3006 ESMT
晶豪科技股份有限公司

# 2023 ANNUAL REPORT

# 112年度年報

Annual Report is available at
http://mops.twse.com.tw
http://www.esmt.com.tw
Published on Apr 25, 2024

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Names of the CPA: Bai Shu-Chian, Cheng Ya-Huei

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The Company does not issue any overseas securities.

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# Letter to Shareholders

Dear Shareholders,

Due to geopolitical conflicts, the Russo-Ukrainian war has been ongoing for two years and shows no signs of abatement. Additionally, the Israel-Hamas conflict that erupted in October 2023 has not shown any signs of easing, leading to a spill-over effect and the emergence of the Red Sea Crisis, resulting in a rapid increase in shipping costs. The inflation crises in Europe and the United States in 2023 have been partially alleviated by strong interest rate hikes up by the European Central Bank and the Federal Reserve respectively, but they are not yet completely resolved, and high interest rates will continue for some time. The high interest rates has negatively impacted private consumption, ultimately affecting all industries.

Memory is a standard specification product and is among the first to be impacted by economic downturns. Product prices plummet rapidly, while inventory level rises swiftly. In response, major memory manufacturers implemented production reduction measures in 2023. Among them, DRAM production was reduced by approximately 20%, and NAND production was reduced by approximately 30%. However, despite these measures, major manufacturers still experienced historic losses in 2023. For instance, Samsung Memory incurred its first-ever loss since its establishment, with a loss of approximately $10.7 billion. SK Hynix incurred a loss of approximately $5.8 billion, and Micron incurred a loss of approximately $4.9 billion. The effects of production reduction and inventory adjustment gradually became evident in Q1 2024, with prices slowly recovering. DRAM prices have risen by approximately 35% from the lowest point last year, while NAND prices have increased by over 100%.

In early 2023, Open AI emerged and amazed the world, sparking global enthusiasm for AI. The belief that the development of AI will revolutionize the future and has led to substantial investments in manpower and resources for development of AI-related product and application. The research and development of generative AI and large language models (LLMs) have become the focal points for major companies in the coming years. These research and development require immense computational power, with main chips needing not only high-speed computing capabilities, but also high-speed, high-capacity, high-bandwidth memory (HBM) for effective operation. The memory capacity of AI chips paired with HBM starts at 64GB, with some exceeding 200GB. The generative AI wave is set to drive significant growth in memory demand in the years to come.

The demand for semiconductor components in the automotive industry gradually eased in 2022. Due to manufacturing disruptions experienced by car manufacturers, governments around the world have increased their investments in the semiconductor industry. The sales volume of electric vehicles in 2023 is estimated at around 14.22 million units, which represents a remarkable growth rate of 39% compared to 2022, and it is projected that the sales volume of electric vehicles will reach 18 million units in 2024. With the doubling demand for semiconductor components in electric vehicles and major car manufacturers declaring the development of electric vehicles as a priority for future growth, the market demand and development of automotive semiconductors will experience rapid growth. By the end of 2023, the Company had obtained the ISO 26262 safety certification, demonstrating our commitment to automotive electronics and anticipating year-on-year growth in revenue from automotive semiconductors in the future.

The surge in generative AI and the significant growth in demand for electric vehicles will drive the demand for semiconductors to another peak in the coming years. According to Gartner, the semiconductor industry was expected to have experienced a 9% decline in revenue to $534 billion in 2023 due to the semiconductor downturn and inventory adjustments. However, it is projected to grow by 16.8% to $624 billion in 2024. In the memory sector, with inventory adjustments almost completed, the memory industry is expected to enter another period of growth in 2024. The market is expected to grow by 66.3%, with DRAM growing by 88% and NAND Flash growing by 49.6%.

The Company specializes in niche memory products, which are less susceptible to economic fluctuations compared to standard memory products. While standard memory products have experienced significant growth, it is typical for niche memory products to experience a lag of one or two quarters. The three major memory manufacturers anticipate a gradual improvement in their operations this year by quarter, resulting in a turnaround and increased profitability for niche memory products. In 2024, the Company's operations will rebound, marking a year filled with opportunities and challenges. We anticipate growth in both shipment volume and revenue.

As regards power IC and analog IC products, product lines are becoming more and more comprehensive after years of hard work and cultivation. The products have gained the recognition of large customers, and in particular, the market share of audio amplifiers in the TV market has been on the rise. In 2023, demand slowed down due to the global economic downturn and inventory adjustments by major customers. Additionally, the sluggish consumer market and falling prices led to a decline in revenue by 24.8%. Looking ahead to 2024, audio amplifiers will thrive in the South Korean television market. However, the television market in mainland China is facing intense competition from domestic alternatives. It is estimated that operations in 2024 will experience a slight growth in shipment volume and revenue.

The Company's consolidated operating revenue for 2023 was NT$11,884,121 thousand, a decrease of 26.68% from the consolidated operating revenue of NT$16,207,898 thousand in 2022, with an annual gross margin of 2.73% and a loss before income tax of NT$1,228,261 thousand.

I. Operating Results for 2023

1. Comparison of the operating condition in 2023 and 2022 is as follows:

Unit: NT$1,000

| | 2023 | 2022 | Increase (Decrease) | Increase (Decrease) % |
|---|---|---|---|---|
| Operating Revenue | 11,884,121 | 16,207,898 | ( 4,323,777) | ( 26.68) |
| Gross Profit | 324,741 | 2,978,958 | ( 2,654,217) | ( 89.10) |
| Operating Expenses | 1,963,293 | 2,186,248 | ( 222,955) | ( 10.20) |
| Operating Profit (Loss) | ( 1,638,552) | 792,710 | ( 2,431,262) | ( 306.70) |
| Non-Operating Income(Expense)-net | 410,291 | 512,506 | ( 102,215) | ( 19.94) |
| Profit (Loss) Before Income Tax | ( 1,228,261) | 1,305,216 | (2,533,477) | ( 194.10) |
| Profit (Loss) After Income Tax | ( 1,208,961) | 1,103,715 | (2,312,676) | ( 209.54) |

2. Financial Revenue and Expenses and Profitability Analysis

(1) Financial Revenue and Expenses

Unit: NT$1,000

| Item | 2023 | 2022 | Increase (Decrease) | Increase (Decrease) % |
|---|---|---|---|---|
| Cashflow from Operating Activities | 186,925 | ( 3,528,541) | 3,715,466 | ( 105.30) |
| Cash flow from Investing Activities | ( 481,876) | ( 1,273,847) | 791,971 | ( 62.17) |
| Cash flow from Financing Activities | 50,584 | ( 223,653) | 274,237 | ( 122.62) |

(2) Profitability

| Item | | 2023 | 2022 |
|---|---|---|---|
| Return on Assets (%) | | (5.96) | 5.67 |
| Return on Equity (%) | | (11.32) | 9.16 |
| Percentage of Paid-in Capital (%) | Operating Profit(Loss) | (57.26) | 27.70 |
| | Net Profit (Loss)before Income Tax | (42.92) | 45.61 |
| Net Profit(Loss) Margin (%) | | (10.17) | 6.81 |
| Earnings(Losses) Per Share (NT$) | | (4.36) | 3.71 |

(3) Research and Development: The research and development expense for 2023 was NT$ 1,458,708 thousand, accounting for approximately12.27% of the revenue.

3. Budget execution scenario: None
   The Company is not required to disclose the detailed annual report on financial forecast information.

II. 2024 Business Plan

1. Business Strategy
   (1) Expand the R&D team to enhance the potentials and increase relevant equipment expenditures to improve efficiency.
   (2) Expand 25nm low-density niche DRAM memory product lines such as DDR4, DDR3, LP DDR3, DDR2, LP DDR2, etc.
   (3) Completed the mass production of 21nm DRAM products and expanded related memory product line.
   (4) Accelerate the R&D of 19nm DRAM and begin mass production.
   (5) Completed the mass production introduction of 19nm/40nm NAND products.
   (6) Accelerate the expansion of MCP, eMCP and eMMC production line.
   (7) Expand the 50nm NOR Flash product line and business in full force.
   (8) Research and develop niche memory for automotive applications.
   (9) Accelerate the development of audio amplifier IC and power IC product lines.
   (10) Expand non-memory product lines, such as IoT/AIoT Wireless ICs/Solutions, Motor Drive ICs, and Sensor ICs (temperature/photo).
   (11) Maintain a stable financial structure.

2. Sales Volume Forecast and Its Basis
   Since 2020, the demand from the stay-at-home economy brought about by the COVID-19 pandemic, coupled with the shortage caused by the congestion of international shipping during the same period, has led to a booming semiconductor market that has lasted for over two years. However, with the outbreak of the Russo-Ukrainian war and the inflation crises in Europe and the United States, the global economy has taken a turn for the worse. Additionally, the cooling down of the stay-at-home economy after post-COVID-19 reopening has resulted in an oversupply of consumer electronics products and caused the memory market to enter a downturn in the second half of 2022. This situation continued to worsen in 2023, resulting in significant losses for international

memory giants. As a result of this market trend, the Company had also experienced a significant decline in performance and losses in 2023. Fortunately, major manufacturers have initiated significant production cuts in the second quarter of 2023 to reduce ongoing losses. Furthermore, with the rise of AI applications and the anticipated high demand in the memory market, it is expected that the market will gradually enter a recovery period of demand and supply balance in 2024.

Memory ICs are products that are particularly vulnerable to economic fluctuations. The niche memory products that the Company focuses on have encountered a significant challenge due to the substantial increase in costs and subsequent decline in prices since 2020. However, through inventory adjustments and accelerated product development planning in 2023, we are optimistic about embracing the upcoming wave of growth. It is projected that the shipment volume and operating revenue will gradually recover in 2024.

3. Policies on Production and Marketing
   (1) Strengthen the partnership with wafer suppliers and post-production outsourcers to maintain stable production capacity and supply.
   (2) Strengthen the promotion of SOC Memory, NOR Flash, NAND Flash and MCP/eMCP.
   (3) Provide cost structure and quality superior to peers and expand the market share in domestic and foreign markets.
   (4) Strengthen the interactive relationship with customers and distributors and expand the application fields of new products to increase business sales.

III. Future Development Strategies of the Company

Global suppliers of DRAM and NAND flash tend to consolidate and they are no longer in cut-throat price competition like the past. Since 2020, the shortages and economic downturn have posed severe challenges to major factories, despite their efforts to accelerate capacity expansion. In addition, China has enthusiastically supported the semiconductor industry through governmental resources, especially the DRAM and NAND memory industry, which has added a variable into the demand of future memory market and will also affect the niche memory market. The niche memory market is still in a state of inventory adjustment in the short term. In this macro-environment, improving technical strength, accelerating new product development, and continuing to reduce costs are the only ways to prepare for future competition.

The Company's focus on low-density niche memory applications has been expanding, as these electronic components are essential for technology products. Global demand for niche memory in technology products was expected to continue growing in 2024. To meet market demands, the Company plans to increase new product development. In addition to focusing on memory IC products with high integration, high speed, and low power consumption, as well as offering Known Good Die (KGD), NOR and NAND Flash, and MCP/eMCP/eMMC services, the Company will accelerate the development of analog ICs and analog/digital mixed-signal integrated circuits which includes audio amplifiers, power management, IoT/AIoT wireless communication, temperature/imaging sensing ICs, aiming to enhance product competitiveness and meet various customer needs.

Furthermore, our Company's process of memory development had successfully undergone system verification for advanced automotive electronic safety in 2023 and has attained the highest level of ISO 26262 ASIL-D functional safety process certification. This accomplishment will enable us to enter the global supply chain of advanced automotive electronic safety systems, establishing a strong foundation for future competition and maximizing the Company's profits.

IV. Impacts of the External Competition Environment, Regulatory Environment, and the Overall Business Environment

The Company's operations in 2023 are facing the most severe challenges in history due to factors such as high inventory, high inflation, high interest rates, and weak demand for technology terminal products. Fortunately, major manufacturers, unable to withstand the operational pressure, have reduced production, controlled manufacturing, and improved processes to manage capacity. The reduction in production by these major manufacturers has effectively slowed down the continuous decline in memory prices. Additionally, with inflation easing and the recovery of demand for some technology products, inventory adjustments have come to an end, and front-end manufacturers have shown an increased willingness to stock up, leading to some improvement in overall operations, although still difficult. Looking ahead, the first half of 2024 is expected to remain a period of inventory adjustment for the semiconductor market. However, it is also expected that inflation will slow down, major central banks will end the tightening cycle and initiate interest rate cuts. Furthermore, driven by the decline in interest rates and AI wave, the demand for memory chips is expected to gradually recover and grow. It is anticipated that the overall operational difficulties in the semiconductor industry will gradually improve. However, in 2024, there are numerous risks and uncertainties in the overall environment, including the progress of inflation and interest rates, the weakness of the China economy, the US ban on China chips, the results of the US election, international geopolitical instability, and climate change. These factors will impact the global economic outlook and development, and consequently affect the recovery of the industry.

The Company's current operations are in compliance with the relevant existing laws and regulations of domestic and foreign reinvestment countries. The management team will also continue to pay close attention to any changes in policies and laws that may affect the Company's finances and business, as a reference for operations. In addition, the Company also cooperates with professional organizations, pays close attention to the development of relevant laws and regulations, and adjusts strategies to meet the needs of operations in a timely manner. In other words, the Company is able to timely grasp and respond to important domestic and foreign policy and legal changes.

Chairman of the Board: Hsing-Hai Chen

President: Ming-Chien Chang

# Company Profile

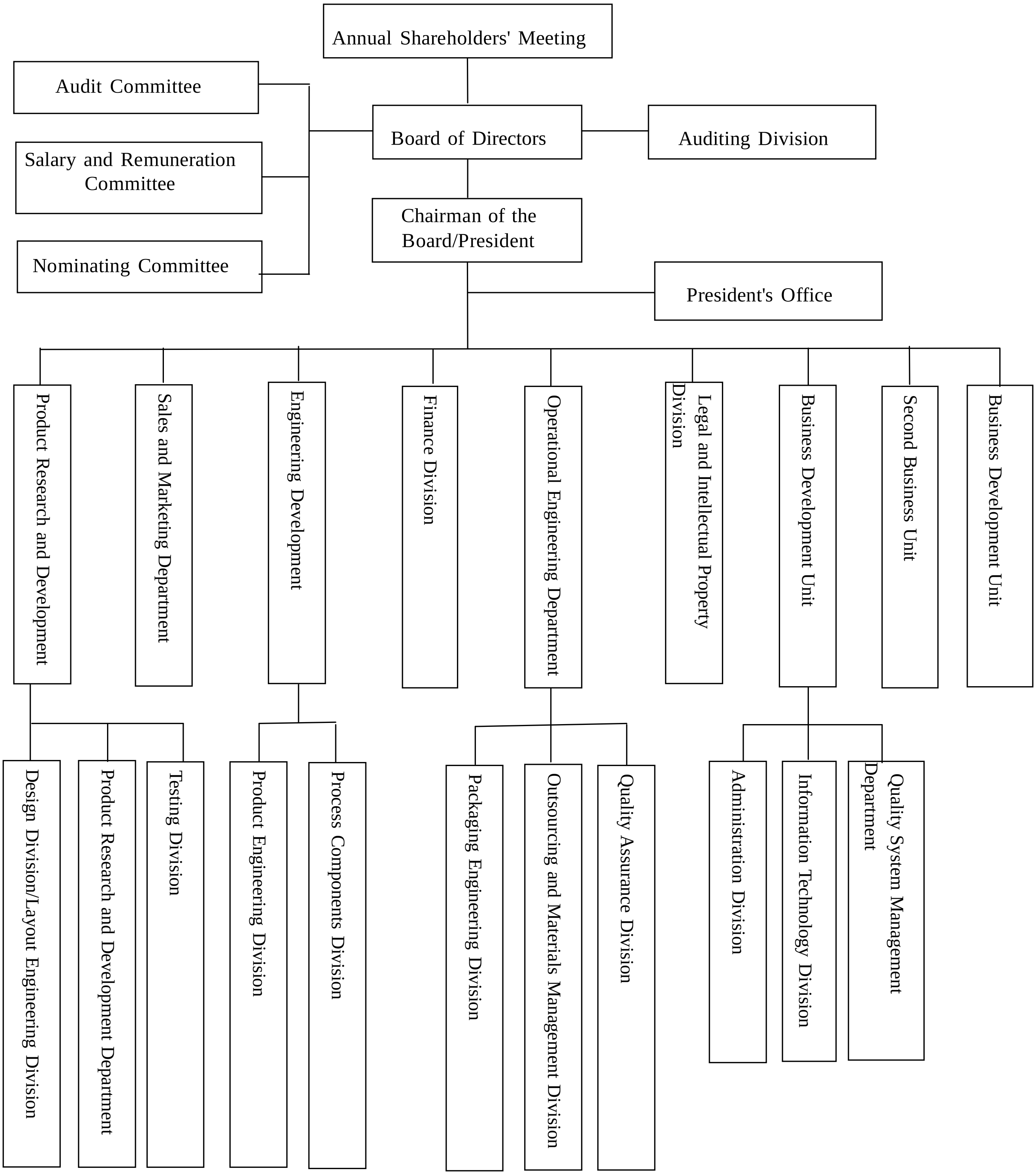
I. Date of Founding: June 2, 1998.

