics Technology Inc.	BGF RENMINBI BOND FUND	None	Financial assets at fair value through profit or loss	127,986	56,009	Not applicable	56,009	
Elite Semiconductor Microelectronics Technology Inc.	Turning Point Lasers Ltd, preferred stock	None	Financial assets at fair value through other comprehensive income	1,000,000	6,495	8.06	6,495	
Elite Investment Services Ltd.	HSBC ALL CHINA BOND FUND - AC (2802)	None	Financial assets at fair value through profit or loss	600,000	31,603	Not applicable	31,603	
Charng Feng Investment Ltd.	Arima Lasers Corporation stock	Note 3	Financial assets at fair value through profit or loss	997,700	26,389	3.22	26,389	
Charng Feng Investment Ltd.	King Yuan Electronics Corporation stock	None	Financial assets at fair value through profit or loss	10,000	362	0.00	362	
Charng Feng Investment Ltd.	M2 Communication Inc. stock	None	Financial assets at fair value through profit or loss	201,084	414	1.61	414	
Charng Feng Investment Ltd.	Powership Semiconductor Manufacturing Corporation	None	Financial assets at fair value through profit or loss	1,630,426	51,929	0.04	51,929	
Charng Feng Investment Ltd.	Turning Point Lasers Ltd, preferred stock	None	Financial assets at fair value through other comprehensive income	1,000,000	6,495	8.06	6,495	
Jie Yong Investment Ltd.	Elite Semiconductor Microelectronics Technology Inc. stock	Parent Company	Financial assets at fair value through other comprehensive income	13,709,000	891,085	4.79	891,085	

Note 1: Valuation adjustment of financial assets and cumulative translation differences are included.

Note 2: The Company's subsidiary is a director of the company.

Note 3: Charng Feng Investment Ltd. is a director of the company.

Table 1

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
Year ended December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate				Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount			
Elite Semiconductor Microelectronics Technology Inc.	Land and buildings	May 31, 2022	\$756,950	Paid in cash	Madison Asset Management Corporation	None	-	-	-	\$ -	The appraised amount is \$771,715 based on the appraisal report issued by the appraisers.	Self-used office	None

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

							Differences in transaction terms compared to third party				
			Transaction				transactions		Notes/accounts receivable(payable)		
			Percentage of total purchase				Percentage of total notes/accounts				
Purchase/seller	Counterparty	Relationship with the counterparty	Purchase (sales)	Amount	purchase (sales)	Credit term	Unit price	Credit term	Balance	receivable (payable)	Footnote
CHI Microelectronics Limited	Elite Semiconductor Microelectronics Technology Inc.	Ultimate parent company	Sales	\$ 1,081,732	6.67%	monthly payment in 15 days	\$ -	-	\$ 88,172	9.16%	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 December 31, 2022

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover (times)	Overdue receivables		Amount collected subsequent to the balance date	Allowance for doubtful accounts
					Amount	Action taken		
CHI Microelectronics Limitd	Elite Semiconductor Microeletronics Technology Inc.	Ultimate parent company	\$ 88,172	15.37	\$ -	-	\$ 88,172	\$ -

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
Significant inter-company transactions during the reporting period
Year ended December 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
1	CHI Microelectronics Limited	Elite Semiconductor Microelectronics Technology Inc.	(2)	Sales	\$ 1,081,732	Note 4	6.67%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is ‘0’.
- (2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The transaction terms are decided by the two parties through negotiation.

Note 5: The disclosure requirement for the above disclosed amount is 1% of the consolidated total assets for balance sheet accounts and 1% of the consolidated total revenue for income statement accounts.

Note 6: The transaction between parent company to subsidiary and subsidiaries were eliminated when preparing consolidated financial statements.