II. Corporate History: Elite Semiconductor Microelectronics Technology Inc. (hereinafter "the Company") was established on June 2, 1998 and was listed on the Taiwan Stock Exchange since March 4, 2002. As of December 31, 2023, the Company's authorized capital is NT$ 3,500,000,000 and the paid-in capital is NT$ 2,861,710,700. The main business of the Company includes research and development, production and sales of DRAM/SRAM, Flash Memory, Analog IC, Analog-Digital Mixed IC, and the technical services related to product design and research and development of the Company. With the engineering technology that has been focusing on DRAM/Flash Memory for many years, the Company has launched the Multi-Chip Package (MCP) products that are suitable for various mobile communication systems. To accelerate the expansion of the analog product business, the Company completed the consolidation and merger of Advanic Technologies, Inc. in December 2005 and established the analog product department in August, 2008 to extend the product line to the research and development of analog IC, and analog-digital mixed IC. The Company has completed the consolidation by merger with Eon Silicon Devices, Inc in June, 2016 in order to obtain the synergy effect of the strategic collaboration for the product development resources of Flash Memory. The products launched are mainly Class-D Audio Amplifier and Power IC. In recent years, the Company has actively expanded its research and development in other areas of IC design, including Wireless SOC IC, Motor Driver IC, and Sensor IC (including temperature and image sensing IC) products. We anticipate that the outcomes of these efforts will become fruitful within the next 2-3 years, further diversifying the Company's development and product line.

# Corporate Governance Report

I. Corporate Organization

(I) Organizational structure



(II) Major Department Functions

| Major Departments | Major Responsibilities and Functions of the Departments |
|---|---|
| President's Office | Company's Project Promotion/ Coordination and Other Related Operations. |
| Auditing Division | Establishment, operation, audit and reivew of various internal control systems, operations and management regulations. |
| Design Division/ Layout Engineering Division | Responsible for circuit design, simulation, layout, detection of memory IC products and assistance in mass production product issue analysis and necessary consultation. |
| Product Research and Development Department | Responsible for memory IC product specification verification, failure mode analysis, mass production condition formulation, yield improvement, new process development and analysis, product practical application verification, and assisting customers to solve product application problems. |
| Testing Division | Responsible for the establishment and maintenance of memory IC product test programs, calibration of test equipment, evaluation of test outsourcing testers, automatic analysis of product engineering data and evaluation of reliability evaluation of new needle test boards, and verification of actual product application and assisting customers to solve product application problems. |
| Sales and Marketing Department | Responsible for memory IC product marketing strategy, product sales, customer service and assisting in the promotion of business and new products, new technology markets, specification evaluation, formulation of new product specification, handling of customer complaints, return analysis, product information collection, mass production specification modification, etc. |
| Product Engineering Division | Responsible for engineering evaluation of new product development, CP/FT test production line development, production line abnormal analysis of ramping, process flow, countermeasure formulation, and promotion of execution, etc. |
| Packaging Engineering Division | In charge of developing packaging engineering specifications for new products, analyzing any abnormalities in the packaging process on the production line, formulating appropriate countermeasures, and overseeing their implementation. |
| Process Components Division | Responsible for memory IC wafer production plan management, process technology definition, process design criteria verification, SPICE MODEL for product design, component process characteristics analysis, and mask making tape out process management, etc. |
| Outsourcing and Materials Management | Responsible for memory IC mass production plan, outsourced production strategy, production plan, materials, warehouse management, bonded and |

| Major Departments | Major Responsibilities and Functions of the Departments |
|---|---|
| Division | import and export operations, etc. |
| Quality Assurance Division | Responsible for product quality inspection, quality assessment and regular audit of outsourcers, handling of customer complaints, return analysis, improve countermeasure requirements and effectiveness tracking. |
| Finance Division | The Company's financial management, accounting, budget management, shareholding affairs, etc. |
| Administration Division | Responsible for Company-wide personnel, payroll, education and training, labor laws, general affairs, factory affairs, labor safety and health, transportation, transactional procurement, etc. |
| Quality and System Management Department | Responsibile in assisting in the establishment and maintenance of Company-wide quality/environmental system operation and audits, outsourcer’s quality system assessment, implementation of control operations such as the establishment, modification, and issuance of documentation, and establishment and maintenance of measurement equipment verification systems |
| Legal and Intellectual Property Division | Responsible for the Company's legal affairs, patent/trademark applications, etc. |
| Information Technology Division | Management and maintenance of the Company's OA, MIS system, network and other information related systems. |
| Second Business Unit | Responsible for the research and development, production and sales of analog, analog and digital mixed-signal IC products, etc. |
| Business Development Unit | Responsible for the strategic evaluation and development of new products and business. |

## II. Directors, Supervisors, President, Vice President, Assistant Vice Presidents and Managers of Departments and Divisions

### (I) Information of Directors and Supervisors

#### 1. Directors and Supervisors

Record date: April 1, 2024

| Title | Name | Nationality/Place of Registration | Gender Age | Date Elected | Term (Years) | Date First Elected | Shares Held when Elected | | Shares Currenly Held | | Shares Held by Spouse and Minor Children | | Shares Held in the Name of Other Person(s) | | Primary Professional or Academic Experience | Position(s) Concurrently Held at the Company and Other Companies | Other Executives, Directors, or Supervisors who are spouses or within the second degree of kinship. | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Title | Name | Relationship | |
| Chairman of the Board | Hsing-Hai Chen | Republic of China | Male 72 | 2022.6.15 | 3 years | 1999.7.06 | 8,411,629 | 2.94% | 8,411,629 | 2.94% | 1,195,927 | 0.42% | - | - | Master of Applied Physics, National Tsing Hua University | Note 1 | Nil | Nil | Nil | Nil |
| Director | Ming-Chien Chang | Republic of China | Male 68 | 2022.6.15 | 3 years | 1998.5.20 | 5,523,825 | 1.93% | 5,523,825 | 1.93% | 1,618,785 | 0.57% | - | - | Master Degree from the Institute of Electronics, National Chiao Tung University | Note 1 | Nil | Nil | Nil | Nil |
| Director | Chih-Hong Ho | Republic of China | Male 68 | 2022.6.15 | 3 years | 2004.6.25 | 619,172 | 0.22% | 619,172 | 0.22% | - | - | - | - | PhD in Mechanical Engineering, North Carolina State University, USA | | Nil | Nil | Nil | Nil |
| Director | Yeong-Wen Daih | Republic of China | Male 65 | 2022.6.15 | 3 years | 2016.6.15 | 581,205 | 0.20% | 581,205 | 0.20% | 75,970 | 0.03% | - | - | Master Degree from the Institute of Electronics, National Chiao Tung University | Note 1 | Nil | Nil | Nil | Nil |
| Director | Chia-Neng Huang | Republic of China | Male 65 | 2022.6.15 | 3 years | 2019.6.13 | - | - | - | - | - | - | - | - | Department of Mechanical Engineering, Chung Yuan Christian University | Note 1 | Nil | Nil | Nil | Nil |
| Independent Director | William W.Shen | Republic of China | Male 64 | 2022.6.15 | 3 years | 2022.6.15 | - | - | - | - | - | - | - | - | PhD in Accounting, Purdue University, USA | Note 1 | Nil | Nil | Nil | Nil |
| Independent Director | Bing-Yue Tsui | Republic of China | Male 61 | 2022.6.15 | 3 years | 2022.6.15 | - | - | - | - | - | - | - | - | Ph.D, Institute of Electronics, National Yang Ming Chiao Tung University | Note 1 | Nil | Nil | Nil | Nil |
| Independent Director | Tai-Haur Kuo | Republic of China | Male 64 | 2022.6.15 | 3 years | 2022.6.15 | - | - | - | - | - | - | - | - | PhD in Electrical Engineering, University of Maryland | Note 1 | Nil | Nil | Nil | Nil |
| Independent Director | Cheng-Yan Chien | Republic of China | Male 68 | 2022.6.15 | 3 years | 2019.6.13 | - | - | - | - | - | - | - | - | Emory University, USA Master of Business Management | | Nil | Nil | Nil | Nil |

Note 1: Current positions in other companies

| | |
|---|---|
| Hsing-Hai Chen | Chairman of the Board, Elite Semiconductor Memory Technology Inc.<br>Chairman of the Board, Elite Memory Technology Inc.<br>Chairman of the Board, ESMT Educational Foundation<br>Chairman of the Board, Jie Yong Investment Ltd.<br>Director, Elite Investment Services Ltd. |
| Ming-Chien Chang | Chairman of the Board, Charng Feng Investment Ltd.<br>Director, ESMT Educational Foundation<br>Director, Jie Yong Investment Ltd.<br>Director, Elite Investment Services Ltd.<br>Director, Eon Silicon Solutions, Inc.USA |
| Yeong-Wen Daih | Director, Jie Yong Investment Ltd. |
| William W.Shen | Professor, Department of Finance and Taxation, National Taichung University of Science and Technology<br>Independent Director, Ennostar Inc.<br>Independent Director, Episil-Precision Inc.<br>Independent Director, UPI Semiconductor Corp. |
| Bing-Yue Tsui | Professor, Institute of Electronics, National Yang Ming Chiao Tung University<br>Consultant, Diodes Taiwan S.A R.L., Taiwan Branch (Luxembourg)<br>Supervisor,The Electronics Devices and Materials Association<br>Consultant, Rich Chip Microelectronics Corporation |
| Tai-Haur Kuo | Professor, Department of Electrical Engineering, National Cheng Kung University |
| Chia-Neng Huang | President & Director, Chang Wah Electromaterials Inc.<br>Chairman of the Board & CEO, Chang Wah Technology CO.,LTD.<br>Vice Chairman, JMC Electronics Co., Ltd.<br>Chairman of the Board, Chang Wah Energy Technology Co., Ltd<br>Representative of corporate director of Silver Contacts Co., Ltd.<br>Representative of corporate director of Silver Tai Co., Ltd.<br>Chairman of the Board, Silver Connection Co., Ltd.<br>Representative of corporate director of WSP Electromaterials Ltd.<br>Director, CWE Holding Co., Ltd.<br>Director, Broadwell Worldwide Ltd. |

2. Major shareholders of the institutional shareholders
   (1) Major shareholders of the institutional shareholders : None.
   (2) Major shareholders of institutional shareholders who are representative of institutional shareholders: None.

3. Disclosure of professional qualification of directors and the independence information of independent directors:

<table>
<tr><th>Qualification<br>Name</th><th>Professional background and experience</th><th>Independence status</th><th>Number of other public companies where the individual concurrently serves as an independent director</th></tr>
<tr><td>Hsing-Hai, Chen</td><td>Possesses five or more years of work experience required for the Company's business; currently serving as the chairman of the board of the Company; had once worked as Factory Lead/Product Development Associate Vice President, Vanguard International Semiconductor Corporation.; and not been a person of any conditions definedin Article 30 of the Company Law.</td><td rowspan="2">(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.<br>(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law.<br>(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person:not a director, supervisor, or employee of that other company.<br>(7) If the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervis or, oremployee of that other company or institution.<br>(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.<br>(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership,company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof.<br>(10)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.<br>(11)Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.</td><td>None</td></tr>
<tr><td>Ming-Chien, Chang</td><td>Possesses five or more years of work experiencerequired for the Company's business; had once worked as Component Sector Manager, Vanguard International Semiconductor Corporation. ; currently serving as the President of the Company; and not been a person of any conditions definedin Article 30 of the Company Law.</td><td>None</td></tr>
</table>

| Qualification / Name | Professional background and experience | Independence status | Number of other public companies where the individual concurrently serves as an independent director |
|---|---|---|---|
| Yeong-Wen Daih | Possesses five or more years of work experience required for the Company's business; had once worked as Manager, Vanguard International Semiconductor Corporation. ; currently serving as the Deputy President of the Company; and not been a person of any conditions definedin Article 30 of the Company Law. | (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.<br>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.<br>(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law.<br>(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person:not a director, supervisor, or employee of that other company.<br>(7) If the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervis or, oremployee of that other company or institution.<br>(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.<br>(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership,company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof.<br>(10)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.<br>(11)Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law. | None |

<table>
<tr><th>Qualification<br>Name</th><th>Professional background and experience</th><th>Independence status</th><th>Number of other public companies where the individual concurrently serves as an independent director</th></tr>
<tr><td>Chih-Hong Ho</td><td>Possesses five or more years of work experience required for the Company's business; had once worked as Executive Vice President, Ultima Electronics Corporation. ; Served as the Senior Deputy President of the Company; and not been a person of any conditions definedin Article 30 of the Company Law.</td><td rowspan="5">(1) Not an employee of the Company or any of its affiliates.<br>(2) Not a director or supervisor of the Company or any of its affiliates.<br>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.<br>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.<br>(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law.<br>(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person:not a director, supervisor, or employee of that other company.<br>(7) If the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervis or, oremployee of that other company or institution.<br>(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.<br>(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership,company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof.<br>(10)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.<br>(11)Not a governmental, juridical person or its representative as defined in Article 27</td><td>None</td></tr>
<tr><td>Chia-Neng Huang</td><td>Possesses five or more years of work experience required for the Company's business; currently serving as the Chairman of the Board & CEO, Chang Wah Technology CO.,LTD.; and not been a person of any conditions definedin Article 30 of the Company Law.</td><td>None</td></tr>
<tr><td>William W.Shen</td><td>Possesses five or more years of work experience required for the Company's business; Graduated with Ph.D. in Accounting from Purdue University and is currently a professor at the Department of Finance and Taxation of the National Taichung University of Science and Technology; and not been a person of anyconditions defined in Article 30 of the Company Law.</td><td>3</td></tr>
<tr><td>Bing-Yue Tsui</td><td>Possesses five or more years of work experience required for the Company's business; Graduated with Ph.D. from and currently a professor at the Institute of Electronics of National Yang Ming Chiao Tung University; and not been a person of anyconditions defined in Article 30 of the Company Law.</td><td rowspan="2">None</td></tr>
<tr><td></td><td>Possesses five or more years of work experience required for the Company's business; Graduated with Ph.D. in Electrical Engineering from the</td></tr>
</table>

| Qualification / Name | Professional background and experience | Independence status | Number of other public companies where the individual concurrently serves as an independent director |
|---|---|---|---|
| Tai-Haur Kuo | University of Maryland and is currently a professor at the Department of Electrical Engineering of National Cheng Kung University; and not been a person of anyconditions defined in Article 30 of the Company Law. | of the Company Law. | None |
| Cheng-Yan Chien | Possesses five or more years of work experience required for the Company's business; graduated from Master in business, Emory University, U.S.A.; once worked as the Vice President, Taipei Branch of Chase Bank, U.S.A., Assistant Manager, Vate Technology, Co., Ltd., President, Anfu Financial Technology, Co., Ltd., Independent Director, Eon Silicon Solution Inc.; and not been a person of anyconditions defined in Article 30 of the Company Law. | | None |

4.Board Diversity and Independence:

A. Board Diversity: State the Board's policy, goals and the status of achievement on diversity. The diversity policy includes but is not limited to the selection criteria of directors, the professional qualifications and experience, the composition and proportion in relation to the gender, age, nationality, culture required of the Board, as well as a statement of the specific goals and status of achievement according to the aforementioned policy.

On December 18, 2015, during the No.17 meeting of the 6th Board of Directors, the Company established the Corporate Governance Principles. In Chapter III, the Board's functions were strengthened, including the adoption of a diversity policy to ensure the diversity and independence of board members. The current Board of Directors consists of 9 directors, comprising 4 independent directors and 5 non-independent directors, all of whom are distinguished figures from academia and industry. We prioritize gender equality in the composition of the Board, aiming for at least one seat held by individuals with financial and accounting expertise and at least one seat held by each gender. Currently, 100% (a total of 9) of the board members are male, with no female directors appointed. Plans are underway to increase female representation in the upcoming board elections to achieve our objectives.

The current Board of Directors comprises 9 members, all of whom have practical experience in managing TWSE/TPEx listed companies. In addition to their leadership, decision-making, crisis management, and international market observation skills, the 4 independent directors have the following backgrounds: William W.Shen, an independent director, is a professor in the Department of Public Finance Taxation at the National Taichung University of Science and Technology; Bing-Yue Tsui, an independent director, is a professor in the Institute of Electronics at National Yang Ming Chiao Tung University; Tai-Haur Kuo, an independent director, is a professor in the Department of Electrical Engineering at National Cheng Kung University; and Cheng-Yan, Chien an independent director, previously served as Vice President at the Taipei Branch of JPMorgan, possessing expertise in legal practice, financial accounting, industry knowledge, and operational judgment. Among the 5 non-independent directors, Chairman Hsing-Hai Chen, Director Ming-Chien Chang, Director Yeong-Wen Daih, Director Chih-Hong Ho, and Director Chia-Neng Huang have all held important management positions such as chairman, general manager, and deputy general manager in TWSE/TPEx listed companies. They have expertise in technological development, factory operations, organizational management, product marketing, industry knowledge, and operational judgment, and also possess the foundational capabilities for sustainable business operations.

The 9th term of the Board members is experienced in leadership, business management, risk response, industrial knowledge, and global perspective. The detail is listed below.

1. Basic conditions and value: gender, age, nationality and culture.
2. Professional knowledge and skills: operational judgment capability, accounting and financial analysis capability,business management capability, risk management capability, industry knowledge, international market outlook,leadership capability, and decision-making capability.

The current Board of Directors of the Company consists of nine directors. The specific management objectives ofthe board diversity policy and their achievement status are as follows:

| Diversity management objectives | Achievement status |
|---|---|
| The number of independent directors exceeds one third of the board seats | Done |
| It is advisable that the number of the directors who concurrently serve as themanagers of the Company should not exceed one-third of the board seats. | Done |
| The independent directors shall not hold office for more than 3 terms. | Done |
| Adequate and diverse professional knowledge and skills | Done |
| The objective is to ensure the presence of at least one female director on the Board. | Don’t |

The implementation status of the board diversity policy is as follows:

| Core projects of diversity / Names of directors | Basic composition | | | | | | Industry experience | | | Professional capabilities | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nationality | Gender | Also serve as an employee of the Company | Age | Term of office of Independent Director | | Accounting | Finance | Industry | Operational judgment capability | Business management capability | Leadership and decision - making capability | Risk management capability | Industry knowledge | International market outlook |
| | | | | 61 to 72 | 1 to 9 years | More than 9 years | | | | | | | | | |
| Hsing-Hai Chen | Taiwan | Male | | V | | | | | V | V | V | V | V | V | V |
| Ming-Chien Chang | Taiwan | Male | V | V | | | | | V | V | V | V | V | V | V |
| Chih-Hong Ho | Taiwan | Male | | V | | | | | V | V | V | V | V | V | V |
| Yeong-Wen Daih | Taiwan | Male | V | V | | | | | V | V | V | V | V | V | V |
| Chia-Neng Huang | Taiwan | Male | | V | | | | | V | V | V | V | V | V | V |
| William W.Shen | Taiwan | Male | | V | V | | V | V | V | V | V | V | V | V | V |
| Bing-Yue Tsui | Taiwan | Male | | V | V | | | | V | V | V | V | V | V | V |
| Tai-Haur Kuo | Taiwan | Male | | V | V | | | | V | V | V | V | V | V | V |
| Cheng-Yan Chien | Taiwan | Male | | V | V | | V | V | V | V | V | V | V | V | V |

B. Board independence: State the number and ratio of independent directors, and explain that the Board is independent. Also, state with reasons whether circumstances set out in Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act have occurred, including the existence of spousal relationship or second-degree of kinship in directors or supervisors or between directors and supervisors.

  a. Number of Independent Directors and the ratio: There are 4 independent directors, composed of 44% of the Board. No circumstance stated in Article 30 of the Company Act was found among the Board of Directors.

  b. The Board of Directors is independent of others. Reasons shall be provided explaining whether circumstances set out in Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act have occurred, including the existence of spousal relationship or second-degree of kinship in directors or supervisors or between directors and supervisors: The Board of Directors are mainly composed of the professional managers in the Company. The independent directors are mainly held by external professionals. No circumstances set out in Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act were found, nor did the spousal relationship or second-degree of kinship were found among the directors.

## (II) Information of the Presidents, Vice Presidents, Assistant Vice Presidents, and the Heads of all the Company's Departments and Divisions

Record Date: April 1, 2024

| Title | Name | Nationality | Gender | Date of Appointment | Shareholding | | Shares Held by Spouse/Minor Children | | Shares Held in the Name of Other Persons | | Primary Professional or Academic Experience | Position(s) Concurrently Held at the Company or Other Companies | Managers who are spouses or within the second degree of kinship. | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Title | Name | Relation | |
| President of Business Group | Ming-Chien Chang | Republic of China | Male | 2018.11.03 | 5,523,825 | 1.93% | 1,618,785 | 0.57% | - | - | Master Degree, Institute of Electronics, National Chiao Tung University | Note 1 | Nil | Nil | Nil | Nil |
| Senior Vice President and Chief Technology Officer | Yeong-Wen Daih | Republic of China | Male | 2018.11.03 | 581,205 | 0.20% | 75,970 | 0.03% | - | - | Master Degree, Institute of Electronics, National Chiao Tung University | Note 1 | Nil | Nil | Nil | Nil |
| Senior Vice President and Second Business Unit | Kuan-Chun Chang | Republic of China | Male | 2018.11.03 | 685,341 | 0.24% | 949 | - | - | - | Master Degree, Institute of Electrical Engineering, National Cheng Kung University | Note 1 | Nil | Nil | Nil | Nil |
| Vice President and Chief Sales Officer | Jackie Hao | Republic of China | Male | 2022.07.29 | - | - | - | - | - | - | Department of Electronic Engineering, Kun Shan University | Note 1 | Nil | Nil | Nil | Nil |
| Vice President and Chief Operating Officer | Shu-Hui Feng | Republic of China | Female | 2022.07.29 | 85,000 | 0.03% | - | - | - | - | Master Degree,Institute of Technology Management, National Tsing Hua University<br>Masters, Graduate Institute of Human Resources Management, National Central University | Note 1 | Nil | Nil | Nil | Nil |
| Special Assistant, President's Office and Corporate Governance Officer | Hong-Gee Wu | Republic of China | Male | 2021.6.16 | 313,560 | 0.11% | 550,373 | 0.19% | - | – | Department of Industrial Engineering and Management, National Chiao Tung University | Note 1 | Nil | Nil | Nil | Nil |

| Title | Name | Nationality | Gender | Date of Appointment | Shareholding | | Shares Held by Spouse/Minor Children | | Shares Held in the Name of Other Persons | | Primary Professional or Academic Experience | Position(s) Concurrently Held at the Company or Other Companies | Managers who are spouses or within the second degree of kinship. | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Title | Name | Relation | |
| Senior Director | Hui-Wen Cheng | Republic of China | Female | 2023.12.28 | - | – | – | – | – | – | Master Degree, Institute of Accounting at National Chengchi University | | Nil | Nil | Nil | Nil |

Note 1: Position(s) concurrently held in other companies is as follows:

| | |
|---|---|
| Ming-Chien Chang | Chairman of the Board, Charng Feng Investment Ltd.<br>Director, ESMT Educational Foundation<br>Director, Jie Yong Investment Ltd.<br>Director, Elite Investment Services Ltd.<br>Director, Eon Silicon Solutions, Inc.USA |
| Yeong-Wen Daih | Director, Jie Yong Investment Ltd. |
| Kuan-Chun Chang | Director, Jie Yong Investment Ltd. |

| | |
|---|---|
| Jackie Hao | Legal Representative & Executive Director, Elite Semiconductor Microelectronics Technology (Shenzhen) Inc.<br>Legal Representative & Executive Director, Elite Semiconductor Microelectronics (Shanghai) Technology Inc. |
| Hong-Gee Wu | Supervisor, Canyon Semiconductor Inc.<br>Director, ESMT Educational Foundation |

| | |
|---|---|
| Shu-Hui Feng | Director, Eon Silicon Solutions, Inc.USA<br>Supervisor, Elite Semiconductor Microelectronics Technology (Shenzhen) Inc.<br>Supervisor, Elite Semiconductor Microelectronics (Shanghai) Technology Inc.<br>Director, ESMT Educational Foundation |

## (III) Remuneration Paid During in the Most Recent Financial Year to Directors, Supervisors, President, and Vice Presidents Under the Company and All Companies Listed in the Consolidated Statements

### 1. Remuneration of Directors (including Independent Directors)

As at December 31, 2023 Unit: NT$ 1,000/share

| Title | Name | Directors Remuneration | | | | | | | | Ratio of the total of 4 items A, B, C and D to net income after taxes | | Relevant remuneration received by directors who are also employees | | | | | | | | Proportion of the sum of A, B, C, D, E, and F to net profit after tax | | Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Remuneration (A) | | Severance pay and pension (B) | | Remuneration of directors (C) | | Business expense (D) | | | | Salary, bonus and special allowance (E) | | Pension (F) | | Employee's compensation (G) | | | | | | |
| | | The Company | All companies listed in this Financial Report | The Company | All companies listed in this Financial Report | The Company | All companies listed in this Financial Report | The Company | All companies listed in this Financial Report | The Company | All companies listed in this Financial Report | The Company | All companies listed in this Financial Report | The Company | All companies listed in this Financial Report | The Company | | All companies listed in this Financial Report | | The Company | All companies listed in this Financial Report | |
| | | | | | | | | | | | | | | | | Cash | Stock | Cash | Stock | | | |
| Chairman | Hsing-Hai Chen | 4,020 | 4,020 | - | - | - | - | - | - | (0.33%) | (0.33%) | - | - | - | - | - | - | - | - | (0.33%) | (0.33%) | Nil |
| Directors | Ming-Chien Chang | - | - | - | - | - | - | - | - | - | - | 4,323 | 4,323 | 108 | 108 | - | - | - | - | (0.37%) | (0.37%) | Nil |
| Directors | Chih-Hong Ho | - | - | - | - | - | - | - | - | - | - | 2,333 | 2,333 | 54 | 54 | - | - | - | - | (0.20%) | (0.20%) | Nil |
| Directors | Yeong-Wen Daih | - | - | - | - | - | - | - | - | - | - | 4,098 | 4,098 | 108 | 108 | - | - | - | - | (0.35%) | (0.35%) | Nil |
| Directors | Chia-Neng Huang | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | Nil |
| Independent Director | William W.Shen | 960 | 960 | - | - | - | - | 20 | 20 | (0.08%) | (0.08%) | - | - | - | - | - | - | - | - | (0.08%) | (0.08%) | Nil |
| Independent Director | Bing-Yue Tsui | 840 | 840 | - | - | - | - | 10 | 10 | (0.07%) | (0.07%) | - | - | - | - | - | - | - | - | (0.07%) | (0.07%) | Nil |
| Independent Director | Tai-Haur Kuo | 840 | 840 | - | - | - | - | 5 | 5 | (0.07%) | (0.07%) | - | - | - | - | - | - | - | - | (0.07%) | (0.07%) | Nil |
| Independent Director | Cheng-Yan Chien | 900 | 900 | - | - | - | - | 10 | 10 | (0.07%) | (0.07%) | - | - | - | - | - | - | - | - | (0.07%) | (0.07%) | Nil |

1. Please illustrate the policies, systems, standards and structure of independent directors' remuneration, as well as the correlation between their remuneration and the responsibilities, risks, and time invested: According to Article 24-1 of the Companys' Articles of Incorporation, based on the profit of the year, the Company shall appropriate no less than 1% of the profit as remuneration to employees, and no more than 1% of the profit as remuneration to Directors. With reference to the Company's overall operating performance, industry's future operating risks and development trends, and referring to the individual's performance achievement rate and contribution to the Company's performance, the Company has given reasonable remuneration. Relevant performance evaluation and the remuneration rationality shall be approved by the Remuneration Committee and the Board of Directors.
2. Other than disclosure in the above table, Directors remuneration received by providing services (E.g. Non-employee consultant of the mother company/ companies stated in the financial statements/ reinvestment businesses) to the Company in the financial report: None.

## 2. Remunerations to President and Vice Presidents

As at December 31, 2023 Unit: NT$ 1,000/share

| Title | Name | Salary (A) | | Severance pay and pension (B) (Note 1) | | Bonuses and allowances (C) | | Employee's remuneration (D) | | | | Proportion of net profit after tax to the sum of A, B, C, and D (%) | | Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies listed in this Financial Report | The Company | All companies listed in this Financial Report | The Company | All companies listed in this Financial Report | The Company | | All companies listed in this Financial Report | | The Company | All companies listed in this Financial Report | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| President | Ming-Chien Chang | 17,338 | 17,338 | 594 | 594 | 4,135 | 4,135 | - | - | - | - | (1.83%) | (1.83%) | Nil |
| Senior Vice President | Chih-Hong Ho(Note 2) | | | | | | | | | | | | | |
| Senior Vice President | Yeong-Wen Daih | | | | | | | | | | | | | |
| Senior Vice President | Kuan-Chun Chang | | | | | | | | | | | | | |
| Vice President | Jackie Hao | | | | | | | | | | | | | |
| Vice President | Shu-Hui Feng | | | | | | | | | | | | | |

Note 1: All are recognized contribution Note 2: Resigned on June 30, 2023.

| Range of Compensation | Name of presidents and vice presidents | |
|---|---|---|
| | ESMT | All Company in the Consolidated Financial Statements |
| Lower than NTD 2,000,000 | – | – |
| NTD 2,000,000(inclusive）～ NTD 5,000,000 (exclusive) | Ming-Chien Chang、Chih-Hong Ho、Yeong-Wen Daih、Kuan-Chun Chang、Jackie Hao、Jennifer Feng | Ming-Chien Chang、Chih-Hong Ho、Yeong-Wen Daih、Kuan-Chun Chang、Jackie Hao、Jennifer Feng |
| NTD 5,000,000（inclusive ）～ NTD 10,000,000(exclusive) | – | – |
| NTD 10,000,000（inclusive ）～ NTD 15,000,000(exclusive) | – | – |
| NTD 15,000,000（inclusive ）～ NTD 30,000,000(exclusive) | – | – |
| NTD 30,000,000（inclusive ）～ NTD 50,000,000(exclusive) | – | – |
| NTD 50,000,000（inclusive ）～ NTD 100,000,000(exclusive) | – | – |
| NTD 100,000,000 or More | – | – |
| Total | 6 | 6 |

3. If a listed company has the following circumstances, it shall disclose the compensation of the first five top managementindividually:
   (1) Parent company only or individual financial statements in the last three years have shown after-tax losses: The post-tax loss for this year.
   (2)Listed companies whose results of the most recent corporate governance assessment are at lowest level 2: The result of the Company's corporate governance evaluation was Level 2 and thus not applicable.