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.											
Information on investees (exclude investees in Mainland China)											
Year ended December 31, 2022											
				Initial investment amount		Shares held as at December 31, 2022					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended		Footnote
									December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	
Elite Semiconductor Microelectronics Technology Inc.	Elite Semiconductor Memory Technology Inc.	Taiwan	Research and development, production, sales and related consulting services of integrated circuit	\$ 272	\$ 272	100,000	100	\$ 29,725	\$ 15,279	\$ 15,279	Note 3
Elite Semiconductor Microelectronics Technology Inc.	Charng Feng Investment Ltd.	Taiwan	General investment	500,000	500,000	50,000,000	100	549,356 (	35,161) (	35,161)	
Elite Semiconductor Microelectronics Technology Inc.	Elite Investment Services Ltd.	British Virgin Islands	General investment	460,650	460,650	15	100	667,546	55,447	55,447	
Elite Semiconductor Microelectronics Technology Inc.	Jie Yong Investment Ltd.	Taiwan	General investment	270,000	270,000	3,600,000	41.86	178,955	105,923 (	381)	
Elite Semiconductor Microelectronics Technology Inc.	Eon Silicon Solutions, Inc. USA	U.S.A.	Product design, development and test	13,304	13,304	200,000	100 (	1,650)	32	32	
Charng Feng Investment Ltd.	Elite Memory Technology Inc.	Taiwan	Product design, wholesale and retail of electronic materials, manufacturing of electronic compenents, information software services and international trade	69,407	69,407	10,000,000	100	21,448 (	164) (	164)	
Charng Feng Investment Ltd.	Elite Silicon Technology Inc.	Taiwan	Product design, wholesale and retail of electronic materials, manufacturing of electronic compenents, information software services and international trade	-	61,229	-	-	-	1,046	1,027	Note 3
Charng Feng Investment Ltd.	Canyon Semiconductor Inc.	Taiwan	International trade, manufacturing of electronic components, product design and information software services	80,337	80,337	8,350,000	37.28	103,857	60,412	23,880	
Charng Feng Investment Ltd.	Elite Innovation Japan Ltd.	Japan	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	2,276	2,276	200	100	821	90	90	
Charng Feng Investment Ltd.	CHI Microelectronics Limited	Hong Kong	General trading	394	394	10,000	100	439 (	271) (	271)	
Charng Feng Investment Ltd.	HHHtech Co., Ltd.	Taiwan	Information software services, product design, management consultant and international trade	-	15,000	-	-	- (	324) (	243)	Note 2

Note 1: The foreign investment amount was translated at the exchange rate as at December 31, 2022

Note 2: The subsidiary of the Company-Charng Feng Investment Ltd. participated in HHHtech Co., Ltd. issuance of common stocks for cash in March 2021, and holds 75% of HHHtech Co., common stocks issued. On June 28, 2021, the special meeting of shareholders of HHHtech Co., resolved to liquidate, and the effective date of the liquidation was set on March 3, 2022. The liquidation letter was received from Department of Commerce, MOEA on March 15, 2022.

Note 3: For the purpose of the Group’s resource integration, the subsidiary of the Company, Elite Semiconductor Memory Technology Inc. merged with Elite Silicon Technology Inc. Elite Semiconductor Memory Technology Inc. is the surviving company, and Elite Silicon Technology Inc. is the dissolved company. The effective date for the merger was set on June 30, 2022.The liquidation letter was received from Department of Commerce, MOEA on August 2, 2022.

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.

Information on investments in Mainland China

Year ended December 31, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in Capital (Note 4)	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as at January 1, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as at December 31, 2022	Net income (loss) of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investment in Mainland China as at December 31, 2022	Accumulated amount of investment income remitted back to Taiwan		Footnote
					Remitted to Mainland China	Remitted back to Taiwan						as at	December 31, 2022	
Elite Semiconductor Microelectronics Technology (shenzhen) Inc.	Trading of goods or technical services, develop and sale products of networking system, storage, and peripherals, technical consulting services of integrated circuit, and after - sales services	\$ 93,343	(1)	\$ 93,343	\$ -	\$ -	\$ 93,343	\$ 4,083	100	\$ 4,083	\$ 92,034	\$ -		Note 5
Elite Semiconductor Microelectronics Technology (Shanghai) Inc.	Product design, wholesale and retail of electronic materials, software design services and international trade	6,142	(1)	6,142	-	-	6,142	1,573	100	1,573	8,584	-		Note 6
Company name	Accumulated amount of remittance from Taiwan to Mainland China as at December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling of investments in Mainland China imposed by the Investment Commission of MOEA											
Charng Feng Investment Ltd.	\$ 99,485	\$ 99,485	\$ 329,614											

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: Investment income (loss) was recognised based on financial statements prepared by each company which were audited by independent auditors.

Note 3: The amount of the statement should show as New Taiwan dollars.

Note 4: Paid-in capital and investment amount translated at the exchange rate as at December 31, 2022.

Note 5: The Company's subsidiary, Charng Feng Investment Ltd., obtained the revised investment amount of USD 39,485.42, USD 2,500,000, and USD 500,000 approved by the Investment Commission, MOEA on February 6, 2020, July 10, 2020 and November 30, 2021, respectively.

Note 6: The Company's subsidiary, Charng Feng Investment Ltd., obtained the investment amount of USD 200,000 approved by the Investment Commission of MOEA in May 20, 2020.