As at December 31, 2023 Unit: NT$ 1,000/share

| itle | Name | Salary (A) | | Severance pay and pension (B) (Note 1) | | Bonuses and allowances (C) | | Employee's remuneration (D) | | | | Proportion of net profit after tax to the sum of A, B, C, and D (%) | | Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies listed in this Financial Report | The Company | All companies listed in this Financial Report | The Company | All companies listed in this Financial Report | The Company | | All companies listed in this Financial Report | | The Company | All companies listed in this Financial Report | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| President | Ming-Chien Chang | 3,756 | 3,756 | 108 | 108 | 567 | 567 | - | - | - | - | (0.37%) | (0.37%) | Nil |
| Senior Vice President | Yeong-Wen Daih | 3,336 | 3,336 | 108 | 108 | 762 | 762 | - | - | - | - | (0.35%) | (0.35%) | Nil |
| Senior Vice President | Kuan-Chun Chang | 3,156 | 3,156 | 108 | 108 | 694 | 694 | - | - | - | - | (0.33%) | (0.33%) | Nil |
| Vice President | Jackie Hao | 2,924 | 2,924 | 108 | 108 | 862 | 862 | - | - | - | - | (0.32%) | (0.32%) | Nil |
| Vice President | Shu-Hui Feng | 2,429 | 2,429 | 108 | 108 | 654 | 654 | - | - | - | - | (0.26%) | (0.26%) | Nil |

4. Names of Managers for Distributing the Employees' Compensation and Distribution Status

Unit: NT$ 1,000

| | Title | Name | Shares Amount | Cash Amount | Total | Ratio of the Total Amount to Net Profit After Tax (%) |
|---|---|---|---|---|---|---|
| Manager | President | Ming-Chien Chang | – | – | – | – |
| | Senior Vice President | Chih-Hong Ho( Note 1) | | | | |
| | Senior Vice President | Yeong-Wen Daih | | | | |
| | Senior Vice President | Kuan-Chun Chang | | | | |
| | Vice President | Jackie Hao | | | | |
| | Vice President | Shu-Hui Feng | | | | |
| | Special Assistant | Candy Chu( Note 2) | | | | |
| | Corporate Governance Officer | Hong-Gee Wu | | | | |
| | Senior Director | Hui-Wen Cheng ( Note 2) | | | | |

Note 1: Resigned on June 30, 2023. Note 2: Job adjustment on December 28, 2023.

(IV) The analysis of the ratio of the total remuneration paid to the Company's Directors, Supervisors, President and Vice Presidents of the Company and all companies listed in the consolidated financial statements in the most recent two financial years to Net Profit After Tax, and the relevance of remuneration payment policies, standards and combination, procedures determining remuneration, business performance and future risk shall be compared and stated:

I. Analysis of the total remuneration paid to the directors, general managers, and deputy general managers of the Company in the past two fiscal years as a percentage of the after-tax net income.

Units: NTD 1,000; %

| Item | FY 2022 | | FY 2023 | |
|---|---|---|---|---|
| | The Company | Consolidated Financial Statements | The Company | Consolidated Financial Statements |
| Total Directors' Remuneration | 20,195 | 20,998 | 7,605 | 7,605 |
| Ratio of Total Directors' Remuneration to Net Profit After Tax (%) | 1.83% | 1.90% | ( 0.62%) | ( 0.63%) |
| Total Remuneration for the President and Vice Presidents | 43,800 | 44,068 | 22,067 | 22,067 |
| Ratio of Total Remuneration for President and Vice Presidents to Net Profit After Tax (%) | 3.97% | 3.99% | ( 1.80%) | ( 1.83%) |

II. Policy, standards, and composition of remuneration, procedures for setting remuneration, and the correlation between remuneration and operational performance and future risks.

(I) Remuneration policy, standards, and composition:

1. The remuneration of the directors of the Company is the compensation for the performance of directorial duties. It is determined by the Board of Directors based on the individual director's level of participation and contribution value, concerning the usual standards in the TWSE/TPEx listed companies in the IC design industry. Additionally, if the Company generates profits in the fiscal year, up to 1% of the profits will be allocated as director remuneration in accordance with Article 24-1 of the Company's Articles of Incorporation.

2. The Company regularly reviews the policies, systems, standards, and structures of directors' and managers' remuneration in accordance with the Board of Directors Performance Evaluation Measures. The individual director performance evaluation results are used as a reference for determining their remuneration, following the director and manager remuneration evaluation measures. The content and amount of individual remuneration are determined by considering industry norms. The Remuneration Committee and the Board of Directors regularly evaluate director remuneration and review the relevance of performance appraisal and remuneration.
   (1) Business performance: considering the year's growth rates in annual revenue, pre-tax net income, operating profit, and return on equity.
   (2) Industry benchmark: The Company considers the average director remuneration of TWSE/TPEx listed companies in the IC design industry for comprehensive analysis.

   Based on the above assessment, the business performance for this fiscal year has been poor due to the decrease in the growth rate of operating revenue and pre-tax net income. As a result, the allocation of the director's remuneration has been set at 0. Additionally, the bonuses given to employees have decreased compared to the previous year, leading to a decrease in the average salary of full-time employees without managerial positions and a decrease in the remuneration of each director compared to the previous year.

3. The Company determines the composition of remuneration in accordance with the Organizational Regulations of the Remuneration Committee. This includes cash compensation, stock options, bonus shares, retirement benefits or severance pay, various allowances, and other measures with significant incentives. The scope of remuneration aligns with the guidelines for disclosing director and manager remuneration in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

(II) Procedure for determining remuneration:

1. The remuneration of directors and managers is regularly evaluated based on the Board of Directors Performance Evaluation Measures' and the Performance Management Measures applicable to managers and employees. Additionally, the remuneration of the Chairman and the General Manager is tied to the Company's operational performance indicators and is presented to the Board of Directors for review. To effectively demonstrate the achievement of operational performance indicators, the performance measurement standards for the Chairman are derived from the Company's annual operational indicators related to operations, corporate governance, and financial results. The evaluation encompasses indicators such as pre-tax net profit, customer satisfaction, and corporate governance. The performance measurement evaluation for the General Manager includes overseeing operational safety management, financial plan execution, revenue management, internal control enhancement, quality assurance, and management implementation, contributions to the implementation of ESG, and other performance objectives related to key job responsibilities. The performance indicators for sustainable development are assessed based on the aforementioned evaluation scope: Sustainable development-related performance (15%), execution methods (weights): Green product design (5%), performance of sustainable action plans (5%), occupational health and safety (3%), other (2%).

   To motivate senior executives, outstanding key professionals, and all employees to value long-term comprehensive performance and achieve sustainable operations, a linkage between short-term and long-term incentive compensation for senior executives and responsible supervisors of business units was established since 2023. For senior executives, performance indicators include: Sustainable development execution performance (8%): green product innovation (3%), sustainable procurement responsibility (3%), and diversity and inclusion (2%).

2. The Remuneration Committee and the Board of Directors annually evaluate and review the performance appraisal and reasonableness of remuneration for the Company's directors and managers. The evaluation takes into account individual performance achievement rates, contributions to the Company, overall operational performance, future industry risks and development trends, as well as timely reviews of the remuneration system based on actual operating conditions and relevant regulations. Additionally, in line with the current trend of corporate governance, we provide reasonable remuneration to achieve a balance between the Company's ESG and risk management. The Board of Directors determines the actual amount of remuneration for directors and executives in 2023 after deliberation by the Remuneration Committee.

(III) Relevance to business performance and future risks:

1. The review of the Company's remuneration policy, payment standards, and systems is primarily based on the overall operational status of the Company. Payment standards are determined based on performance achievement rates and contribution levels to enhance the overall organizational effectiveness of the Board of Directors and management departments. Additionally, industry salary standards are taken into consideration to ensure that the remuneration for our management level remains competitive in the industry to retain outstanding management talent.

2. The performance goals of the Company's managers are integrated with risk management to ensure the management and prevention of potential risks within their scope of responsibility. The assessment of these goals is based on actual performance, as well as the level of commitment and contribution to the Company's ESG, and is linked to relevant human resources and compensation policies. The important decisions made by the Company's management are carefully balanced after considering various risk factors. The performance of these decisions is reflected in the Company's profitability and is therefore related to the remuneration and risk management performance of the management team.

III. Implementation of Corporate Governance:

(I) Implementation of the Board of Directors

A total of 8 meetings were held by the Board of Directors in 2023, with the directors' attendance listed as follows:

| Title | Name | Attendance Count | By Proxy | Attendance Count | Remarks |
|---|---|---|---|---|---|
| Chairman of the Board | Hsing-Hai Chen | 8 | – | 100% | |
| Director | Ming-Chien Chang | 8 | – | 100% | |
| Director | Chih-Hong Ho | 8 | – | 88% | |
| Director | Yeong-Wen Daih | 8 | – | 100% | |
| Director | Chia-Neng Huang | 7 | – | 87.50% | |
| Independent Director | William W.Shen | 8 | – | 100% | |
| Independent Director | Bing-Yue Tsui | 7 | 1 | 87.50% | |
| Independent Director | Tai-Haur Kuo | 8 | – | 100% | |
| Independent Director | Cheng-Yan Chien | 8 | – | 100% | |

Other Matters:

I. Where the proceedings of the meeting of the Board of Directors include one of the following circumstances, state the date, session, topic discussed, opinions of every Independent Director, and the Company's handling of the Independ Directors' opinions:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act.

| Date of the Meeting | Proposals | Opinions of All Independent Directors and the Company's Handling of These Opinions |
|---|---|---|
| The 9th Board 6th Meeting 2023.02.23 | 1. Approved the amendment to the Company's "Articles of Incorporation."<br>2. Approved the appointment of the Company's CPAs for 2023. | Approved by all Independent Directors |
| The 9th Board 11th Meeting 2023.09.04 | 1. Approved the the Company raised and issued first domestic unsecured convertible corporate bonds. | Approved by all Independent Directors |
| The 9th Board 13th Meeting 2023.12.28 | 1.Approved the Company's "Regulations on Financial Transactions between Related Parties".<br>2.Approved the Company's "Operating Standards Related to Risk Management Procedures".<br>3.Approved the independence and competency of the CPAs and their appointment and remuneration proposal.<br>4.Appointment of a Financial Director and an Accounting Director. | Approved by all Independent Directors |

(II) In addition to the aforementioned matters, other resolutions resolved by the Board of Directors that are objected to, or expressed reservations with record or declaration in writing by the Independent Directors: None.

II. When any Director recuse him/herself for being a stakeholder in certain proposals, the name of the Director(s), the content of the proposals, reasons for recusal and participation in voting shall be stated:

| Board of Directors Date | Names of Directors | Proposals | Reason for Recusal | Voting |
|---|---|---|---|---|
| 2023.4.27 | Hsing-Hai Chen | Proposal on Company's salary adjustment and bonus distribution for Chairman Hsing-Hai Chen. | Stakeholder(s) with the Proposal | The persons recused themselves and did not participate in discussion and voting. |
| | Ming-Chien Chang, Chih-Hong Ho, Yeong-Wen Daih | The adjustment of Company managers' salary for 2023. | Stakeholder(s) with the Proposal | The persons recused themselves and did not participate in discussion and voting. |
| | Ming-Chien Chang, Chih-Hong Ho, Yeong-Wen Daih | The managers' and employees' salaries and bonus of the Company for FY2022. | Stakeholder(s) with the Proposal | The persons recused themselves and did not participate in discussion and voting. |
| | Hsing-Hai Chen, Ming-Chien Chang, Chih-Hong Ho, Yeong-Wen Daih Chia-Neng Huang William W.Shen, Tai-Haur Kuo, Bing-Yue Tsui, Cheng-Yan Chien | The Company's Directors remuneration distribution for FY2022 | Stakeholder(s) with the Proposal | The persons recused themselves and did not participate in discussion and voting. |
| 2023.12.28 | Hsing-Hai Chen, Ming-Chien Chang, | Donations to the ESMT Educational Foundation. | Stakeholder(s) with the Proposal | The persons recused themselves and did not participate in discussion and voting. |

III. TWSE/TPEx list companies shall disclose information on the evaluation cycle and period, scope, method and content of the self-evaluation by the Board of Directors (or peers), and evaluation completed by Bboard of Directors as belows.

1. External evaluation:

The "Rules for Performance Evaluation of Board of Directors" amended and approved by the Board of Directors on February 26, 2021, stipulates that the Company's Board of Directors shall conduct an external evaluation of the performance of the Board of Directors and its committees at least once every three years.

On February 2023, the Company commissioned the "Taiwan Institute of Ethical Business" to conduct an external evaluation of the performance of the Board of Directors and its committees (including the Audit Committee, Remuneration Committee, and Nomination Committee) for 2022 (the evaluation period was the entire year of 2022). The institute and its experts have no business transactions with the Company and are independent. They evaluated 4 major aspects, including professional competencies, effectiveness of decision-making, internal control, and sustainable development, and made questions such as how the Board of Directors grasps the company's operational status, how communicates with shareholders, how manages corporate risks and crises, verifies the implementation of the company's internal control and audit system, evaluates the management of the corporate sustainable business operation and observes the operational efficiency of the company's Board of Directors. They conduct evaluations through questionnaires and on-site visits. The Taiwan Institute of Ethical Business issued the performance evaluation report on March 13, 2023, and the recommendations and expected implementation measures mentioned were presented to the Board of Directors on March 23, 2023. The relevant content of the overall assessment and measures are as follows:

I. Overall Evaluation of the Evaluation Report:

The institute assesses the following aspects separately: professional competencies, effectiveness of decision-making, internal control, and sustainable development:

| Organization being valuated | Evaluation scores |
|---|---|
| Board of Directors | All evaluated items received scores between 4 and 5. |
| Audit Committee | All evaluated items received scores between 4 and 5. |
| Remuneration Committee | All evaluated items received scores between 4 and 5. |
| Nominating Committee | All evaluated items received scores between 4 and 5. |
| Explanation of Rating Scale:<br>5 = Fully meets all criteria in all circumstances<br>4 = Meets most of the criteria/above average<br>3 = Sometimes meet/reach the average<br>2 = Occasionally meets/ below average<br>1 = Almost never met the criteria | |

II. Suggestions for Improvements:

| Suggested items for improvements | Descriptions | Expected implementation measures |
|---|---|---|
| Increase the diversity of Board composition | It is recommended that the Nomination Committee of the evaluated company consider incorporating age and gender into the evaluation of director candidates in the future to promote a more diverse composition of the board members and facilitate the introduction of different values and perspectives. | It will be included as a reference for planning the next director's elections. |
| Strengthen the | To enable the Board of Directors to easily review | If the essential points of |

| | | |
|---|---|---|
| recording of directors' statements in the Board of Directors meetings | past decision-making experiences, it is recommended to present essential points and record a summary of the directors' opinions and responses in the discussions during formal meetings to facilitate the application of past experiences to future decision-making. | the opinions and responses in the discussion among the directors are presented in the formal meeting, they should be summarized and recorded in a timely manner. |
| Survey the continuing education needs of the directors and continuously increase the diversity of the courses | To respond to industry trends and technological developments, the evaluated company may consider planning more continuing education courses related to the evaluated company's industry to increase the diversity of training courses for directors and continuously help the Board members to better understand the industry in which the evaluated company operates. | Conduct a survey of directors' needs as a reference for annual continuing education planning and scheduling. |
| Establish and strengthen risk assessment and control mechanisms and implement them | Evaluated companies may consider stipulating internal procedures for risk assessments, elevating risk assessment to the level of the Board of Directors, such as stipulating the role of the Audit Committee in supervising risk assessments and management, or establishing a Risk Management Committee to strengthen risk assessment and control mechanisms. | Incorporate the supervision and management of risk assessment as the competency of the Audit Committee. |
| Adjust the unit that accepts the reported cases and the regulations for handling the reports | It is recommended that the evaluated company stipulate the regulations for handling reported cases, taking into account the independence of the acceptance unit, and set up a dedicated email or hotline for whistleblowing and investigation and reporting procedures. | Strengthen the regulations for the acceptance and handling of reported cases and related procedures according to the recommendations. |
| Increase the discussion of sustainable development issues in the Board meetings | When planning sustainable policies related to corporates in the future, the evaluated company may also pay attention to the latest international development trends besides complying with the policies promoted by Taiwan's competent authorities. For example, the Task Force on Climate-Related Financial Disclosures (TCFD) which has been recently implemented internationally is an area that the evaluated companies should pay attention to in terms of sustainability. Consideration may also be given to bringing in external consultants to diversify the perspective on corporate social responsibility, facilitate innovative thinking, and achieve corporate social responsibility goals while pursuing business profitability. | The issues related to sustainable development shall be reported to the Board of Directors according to the recommendations |

2. Self-evaluation:

The "Rules for Performance Evaluation of Board of Directors" amended and approved by the Board of Directors on February 26, 2021, stipulates that the Company's Board of Directors shall conduct a self-evaluation of the performance of the Board of Directors and its committees once a year.

1. Performance Evaluation of the Board of Directors:2024.02.27 approved the resolution by the Board of Directors

| Evaluation Cycle | Evaluation Period | Evaluation Scope | Evaluation Methods | Evaluation Content | Rating |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Conducted Annually | From: Jan. 1, 2023 To: Dec. 31, 2023 | Functional committees | Internal self-evaluation for the Board of Directors | 1. Level of participation in corporate operations.<br>2. Improving Board of Directors decision-making.<br>3. Composition and structure of the Board of Directors.<br>4. Elections and continuous training of the directors.<br>5. Internal control. | Superior |

2. Performance evaluation (self and peer evaluation) of the board members: 2024.02.27 approved the resolution by the Board of Directors

| Evaluation Cycle | Evaluation Period | Evaluation Scope | Evaluation Methods | Evaluation Content | Rating |
|---|---|---|---|---|---|
| Conducted Annually | From: Jan. 1, 2023 To: Dec. 31, 2023 | Functional committees | Internal self-assessment of board members | 1. Knowledge of corporate objectives and mission.<br>2. Knowledge of the director's responsibilities.<br>3. Level of participation in corporate operations.<br>4. Internal relationships and communications.<br>5. Director of professionalism and continuous training.<br>6. Internal control. | Superior |

IV. Targets for strengthening the functions of the Board of Directors and evaluation of the implementation:

(I) Establishment of functional committees: To enhance supervision and strengthen management functions, the Company has established the Audit Committee, Remuneration Committee, and Nomination Committee.

(II) Strengthening Corporate Governance: The Company has implemented corporate governance practices, risk management procedures, and methods for evaluating the performance of the Board of Directors. We also ensure compliance with legal requirements when disclosing corporate governance information.

(III) The self-assessment results of each functional committee within the Company are as follows:

1. Remuneration Committee: 2024.02.27 approved the resolution by the Board of Directors

| Evaluation Cycle | Evaluation Period | Evaluation Scope | Evaluation Methods | Evaluation Content | Rating |
|---|---|---|---|---|---|
| Conducted Annually | From: Jan. 1, 2023 To: Dec. 31, 2023 | Functional committees | Internal self-evaluation of committee members | 1. Participation in the Company's operation<br>2. Awareness of the duties of the functional committees<br>3. Improving the decision-making of the functional committees<br>4. Composition of the functional committees, and election and appointment of committee members | Superior |

2. Audit Committee: 2024.02.27 approved the resolution by the Board of Directors

| Evaluation Cycle | Evaluation Period | Evaluation Scope | Evaluation Methods | Evaluation Content | Rating |
|---|---|---|---|---|---|
| Conducted Annually | From: Jan. 1, 2023<br>To: Dec. 31, 2023 | Functional committees | Internal self-evaluation of committee members | 1. Participation in the Company's operation<br>2. Awareness of the duties of the functional committees<br>3. Improving the decision-making of the functional committees<br>4. Composition of the functional committees, and election and appointment of committee members<br>5. Internal control | Superior |

3. Nominating Committee: 2024.02.27 approved the resolution by the Board of Directors

| Evaluation Cycle | Evaluation Period | Evaluation Scope | Evaluation Methods | Evaluation Content | Rating |
|---|---|---|---|---|---|
| Conducted Annually | From: Jan. 1, 2023<br>To: Dec. 31, 2023 | Functional committees | Internal self-evaluation of committee members | 1. Participation in the Company's operation<br>2. Awareness of the duties of the functional committees<br>3. Improving the decision-making of the functional committees<br>4. Composition of the functional committees, and election and appointment of committee members | Excellent |

## (II) Implementation of the Audit Committee :

The Company established an Audit Committee after the shareholder's meeting on June 13, 2019, according to the "Audit Committee Charter" formulated and approved at the meeting. According to the organization regulations, the 2nd term of the Audit Committee (consisting of four independent directors) was approved, and they elected William W.Shen, an independent director, as the convener. The details of the list of members of the Committee and their relevant professional competencies, annual operation status, and other information as below mentioned.

I. Describe the qualifications and responsibilities of members appointed to the company's Audit Committee

(I) The Committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise. The independent director members of the Committee shall serve a 3-year term and may be re-elected to further terms. When the number of independent director members on the Committee falls below that prescribed in the preceding paragraph or the articles of incorporation due to an independent director's dismissal for any reason, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of the occurrence to hold a by-election to fill the vacancies.

(II) The main function of the Audit Committee is to supervise the following matters:

1. Fair presentation of the financial reports of the Company.
2. The hiring (and dismissal), independence, and performance of certificated public accountants of the Company.
3. The effective implementation of the internal control system of the Company.

4. Compliance with relevant laws and regulations by the Company.
5. Management of the existing or potential risks of the Company.

II. The professional qualifications, experience and operation of the Audit Committee members are as follows:

(I) There are a total of 4 members in the Audit Committee.

(II) Audit Committee term: June 15, 2022 to June 14, 2025. A total of 6 meetings were held in 2023. Member qualifications, experience, attendance, and topics of discussion were as follows:

| Title | Name | Professional background and experience | Attendance Count | By Proxy | Attendance Count | Remarks |
|---|---|---|---|---|---|---|
| Independent Director | William W.Shen | Possesses five or more years of work experience required for the Company's business; Graduated with Ph.D. in Accounting from Purdue University and is currently a professor at the Department of Finance and Taxation of the National Taichung University of Science and Technology | 6 | – | 100% | |
| Independent Director | Tai-Haur Kuo | Possesses five or more years of work experience required for the Company's business; Graduated with Ph.D. in Electrical Engineering from the University of Maryland and is currently a professor at the Department of Electrical Engineering of National Cheng Kung University. | 6 | | 100% | |
| Independent Director | Bing-Yue Tsui | Possesses five or more years of work experience required for the Company's business; Graduated with Ph.D. from and currently a professor at the Institute of Electronics of National Yang Ming Chiao Tung University. | 5 | 1 | 83.33% | |
| Independent Director | Cheng-Yan Chien | Possesses five or more years of work experience required for the Company's business; graduated from Master in business, Emory University, U.S.A.; once worked as the Vice President, Taipei Branch of Chase Bank, U.S.A., Associate Vice President, Vate Technology, Co., Ltd., President, Anfu Financial Technology, Co., Ltd., Independent Director, Eon Silicon Solution Inc.. | 6 | – | 100% | |

Other matters:

I.With regard to the implementation of the Audit Committee, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, dissenting opinions from independent directors, reserved opinions, material contents, the resolutions of the Committee, and the Company's response to the Committee's opinions shall be specified:

(I) Items listed in Article 14-5 of the Securities and Exchange Act

| Audit Committee Date | Proposals (Items listed in Article 14-5 of Securities and Exchange Act) | Resolutions not approved by the Audit Committee but approved by over two thirds of all directors |
|---|---|---|
| 4th meeting of the 2st session<br>2023.02.23 | 1. Company's 2022 final accounting books and statements.<br>2. Distribution of the Company's 2022 earnings.<br>3. Self-assessment of the Company's internal control system.<br>4. The Company's employee stock option exercised to subscribe for ordinary shares.<br>5.Approved the appointment of the Company's CPAs for 2023. | None |
| | Audit Committee Opinion: No objections or qualified opinion.<br>The Company's actions in response to the opinions of the Audit Committee: Not applicable.<br>Resolution: Approved by the Chairman upon consultation with all the Directors present. | |
| 5th meeting of the 2st session<br>2023.04.27 | 1.The Company's 2023 Q1 financial report.<br>2.The Company's employee stock option exercised to subscribe for ordinary shares. | None |
| | Audit Committee Opinion: No objections or qualified opinion.<br>The Company's actions in response to the opinions of the Audit Committee: Not applicable.<br>Resolution: Approved by the Chairman upon consultation with all the Directors present. | |
| 6th meeting of the 2st session<br>2023.07.27 | 1. The Company's 2023 Q2 financial report. | None |
| | Audit Committee Opinion: No objections or qualified opinion.<br>The Company's actions in response to the opinions of the Audit Committee: Not applicable.<br>Resolution: Approved by the Chairman upon consultation with all the Directors present. | |
| 7th meeting of the 2st session<br>2023.09.04 | 1. The Company plans to raise and issue the first domestic unsecured convertible corporate bonds. | None |
| | Audit Committee Opinion: No objections or qualified opinion.<br>The Company's actions in response to the opinions of the Audit Committee: Not applicable.<br>Resolution: Approved by the Chairman upon consultation with all the Directors present. | |
| 8th meeting of the 2st session<br>2023.10.27 | 1. The Company's 2023 Q3 financial report. | None |
| | Audit Committee Opinion: No objections or qualified opinion.<br>The Company's actions in response to the opinions of the Audit Committee: Not applicable.<br>Resolution: Approved by the Chairman upon consultation with all the Directors present. | |

| | | |
|---|---|---|
| 9th meeting of the 2st session<br><br>2023.12.28 | 1.Audit plan of the Company for 2024.<br>2.The drafting of the Company's "Regulations on Financial Transactions between Related Parties."<br>3.The drafting of the Company's "Operational Standards Related to Risk Management Procedures."<br>4.Donations to the ESMT Educational Foundation.<br>5.Evaluated and approved the independence and competency of the CPAs and their appointment and remuneration proposal.<br>6.Appointment of a Financial Director and an Accounting Director. | None |
| | Audit Committee Opinion: No objections or qualified opinion.<br>The Company's actions in response to the opinions of the Audit Committee: Not applicable.<br>Resolution: Approved by the Chairman upon consultation with all the Directors present. | |
| 10th meeting of the 2st session<br><br>2024.02.27 | 1. Company's 2023 final accounting books and statements.<br>2. Distribution of the Company's 2023 earnings.<br>3. Self-assessment of the Company's internal control system.<br>4.The first domestic unsecured convertible corporate bonds issued by the Company was converted into common stock. | None |
| | Audit Committee Opinion: No objections or qualified opinion.<br>The Company's actions in response to the opinions of the Audit Committee: Not applicable.<br>Resolution: Approved by the Chairman upon consultation with all the Directors present. | |

(II) Except for the items in the preceding issues, other resolutions which was not approved by the Audit Committee but approved by at least two-thirds of all Board of Directors members: None.

II.In regards to the recusal of Independent Directors from voting due to conflict of interests, the name of the Independent Directors, the content of the proposals, reasons for recusal and participation in voting outcomes should be
stated:

| Board of Directors Date | Names of Directors | Proposals | Reason for Recusal | Voting |
|---|---|---|---|---|
| 2023.04.27 | William W.Shen, Tai-Haur Kuo, Bing-Yue Tsui, Cheng-Yan Chien | The Company's Directors remuneration distribution for FY2022 | Stakeholder(s) with the Proposal | The persons recused themselves and did not participate in discussion and voting. |

III.Communications between the Independent Directors and the Head of Internal Audit and Accountant (such as the matters, methods, and results of communication with respect to the Company's financial and business status):

1.The Head of Internal Audit reports the audit report to the individual independent directors for deficiencies and improvement suggestions found in the audit operation on a monthly basis. In addition, the Head of Internal Audit explains and discusses the Company's financial and business conditions from time to time. No material events have occurred. Relevant reporting matters are reported together in the Audit Committee and the Board of Directors. The period allows the corporate governance unit to fully understand the Company's risk assessment and control status. There are no major abnormalities in the 2023 audit results, and the independent directors have no objections. The previous communication situation is as follows:

| Date of meeting | Nature and discussed issues | Independent Directors' Suggestion |
|---|---|---|
| 2023.02.23 | 1.Report on the internal audit progress.<br>2.Company's Statement of Self-assessment of Internal Control System for 2022. | The Independent Directors have no opinions and suggestions. |
| 2023.04.27 | Report on the internal audit progress. | The Independent Directors have no opinions and suggestions. |
| 2023.07.27 | Report on the internal audit progress. | The Independent Directors have no opinions and suggestions. |
| 2023.10.27 | Report on the internal audit progress. | The Independent Directors have no opinions and suggestions. |
| 2023.12.28 | 1.Report on the internal audit progress.<br>2.Discussion on the Company's 2024 audit plan. | The Independent Directors have no opinions and suggestions. |

2. The Company’s CPAs communicate with the governance unit after the quarterly audit or review. In addition, at least two decree announcements are held in the Company each year (obtained the Certificate of the Republic of China Securities and Futures Market Development Foundation). The independent directors and accountants of the Company maintain smooth communication. Communication in 2022 is as follows:

| Date of meeting | Nature and discussion topics | Independent Directors' Suggestion |
|---|---|---|
| 2023.02.23 | Communicate with the governance unit after the review of 2022 consolidated financial report and individual financial report<br>Respond and discuss questions raised by participants | The Independent Directors have no opinions and suggestions. |
| 2023.04.27 | Communicate with the governance unit after reviewing the consolidated financial report for the first quarter of 2023<br>Respond and discuss questions raised by participants | The Independent Directors have no opinions and suggestions. |
| 2023.07.27 | Communicate with the governance unit after reviewing the consolidated financial report for the second quarter of 2023<br>Respond and discuss questions raised by participants | The Independent Directors have no opinions and suggestions. |
| 2023.10.27 | Communicate with the governance unit after reviewing the consolidated financial report for the third quarter of 2023<br>Respond and discuss questions raised by participants | The Independent Directors have no opinions and suggestions. |

## (III) Implementation of Corporate Governance and the Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons Thereof

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| I. Does the Company establish and disclose its Corporate Governance Best Practice Principles based on the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies? | V | | The Company has established the "Code of Corporate Governance Practices", which has been disclosed in the Corporate Governance Section of the MOPS. The Board of Directors appointed a Corporate Governance Officer at the meeting held on June 16, 2021. The Officer's responsibility is listed below. | No material departure |
| II. Shareholding Structure & Shareholders' Rights<br>(I) Did the Company establish an internal procedures for handling shareholder proposals, inquiries, disputes, and litigation? Are such matters handled according to the internal procedures?<br>(II) Did the Company maintain a register of major shareholders with controlling stake as well as a register of persons with ultimate controls over those major shareholders?<br>(III) Did the Company establish and enforce risk controls and firewall systems with its affiliated companies?<br>(IV) Did the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market? | V<br>V<br>V<br>V | | 1. The Company has set up e-mails and telephone lines for the relevant personnel to handle matters relating to shareholders' suggestions and disputes at any time.<br>2. The Company has set up a Shareholding Affairs Department and a stock service agency that can keep abreast of the major shareholders of the Company and the ultimate controlling persons of the major shareholders.<br>3. The financial and accounting matters of all affiliated companies of the Company are carried out independently, and are handled in accordance with the "Guidelines for the Transaction between the Company and Specific Companies, the Group and Related Parties" and the "Guideline for Supervision of Subsidiaries", and the risk controls and firewall mechanisms have been implemented.<br>4. The Company has established insider trading guidelines and has told the insiders to strictly abide by the guidelines.The rules are disclosed on the company's website. | No material departure |
| III. Composition and Responsibilities of the Board of Directors<br>(I) Whether the Board of Directors has established diversity policy, specific goals, and whether these measures have been implemented?<br>(II) In addition Remuneration Committee and Audit Committee established according to law, has the company voluntarily established other functional committees?<br>(III) Has the Company established standards to measure the performance of the Board, and does it implement such standards annually? Does the Company report the results of the performance evaluation to the BOD | V<br>V<br>V | | 1. The Company adopted the "Corporate Governance Code" in the 17th meeting of the 6th Board of Directors on December 18, 2015, and strengthen the functions of the Directors in Chapter 3 by setting a diversity policy to ensure the diversity and independence of the Directors. The 9 Direcors of 9th term of the BOD have expertise in leadership, operational judgement, business management, risk handling, industry knowledge, and point of view in global market.See P.15.<br>2. The 9rd meeting of the 8th Board on November 11, 2020, Approved the Company's "Organizational Rules of the Nomination Committee." And The 2rd meeting of the 9th Board on June 24, 2022, appointment of the second-term Nomination Committee members. | No material departure |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| and use them as a reference for each Director's remuneration and nomination of term renewal?<br>(IV) Did the Company regularly implement assessments on the independence of the CPAs? | V | | 3. The Company's Remuneration Committee's organizational rules clearly define the responsibilities of the Remuneration Committee. The Remuneration Committee establishes the relevant policies and regularly evaluates the performance of the Board of Directors. Details of Implementation of the Board of Directors.<br>4. The Company independently evaluated the independence of its CPA every year, and submitted the evaluation results to the Board of Directors for review and approval on February 23, 2023 and December 28, 2023. After the evaluation, the Company's CPAs are in compliance with the Company's Independent Evaluation Standards (Please refer to Schedule II). Therefore, the independence of the CPAs should be undoubted, and the CPAs' accounting firm also issued a letter of declaration. | |
| IV. Did the listed company set up or appoint an exclusively (or concurrently) responsible department or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by the Directors and Supervisors, and handling, in accordance with relevant laws, matters related to the meetings of the Board of Directors and Shareholders' Meetings, business registration and the amendments to the registration, and for preparing minutes of the meetings of the Board of Directors and Shareholders' Meetings)? | V | | The Corporate Governance Officer is responsible for handling governance related affairs, and the person in charge is responsible for furnishing information requested by the Directors, handling matters related to meetings of the Board of Directors and Shareholders' Meetings according to the laws, processing company 's registration and the amendments to the registration, and preparing minutes of the meetings of the Board of Directors and Shareholder's Meetings. | No material departure |
| V. Did the Company established a communication channel with stakeholders (including but not limited to the shareholders, employees, customers, and suppliers)? Has a stakeholders' area been established in the Company's website? Are major Corporate Social Responsibility (CSR) topics that the stakeholders are concerned with addressed appropriately by the company? | V | | It is handled by relevant business personnel; interested parties can communicate with the Company at any time if necessary.Contact details of the company's website. For more information, please refer to the company's sustainability report. | No material departure |
| VI. Has the Company appointed a professional shareholder service agency to deal with shareholders' affairs? | V | | The company commissioned Capital Securities Corps. to handle shareholders' affairs and Shareholders' Meetings. | No material departure |
| VII. Information Disclosure<br>(I) Did the Company establish a website to disclose information regarding financial operations and corporate governance? | V | | 1. The Company has set up a Chinese website to disclose relevant information at any time, and in accordance with the regulations of the competent authority to announce and declare various information at | No material departure |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| (II) Does the Company have other information disclosure channels (e.g. establishing an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences, etc.)?<br>(III) Did the Company declare annual financial reports two months after the end of fiscal year, and declare Q1, Q2, and Q3 financial reports and monthly operational status before the prescribed deadline? | V<br><br>V | | MOPS, and set up automatic links for investors to query for relevant information.<br>2. The Company has appointed designated personnel to collect and disclose various information. The person in charge shall hold irregular corporate briefings from time to time, publicizes the Company's operation overview, and employed a spokesperson and an acting spokesperson.<br>3. The Company announces and declares annual financial reports two months after the end of fiscal year, and timely announces and declares Q1, Q2, and Q3 financial reports and monthly operational status before the prescribed deadline. | |
| VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, Directors' and Supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by the Directors and Supervisors)? | V | | 1. Employees' rights and wellness: the Company upholds the belief of taking good care of its employees, manages employees in a humane manner, and cooperates with various welfare measures to establish good relationships with the employees.<br>2. Investor relations, supplier relations, and stakeholder rights: the Company maintains good relationships with all related parties, and the Company's relevant business personnel communicates with each related party to deal with each related party's problems and suggestions.<br>3. The Independent Directors currently selected by the Company are all professionals who are finance professionals or in the fields related to the Company's business. During the meetings of the Board of Directors, the Independent Directors can present their opinions and understand the Company's operations situation.<br>4. Continuing education of the Directors is attached in Schedule I.<br>5. Implementation of risk management policies and risk evaluation measures : The internal control system and various measures have been established in accordance with the law, various risk management and evaluations have been carried out, and the Internal Audit Department reviews the implementation of the internal control system regularly and irregularly. Detailed risk assessment and policy description of Fulfillment of Corporate Social Responsibility.<br>6. Implementation of customer policies: The Company maintains good relationships with its customers, and provides various services to its | No material departure |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| | | | customers in accordance with internal management methods, and takes customer satisfaction as the highest guiding principle.<br>7. The Company has purchased liability insurance for its Directors and key employees and reported to the Board of Directors. | |

IX. Describe improvements made according to the corporate governance assessment made in the recent financial year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and provide prioritized improvements and measures to be taken for improvements that have yet to be carried out.

According to the results of the 10th Corporate Governance Review, the Company's scoreless items priority strengthening and improvement matters are as follows：

| Improving measures and description (Note 2) | Item |
|---|---|
| It was added in the 2022 annual report | 2.5、2.7、2.8、2.11、2.18、3.18、4.7、4.18 |
| It was added in the 2023 annual report | 1.2、1.18、1.19、3.9、4.19、4.20、4.21、4.22 |

Note 1: Describe briefly in implementation status column whether the result of implementation is "Yes" or "No".

Note 2: The Company's self-evaluation report is conducted in accordance with the Corporate Governance Self-Assessment Program, which is evaluated and explained by the Company, and reported on each evaluation program of the current operation and implementation of the Company.

Schedule I: Continuing education of the Directors in FY2023 is as follows:

| Title | Name | Organizer | Training Courses | Hours of Courses | Compliance with "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" |
|---|---|---|---|---|---|
| Chairman of the Board | Hsing-Hai Chen | Securities and Futures Institute | 1. Enterprise Operations and Risk Management<br>2.Understanding Global Economic Trends and Technological Developments: Key Issues for Businesses<br>3.Ensuring Sustainable Business Operations: Starts From the Discovery and Cultivation of Talents<br>4.The Impact of the US-China Trade War on Taiwanese-Owned Enterprises and Strategies for Coping | 12H(1, 2, 3, 4) | Yes |
| Director | Ming-Chien Chang | | | 12H(1, 2, 3, 4) | Yes |
| Director | Chih-Hong Ho | | | 12H(1, 2, 3, 4) | Yes |
| Director | Yeong-Wen Daih | | | 12H(1, 2, 3, 4) | Yes |
| Director | Chia-Neng Huang | | | 12H(1, 2, 3, 4) | Yes |
| Independent Director | William W.Shen | | | 12H(1, 2, 3, 4) | Yes |
| Independent Director | Tai-Haur Kuo | | | 12H(1, 2, 3, 4) | Yes |
| Independent Director | Bing-Yue Tsui | | | 12H(1, 2, 3, 4) | Yes |
| Independent Director | Cheng-Yan Chien | | | 12H(1, 2, 3, 4) | Yes |

Schedule II: Evaluation Criteria for the Independence of CPAs is as follows:

| Compliance with Independence | Yes | No | Remarks |
|---|---|---|---|
| Is the CPAs not a Director or Independent Director at the Company or its affiliated companies? | V | | |
| Is the CPAs not a shareholder of the Company or its affiliated companies? | V | | |
| Is the CPAs not paid by the Company or its affiliated companies? | V | | |
| Has the CPAs provided auditing services to the Company for less than seven years? | V | | |
| Is it confirmed that the CPAs has complied with his/her accountant firm's CPA independence regulations? | V | | Note |
| Are the former CPAs of the Company from the same firm of the current CPAs, within a year after stepping down, not serving as the Company's Director, manager or any position with substantial impact on audit results? | V | | |

Note: The independence and audit quality assessment of the CPAs and the affiliated accounting firm were approved on December 28, 2023.

(IV) Composition, duties, and implementation of the Remuneration Committee:

I. Information regarding the members of the Remuneration Committee:

<table>
<tr><th>Title</th><th>Qualification Name</th><th>Professional background and experience</th><th>Independence status</th><th>Number of other public companies where the individual concurrently serves as an independent director</th></tr>
<tr><td>Convener and Independent Director</td><td>Cheng-Yan Chien</td><td>Possesses five or more years of work experience required for the Company's business; graduated from Master in business, Emory University, U.S.A.; once worked as the Vice President, Taipei Branch of Chase Bank, U.S.A., Associate Vice President, Vate Technology, Co., Ltd., President, Anfu Financial Technology, Co., Ltd., Independent Director, Eon Silicon Solution Inc.</td><td rowspan="3">(1) Not an employee of the Company or any of its affiliates.<br>(2) Not a director or supervisor of the Company or any of its affiliates.<br>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.<br>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.<br>(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law. .<br>(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company.<br>(7) If the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution.<br>(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.<br>(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for</td><td>-</td></tr>
<tr><td>Independent Director Member</td><td>William W.Shen</td><td>Possesses five or more years of work experience required for the Company's business; Graduated with Ph.D. in Accounting from Purdue University and is currently a professor at the Department of Finance and Taxation of the National Taichung University of Science and Technology.</td><td>3</td></tr>
<tr><td>Independent Director Member</td><td>Tai-Haur Kuo</td><td>Possesses five or more years of work experience required for the Company's business; Graduated with Ph.D. in Electrical Engineering from the University of Maryland and is currently a professor at the Department of Electrical</td><td>-</td></tr>
</table>

| | | | | |
|---|---|---|---|---|
| | | Engineering of National Cheng Kung University. | which the provider in the past 2 years has received cumulative compensation, or a spouse thereof.<br>(10)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. | |
| Independent Director Member | Bing-Yue Tsui | Possesses five or more years of work experience required for the Company's business; Graduated with Ph.D. from and currently a professor at the Institute of Electronics of National Yang Ming Chiao Tung University. | | - |

II. Scope of Responsibilities of the Remuneration Committee:

1. Periodically review this Charter and make recommendations for amendments.
2. Establish and regularly review the annual and long-term performance targets and remuneration policies, systems, standards, and structures of the Directors, and managers.
3. Regularly evaluate the performance targets of the Directors, and managers of the Company, and establish the content and amount of their remuneration.

III. Attendance of Members at Remuneration Committee Meetings

(1) The Remuneration Committee of the Company is consist of four members.

(2) Term of office: June 24, 2022 to June 14, 2025. A total of 3 meetings (A) were conducted by the Remuneration Committee in the most recent financial year, where the qualifications and attendance of the members are as follows:

| Title | Name | Attendance Count (B) | By Proxy | Rate of Actual Attendance (%) (B/A) | Remarks |
|---|---|---|---|---|---|
| Convener | Cheng-Yan Chien | 3 | - | 100% | |
| Member | William W.Shen | 3 | - | 100% | |
| Member | Tai-Haur Kuo | 3 | - | 100% | |
| Member | Bing-Yue Tsui | 3 | - | 100% | |

Other matters:

I. If the Board of Directors does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and session of the meeting of the Board of Directors, proposals, resolutions from the Board of Directors, and handling of the Remuneration Committee's opinions (such as the difference between the salary and remuneration approved by the Board of Directors and those proposed by the Remuneration Committee and the reason therefore): None.

II. If the resolutions to which the members of the Remuneration Committee have an objection or reservation are recorded or written, please state the date and session of the meeting of the Remuneration Committee, proposals, opinions of the members, and handling of the opinions: None.

III. Remuneration Committee meeting and resolution results and the Company's handling of members' opinions in the most recent year:

| Remuneration Committee | Resolution content and results |
|---|---|
| 3rd meeting of the 5th session 2023.3.23 | Report on the Performance Evaluation of the Board of Directors and its Subsidiary Committees for 2022. |
| | Remuneration Committee Opinion:<br>1. Director Bing-Yue Tsui discussed the proposed adjustments to the acceptance and handling of complaint cases in the external evaluation report, specifically the method for acceptance of anonymous grievances. Director Cheng-Yan Chien shared his past experience and suggested that in order to prevent false accusations and potential defamation against the accused, it is recommended that the contact information of the complainant be collected for all complaints. Otherwise, the complaints should not be accepted.<br>2.After our discussion, we request the Company to prioritize the review and handling of anonymous whistleblower cases. It is important that these cases are based on factual and verifiable information, in accordance with the requirements of the competent authority. Additionally, we urge the Company to make every effort to obtain the contact information of the whistleblower. This will facilitate an effective investigation of the incident and provide us with the necessary understanding of the situation, ultimately boosting the credibility of the whistleblower.<br>Resolution results: Approved without objection by the Chairman upon consultation with all the Directors present.<br>The Company's actions in response to the opinions of the Remuneration Committee: Submitted to the Board of Directors for approval by all the directors in attendance. |
| 4th meeting of the 5th session 2023.4.27 | 1. Proposal on Company's salary adjustment and bonus distribution for Chairman Hsing-Hai Chen.<br>2.The adjustment of Company managers' salary for 2023.<br>3.Distribution of 2022 employees' compensation and bonus paid to managerial officers.<br>4.The Company's Directors remuneration distribution for FY2022 |
| | Remuneration Committee Opinion: No objections or qualified opinion.<br>Resolution results: The case (1,2) was Approved without objection by the Chairman upon consultation with all the Directors present.<br>In the case (3), except for the members: Ming-Chien Chang and J Shu-Hui Feng, who did not participate in the discussion and recused themselves from voting for the interested parties, the remaining members passed the case without any disagreement.<br>In the case (4),except for the members: Ming-Chien Chang , Cheng-Yan Chien, William W.Shen, Bing-Yue Tsui and Tai-Haur Kuo who did not participate in the discussion and recused themselves from voting for the interested parties, Among them, regarding Chairman Cheng-Yan Chien, upon his recusal, William W.Shen was appointed as the acting chairman to preside over the meeting. After the relevant individual members had been recused, the Chairman consulted with the members present, who voted in favor of the resolution without any dissenting opinions.<br>The Company's actions in response to the opinions of the Remuneration Committee: Submitted to the Board of Directors for approval by all the directors in attendance. |
| 5th meeting of the 5th session 2023.12.28 | 1. Proposed Compensation Proposal for the Appointment of a Financial Director and Accounting Director by the Company.<br>2. Proposal of the annual plan of the Company's Remuneration Committee for 2024. |
| | Remuneration Committee Opinion: No objections or qualified opinion.<br>Resolution results: Approved without objection by the Chairman upon consultation with all the Directors present.<br>The Company's actions in response to the opinions of the Remuneration Committee: Submitted to the Board of Directors for approval by all the directors in attendance. |

## (V) Nominating Committee member information and the Committee operation

### I. State the qualification and duties of committee members

1. The Committee shall comprise at least 3 directors appointed by the Board of Directors,

and half of the members shall be independent directors.

The term of the Committee members shall end at the same time as that of the Board of Directors that appointed the members.

2. The Nominating Committee shall exercise the care of a prudent administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion:
   a. Formulate and review the election criteria and succession plan for the Directors and the Manager, including their composition and qualification criteria.
   b. Select and review the potential candidates, assess the independence of independent directors and propose a list of candidates to the BOD.
   c. Develop and review the establishment, duties and operation of each committee under the BOD, and review the qualifications and potential conflicts of interests of each committee member.
   d. Formulate and implement the continuing education program for Directors.
   e. Other matters to be conducted by the Committee according to the Board of Directors‘ resolution.

II. The professional qualifications, experience and operation of the Nominating Committee members are as follows:

(I) The Nominating Committee of the Company is consist of four members.

(II) Term of office:: June 24, 2022 to June 14, 2025. A total of_2 meetings (A) were conducted by the Nominating Committee in the most recent financial year, where the qualifications , experience, and attendance of the members are as follows:

| Title | Name | Professional background and experience | Attendance Count | By Proxy | Attendance Count | Remarks |
|---|---|---|---|---|---|---|
| Convenor and independent Director | William W.Shen | Possesses five or more years of work experience required for the Company's business; Graduated with Ph.D. in Accounting from Purdue University and is currently a professor at the Department of Finance and Taxation of the National Taichung University of Science and Technology. | 2 | – | 100% | |
| Member and independent Director | Bing-Yue Tsui | Possesses five or more years of work experience required for the Company's business; Graduated with Ph.D. from and currently a professor at the Institute of Electronics of National Yang Ming Chiao Tung University. | 2 | – | 100% | |
| Member | Hsing-Hai, Chen | Possesses five or more years of work experience required for the Company's business; currently serving as the chairman of the board of the Company; had once worked as Factory Lead/Product Development Associate Vice President, Vanguard International Semiconductor Corporation. | 2 | – | 100% | |
| Member | Ming-Chien , Chang | Possesses five or more years of work experiencerequired for the Company's business; had once worked as | 2 | – | 100% | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | Component Sector Manager, Vanguard International Semiconductor Corporation. ; currently serving as the President of the Company. | | | | |

Other Matters:

Specify the Nominating Committee's major motions of the meeting date, term, meeting content, member suggestions, dissenting opinions, resolution, and the Company's response toward the member opinions.

| Nominating Committee | Resolution content and results |
|---|---|
| 3rd meeting of the 2nd term 2023.03.23 | Reported Matters<br>1.The Execution Report of the Director and Manager Training Program for FY 2022.<br>Discussion Items<br>1.The 2023 Annual Director and Manager Continuing Education Plan for the Company. |
| | Nominating Committee Opinion: No objections or qualified opinion.<br>Resolution: Approved without objection by the Chairman upon consultation with all the Directors present.<br>The Company's response toward the opinions of the Nominating Committee: Submitted to the Board of Directors for approval by all the directors in attendance. |
| 4th meeting of the 2nd term 2023.12.28 | 1. Recommendation Proposal for the Nomination List of Candidates for the Financial Director and Accounting Director Positions. |
| | Nominating Committee Opinion: No objections or qualified opinion.<br>Resolution: Approved without objection by the Chairman upon consultation with all the Directors present.<br>The Company's response toward the opinions of the Nominating Committee: Submitted to the Board of Directors for approval by all the directors in attendance. |

(VI)Implementation of sustainable development and the deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons thereof:

| Actions implemented | Implementation (Note 1) | | | deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Has the Company established sustainable development structure, and formulated a dedicated (or concurrent) unit responsible for sustainable development? Has the BOD authorized the management team to handle such affairs and monitored the whole process? | V | | 1.The company and its subsidiaries established the "Corporate Sustainability Committee" on October 7, 2020 to be responsible for the planning and implementation of affairs related to CSR. Charity activities held by ESMT Educational Foundation will help promote corporate sustainability. (See P61 and ESG and the Company website for more details).<br>2. The Board of Directors is responsible for overseeing the development of sustainability, including the management policies and goals for important issues (refer to ESG and the Company website for more details). | No material departure |
| II. Does the company follow the principle of materiality to conducte risk assessment on environmental, social and corporate governance issues related to the company's operations, anddetermine relevant risk management policies or strategies? | V | | The Company has set out Corporate Social Responsibility (CSR) policies and disclosed them in the corporate governance section on MOPS and on the Company's official website. The Company has also appointed a corporate governance officer. The Company has long had a concern for special education groups and cultural and educational activities, cooperating with and support the operation of the ESMT Educational Foundation. By combining the strength of relevant groups, the Company supports children who have lost family and sponsors cultural, artistic, and education-related philanthropic activities. The Company also reviews their effectiveness | No material departure |

| Actions implemented | Implementation (Note 1) | | | deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | according to the annual plan. (see p. 53 and ESG and the Company website for more details) | |
| III. Environmental Issues<br>(1) Does the Company establish proper environmental management systems based on the characteristics of its industry? | V | | 1. The Company is committed to green product design and has obtained Green Partner certifications from multiple customers. At present, the Company's products are in compliance with international standards, such as RoHS, REACH, etc. | No material departure |
| (2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? | V | | 2. To conduct environmental management, the Company established an environmental management system in 2007 and obtained ISO 14001 certification through verification in January 2008, and has continued to promote programs relating to environmental improvement ever since. (See P103 for more detail) | No material departure |
| (3) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to address climate change issues? | V | | 3. To tackle global climate change, reduce and manage greenhouse gas emissions, deliver environmental justice, and fulfill its responsibility to protect the global environment, the Company conducts air conditioning and temperature control in summer to achieve efficient energy use and the goal of energy saving and carbon reduction. The Company continues to improve its performance in energy saving and carbon reduction in accordance with the ISO 14001 management system. (See P103 for more detail) | No material departure |

| Actions implemented | Implementation (Note 1) | | | deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (4) Has the Company taken inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and formulated policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management ? | V | | 4. The Company and its subsidiaries actively responds to the Carbon Disclosure Project (CDP) and voluntarily discloses greenhouse gas emissions, water consumption and waste according to the "Greenhouse Gas Protocol" (GHG Protocol) published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI). (See P107 for more detail) | No material departure |
| IV. Social Issues<br>(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? | V | | 1. Employee selection, training, appointment, retention, benefits and retirement of the Work Rules established by the Company are in compliance with domestic labor regulations and the International Bill of Human Rights. | No material departure |
| (2) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately? | V | | 2. The Company has established employee performance assessment procedures to evaluate employees' performance. The salary and remuneration are adjusted according to the evaluation results. Rewards and penalties are stipulated in the "Work Rules" with reference to the requirement of the corporate social responsibility policies. | No material departure |

| Actions implemented | Implementation (Note 1) | | | deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? | V | | 3. The Company established the Labor Safety and Health Committee in October 2009 to continuously strengthen the hardware and software facilities of work environment safety and personnel protection, in compliance with the relevant domestic laws and regulations, and successively promote and implement the related improvement programs.<br>No occupational accidents or fires occurred in the Company in 2023. | No material departure |
| (4) Does the Company provide its employees with effective career development and training sessions? | V | | 4. The Company enrolls employees in various seminars and courses related to career planning according to their career plans. The Company links the growth and development of the Company with the career development of its employees for the employer and the employees to grow together. The Company allocates subsidies for employee education and training every year. | No material departure |
| (5) Does the Company comply with relevant laws, regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services etc, and has a policy and complaint procedure for protecting consumer or customer rights? | V | | 5. The marketing and labeling of the Company's products and services are in compliance with relevant laws and regulations and international standards, such as the labeling of RoHS compliance on product packaging, The Company values customer feedback and has a dedicated unit that executes and handles complaint-related issues in accordance with the "Code of Practice for Handling Customer Complaints." | No material departure |
| (6) Has the Company formulated supplier management policies requiring suppliers to comply with relevant laws and regulations | V | | 6.When the Company signs a contract with a major supplier, the content of the contract should include the terms of compliance with the CSR policy | No material departure |

<table>
<tr><th rowspan="2">Actions implemented</th><th colspan="3">Implementation (Note 1)</th><th rowspan="2">deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>related to environmental protection, occupational safety and health or labor rights and supervised the implementation?</td><td></td><td></td><td>of both parties, and both parties should each try the best to fully understand whether the other party has violated its CSR and incorporate the circumstance into the commercial contract accordingly.</td><td></td></tr>
<tr><td>V. Does the Company refer to internationally-used standards or guidelines for the preparation of reports, such as CSR reports, to disclose non-financial information? Have the foregoing reports been verified or guaranteed by a third-party certification body?</td><td>V</td><td></td><td>The Company has disclosed the fulfillment of social responsibilities on its website and in the report of the Annual Shareholders' Meeting. The Company has prepared a Sustainability Report related to detailed instructions to see P.65.</td><td>No material departure</td></tr>
<tr><td colspan="5">VI.If the Company has established the sustainable development best practice principles based on the " Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation: To practice corporate social responsibility and achieve sustainable development goals, the Company established "Corporate Social Responsibility Practice Code" with reference to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the internal and external environment of the Company, to manage the Company's economic, environmental and social risks and impacts. The Company also assumes corporate citizenship responsibility, enhances national economic contributions, improves the quality of life of its employees, the communities, and society, and promotes competitive advantages based on corporate responsibility.</td></tr>
<tr><td colspan="5">VII. Other important information to facilitate better understanding of the Company's sustainable developmen practices:<br>1. Corporate Social Responsibility Promotion Unit<br>The Corporate Sustainability Committee of the Company is responsible for the planning, implementation and promotion of corporate social responsibility related matters. It integrates corporate social responsibility into the Company's business strategy in a purposeful, systematic and organized long-term manner, and fulfills corporate social responsibility. The Company established the Corporate Sustainability Committee on October 7, 2020.and related to the relevant instructions.<br>2. Risk Assessment and Policy<br>Based on the materiality principle of corporate social responsibility, the Company conducts risk assessments on important issues, and formulates the following risk management policies or strategies based on the assessed risks:</td></tr>
</table>

| Actions implemented | Implementation (Note 1) | | | deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |

| Major Issues | Assessment Item of Risk | Risk management policy or strategy |
|---|---|---|
| Environmental Sustainability | Environmental Protection | As a member of the global semiconductor product supply chain, The Company is obligated to take responsibility for the sustainable development of the environment. Through friendly environment, energy-saving and carbon reduction, and the formulation of safety and health policies, all business activities that affect the environment, safety and health should comply with legal requirements, reduce the negative impact on the environment, safety and health, and aim at increasing resource recycling. In addition, in line with international environmental protection laws and customers' requirements for environmental protection, The Company has also established a green product management system, making continuous improvement through the institutionalized PDCA management cycle, and obtained Green Partner certification from major international manufacturers. The products also comply with RoHS, REACH and other regulatory requirements.<br>In the future, The Company's main goal of environmental sustainability will continue to work hard and improve on green product design, launch more energy-saving and low environmental load products, and contribute to the sustainable development of the environment. |
| Social Responsibility | Workplace Safety | To prevent occupational disasters and protect the safety and health of employees, The Company has established an occupational safety and health committee. Through internal and external safety inspections and regular committee meetings, labor safety and health related issues are discussed, various labor safety and health related policies are also implemented.<br>Through education and training, the Company conveys the Company's commitment and relevant policy requirements, enabling employees and contractors to gain an understanding of the safety and health regulations and policies. The Company continues to improve through the institutionalized PDCA management cycle and implements the emergency response plan to ensure the achievement of safety and health goals and workplace safety. |
| | Social Care | The Company has long-term care for special education groups and cultural and educational activities, providing resources and |

| Actions implemented | Implementation (Note 1) | | | deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |

| | | |
|---|---|---|
| | | manpower, cooperating with the operation of the "ESMT Educational Foundation", combining the strength of related groups, helping children who have lost their families, and sponsoring or organizing culture, art and education, related public welfare activities, and reviewing the effectiveness according to the annual plan, to achieve the goal of caring for the society and giving back to the society. |
| Corporate Governance | Social-economy Legal Compliance | The Company ensures the achievement of the Company's operating efficiency by establishing a governance organization that meets the requirements and implements internal control mechanisms, thereby rewards shareholders, employees, and society. At the same time, through the establishment and promotion of relevant systems, the Company ensures that all personnel and operations shall strictly comply with relevant laws and regulations. |

3. The Company cooperates and supports the "ESMT Educational Foundation" of the purpose of this Council is to promote public welfare activities such as education, arts and culture, and to encourage lifelong learning and the very nature of life:

I. Establish or provide scholarships to encourage study or learning preprofessional skills.

II. Promote, sponsor, or organize various public welfare activities and clubs related to education, art and literature, and advocacy of aesthetics.

III. Promote, sponsor, or organize various public welfare activities and clubs related to lifelong learning, talent cultivation, occupational competence training, life education, reformatory education and inspiring growth education.

IV. Sponsor high-tech education and talent cultivation.

V. Promote, sponsor, or organize various academic activities and interchanges.

VI. Provide rewards to cultivation of outstanding talents and participation in various performances and competition.

VII. Donate books, tools and materials, or equipment for the purpose of public welfare education.

VIII. Other education affairs of a public welfare nature that meet the purpose of the founding of this Foundation.

The 2023 implementation plan is as follows:

| Actions implemented | Implementation (Note 1) | | | deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| a. Sponsored the fund of Hsinchu Toranado Boxing Education Association.<br>b. Sponsored the operating fund of Hsinchu Symphony Orchestra.<br>c. Sponsored the student sewing hand-made course and teacher training project fund of Charity Foundation Hsinchu Catholic Social Welfare Foundation.<br>The rest is omitted<br>For the related content, please refer to the website of ESMT Educational Foundation: http://www.esmtfoundation.org.tw/zh-tw | | | | |

Note 1: Describe briefly in implementation status column whether the result of implementation is "Yes" or "No".

## (VII) Information on Climate-related Implementation Status

| Item | Execution Status |
|---|---|
| 1. Outline how the Board of Directors and management supervise and manage climate-related risks and opportunities. | On October 7, 2020, the Company established the ESG Committee, which provides regular reports to the Board of Directors. The Committee has appointed an Executive Secretary to coordinate the teams involved in promoting sustainability, as well as identifying and addressing climate-related risks and opportunities. |
| 2. Outline how identified climate risks and opportunities affect the Company's operations, strategies, and finances (short-term, medium-term, long-term). | As of the printing date of this annual report, the Company has identified partial climate risks and opportunities. The relevant information has been disclosed on the Company's official website and in the ESG report. |
| 3. Outline the financial impact of extreme weather events and transition actions. | As of the printing date of this annual report, the Company has not yet completed the assessment of the impact of extreme weather events and transition actions on our finances. The relevant information will be disclosed on the Company's official website upon completion. |
| 4. Outline how the identification, assessment, and management processes relating to climate risks are integrated into the overall risk management system. | As of the printing date of this annual report, the Company has completed partial identification, assessment, and management processes related to climate risks. The relevant information has been disclosed on the Company's official website and in the ESG report. |

| | |
|---|---|
| 5. If utilizing scenario analysis to evaluate resilience to climate change risks, it is crucial to provide a clear explanation of the scenario, parameters, assumptions, analysis factors, and significant financial impacts employed. | As of the printing date of this annual report, the Company has not yet utilized scenario analysis to assess resilience to climate change risks. The relevant information will be disclosed on the Company's official website once completed. |
| 6. If a transformation plan is in place to mitigate climate-related risks, please provide a detailed description of the plan's content. Additionally, include the indicators and objectives that are utilized to identify and manage both physical and transformational risks. | As of the printing date of this annual report, the Company has not yet completed the transformation plans to address climate-related risk management. The relevant information will be disclosed on the Company's official website once completed. |
| 7. If internal carbon pricing is used as a planning tool, it is important to provide an explanation for the basis of price determination. | As of the printing date of this annual report, the Company has already utilized internal carbon pricing as a planning tool. However, the related content has not been disclosed on the Company's official website or in the ESG report. The relevant information is scheduled to be reflected in the 2023 ESG report. |
| 8. If climate-related goals have been set, it is important to provide an explanation of the activities covered, greenhouse gas emission scope, planning schedule, and annual progress. If carbon offsetting or renewable energy certificates (RECs) are utilized to meet these goals, it is necessary to specify the source and quantity of carbon offset or the quantity of RECs. | As of the printing date of this annual report, the Company does not meet the criteria for applicability, and therefore it is not applicable. |
| 9. Greenhouse gas inventory and verification, reduction targets, strategies, and specific action plans (to be completed in sections 1-1 and 1-2). | As of the printing date of this annual report, the Company does not meet the criteria for applicability, and therefore it is not applicable. |

## 1-1 Company Greenhouse Gas Inventory and Verification in the Last Two Years

### 1-1-1 Greenhouse Gas Inventory Information

| Please provide the emissions (in metric tons of $CO_2e$), intensity (in metric tons of $CO_2e$ per million dollars), and data coverage for the greenhouse gases over the past two years. |
|---|
| N/A |

### 1-1-2 Verified Greenhouse Gas Emission Data

| Describe the verification status for the two most recent fiscal years up to the printing date of the annual report, including the scope of verification, the verification provider, verification criteria, and verification opinion. |
|---|

| |
|---|
| N/A |

## 1-2 Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans

| Please provide an overview of the baseline year and data related to greenhouse gas reduction, reduction targets, strategies, specific action plans, and the progress made towards achieving these targets. |
|---|
| N/A |

(VIII)Compliance with ethical corporate management, and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof:

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons thereof |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| I.Establishment of Ethical Corporate Management Policies and Programs<br>(I) Has the Company formulated the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?<br>(II) Has the Company established a risk assessment mechanism against unethical conduct to analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and formulated a prevention program accordingly, which shall at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"?<br>(III) Has the Company defined operational procedures, conduct guidelines, and disciplinary and grievance systems for non-compliance in its prevention program against unethical conduct and implemented them, and does the Company regularly review and revise the foregoing program? | V<br>V<br>V | | 1. The Company and the Group of Companies clearly specified in their rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and the management for rigorous and thorough implementation of such policies, and carried out the policies in internal management and in commercial activities. Compliance with ethical corporate management to see P.65<br>2. The Directors, managers, and employees of the Company shall not, directly or indirectly, provide, promise, demand or accept any improper benefits or engage in other unethical or illegal acts or breach their fiduciary duties during the course of commercial activities in order to acquire or maintain their personal interest.See P.289<br>3. When establishing the prevention program, the Company shall analyze business activities within the business scope which may be at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures. | No material departure |
| II.Implementation of Ethical Corporate Management<br>(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?<br>(II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct? | V<br>V | | 1. Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved. When entering into contracts with its agents, suppliers, clients, or other trading counterparties, the Company shall include in such contracts terms requiring compliance with the integrity management policy.<br>2. The Corporate Sustainability Committee of the Company is responsible for the formulation and supervision of the corporate integrity management | No material departure |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons thereof |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| (III) Has the Company established policies to prevent conflicts of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?<br>(IV) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management, and has the internal audit unit prepared an audit plan based on the assessment results of the risk of unethical conduct and checked the compliance of the prevention program against unethical conduct accordingly, or entrusted a CPA to perform the audit?<br>(V) Does the Company regularly hold internal and external educational trainings on ethical corporate management? | V<br>V<br>V | | policy and the implementation of the plan, and reports to the Board of Directors on a regular basis. See P.61<br>3. The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks potentially resulting from unethical conducts, and shall also offer appropriate means for the Directors, managers, and other stakeholders attending or be present at the meetings of the Board of Directors to voluntarily explain whether their interests would potentially be conflicted with those of the Company.<br>4. The Company shall establish effective accounting systems and internal control systems for business activities that are potentially at a higher risk of being involved in unethical conducts to prevent from having under-the-table accounts or keeping secret accounts, and conduct reviews regularly to ensure that the design and enforcement of the systems are effective.<br>The Internal Audit Department regularly reviews the compliance of various systems and reports to the Board of Directors.<br>5. The Company promotes the concept of integrity management at all levels of management meetings and communication meetings. In addition, there are a variety of communication channels that can be communicated at any time.Detailed information on relevant education and training to see P.65。 | |
| III.Status of Enforcing Whistle-blowing Systems in the Company<br>(I) Has the company established a concrete whistleblowing and rewarding system, and set up accessible methods for whistleblowers, and designate appropriate and dedicated personnel to investigate the accused?<br>(II) Has the Company established an SOP for investigation and relevant confidentiality mechanism for all whistleblowing cases?<br>(III) Does the Company take any measures to protect whistleblowers so that they are safe from mishandling? | V<br>V<br>V | | 1. The Company has strengthened the promotion of ethical concepts to employees and established a dedicated hotline and e-mail, where employees can report to the management if they suspected or identified violations of laws and regulations or ethical standards. In addition, a reward and punishment system is stipulated in the "Work Rules" and announced to all employees of the Company.<br>2. The Company has a dedicated complaint hotline and e-mail to provide employees with timely response and opinion. Complaints are handled according to the Company's relevant measures. To protect whistleblowers, confidentiality terms are stipulated in the procedures. The Company will take appropriate measures depending on the seriousness of the circumstances. The contact information was disclosed on the Company's official website<br>3. The measures of the Company stipulated protection measures for the | No material departure |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons thereof |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| | | | whistleblowers to ensure the quality and fairness of the investigation and avoid unfair treatment. See P.289 | |
| IV.Enhanced Disclosure of Corporate Social Responsibility Information<br>Has the Company disclosed the content of its integrity operation principles and its result of implementation on its website and MOPS? | V | | The Company has established the "Code of Integrity Management", which has been disclosed in the Corporate Governance section on MOPS and the Company website’s corporate governance area to see P.65. | No material departure |
| V.If the Company has established the Corporate Social Responsibility best practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation: To establish a corporate culture and sound development of integrity management, the Company refers to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", and the internal and external environment of the Company, and formulate the "Code of Integrity Management" to comply with. | | | | |
| VI.Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g. reviews and amendments to its policies).<br>The Company should operate its business in a fair and transparent manner based on the principle of good faith management. Designated people are in place as regular communication channels with the customers to keep up with the customer dynamics at any time through a good mechanism to ensure the integrity of both parties. The Company also pays attention to the relevant laws and regulations on integrity management at any time, based on which it reviews and improves the relevant operation standards of the Company and enhances the effectiveness of the Company's integrity management. The Company has prepared a Sustainability Report related to detailed instructions to see P.65. | | | | |

Note 1: Describe briefly in implementation status column whether the result of implementation is "Yes" or "No".

(IX) Please disclose the access to the Company's corporate governance principles and related rules and regulations:

The Company has established the "Corporate Governance Code" and related regulations, which have been disclosed in the Corporate Governance section of MOPS, which is available for access to the investors (including shareholders).

(X) Other important information that is sufficient to enhance the understanding of the operation of corporate governance must be disclosed together:

## I. Responsibilities of the Corporate Governance Officer:

The company resolved in the 1st term, 3rd nomination meeting on June 16, 2021 and the 8th term,13th Board meeting on the same day to appoint Mr. Hong-Gee Wu as the corporate governance officer to protect shareholder interests and strengthen the functions of the Board of Directors.

The main responsibilities of the Corporate Governance Officer shall include:

1.Handle matters in relation to the Board meetings and shareholders' meetings according to law.

2.Keep minutes at the Board meetings and shareholders' meetings.

3.Assist Directors in taking office and carrying out continuing education.

4.Provide information required for the Directors to conduct business.

5.Assisting Directors in complying with the laws and regulations.

6.Report to the Board of Directors on the review of the qualifications of Independent Directors in accordance with relevant laws and regulations during the nomination, election, and tenure.

7. Handle matters related to change of Directors.

8.Other matters as stipulated by laws and regulations, articles of incorporation, or contracts.

Before being designated as the corporate governance officer, Mr. Hong-Gee Wu has equipped similar experience as an internal audit supervisor in public listed companies for three years; The total hours of training in 2023 were 18 hours, and the details are as follows:

| Date | Unit | Course Name | Hours of Courses |
|---|---|---|---|
| 2023/05/23 | Taiwan Stock Exchange | Promotion of the Sustainable Development Action Plan for Listed Companies | 3.0 |
| 2023/06/09 | Securities and Futures Institutes | 2023 Annual Conference on Preventing Insider Trading and Promoting Ethical Practices | 3.0 |
| 2023/07/27 | Securities and Futures Institutes | Enterprise Operations and Risk Management | 3.0 |
| 2023/09/04 | Securities and Futures Institutes | Understanding Global Economic Trends | 3.0 |

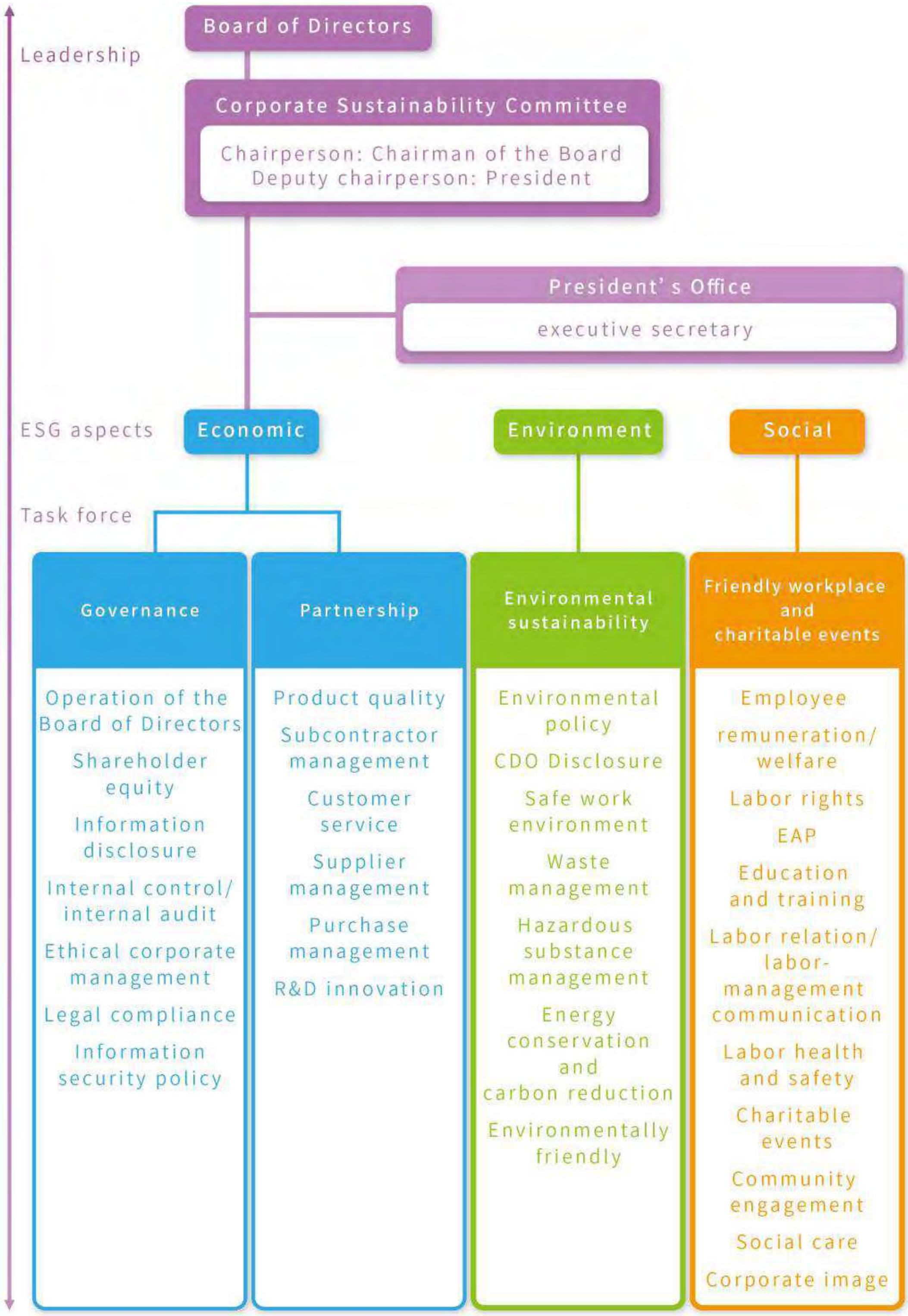
| | | | |
|---|---|---|---|
| | | and Technological Developments: Key Issues for Businesses | |
| 2023/10/27 | Securities and Futures Institutes | Ensuring Sustainable Business Operations: Starts From the Discovery and Cultivation of Talents | 3.0 |
| 2023/12/28 | Securities and Futures Institutes | The Impact of the US-China Trade War on Taiwanese-Owned Enterprises and Strategies for Coping | 3.0 |

## II.Corporate Sustainability Committee

In response to the promotion of risk management and corporate sustainability strategy, the Company established the Corporate Sustainability Committee on October 7, 2020. The Chairperson of the Board and the President are the Chairperson and the Deputy Chairperson of the Committee, respectively, convening senior executives to form the Committee, which consists of working groups on "Corporate Governance," "Partnership," "Environmental Sustainability," and "Friendly Workplace and Public Interests of the Society." The aim is to manage business risks in the economic, environmental and social aspects based on the principle of sustainable management, and provide a reference for the senior managers and the Board of Directors to formulate strategic policies and improve management. The ESG Committee has appointed an ESG Committee Executive Secretary to coordinate each team in promoting sustainability-related issues, convening ESG Committee meetings, and compiling the ESG Report. Details of the Committee's organization and annual operation are shown in the attached chart.

The Company's Corporate Sustainability Committee has submitted the management report to the 6th meeting of the 2nd Audit Committee and the 10th meeting of the 9th Board of Directors (July 27, 2023).

## ESMT Corporate Sustainability Committee Organizational Structure




<u>Committee Responsibilities</u>

●Formulate the direction, strategy and goals for the sustainable development of the Company
●Define the severity of the impact of various issues on the Company
●Confirm the Company's major issues and the priority of their implementation
●Assign the executive secretary and group leaders
●Review the short-, mid- and long-term goals and implementation proposals of major issues

prepared by each working group
●Supervise the working groups implementing plans and programs
●Track and review the achievement status of each goal and implementation plan
●Report to the Board of Directors on the effectiveness of implementation and future plans

Risk management policy

To ensure the smooth operation and enhance corporate governance of the Company and its subsidiaries, and to effectively implement the Board of Directors' supervisory role in risk management, sustainable operation is established as the primary objective of business operations. On December 28, 2023, the "Risk Management Procedure and Related Operation Regulations" were established. These regulations were approved during the 9th meeting of the 2nd Audit Committee and the 13th meeting of the 9th Board of Directors on the same day, and serve as the overarching guiding principles for risk management across all units.

The objective of our Company's risk management is to effectively manage the various risks that could impact the achievement of our goals. To accomplish this, we have implemented a comprehensive risk management framework. Our goal is to seamlessly integrate risk management into our operational activities and daily management processes in order to achieve the following objectives:

I. Achieving Operational Goals
II. Improving Management Efficiency
III. Providing Reliable Information
IV. Allocating Resources Efficiently

The Company's Corporate Sustainability Committee has submitted risk management-related matters to the 6th meeting of the 2nd Audit Committee and the 10th meeting of the 9th Board of Directors (July 27, 2023).

Responsibilities of the Working Groups

| Aspect | Group | Responsibilities |
|---|---|---|
| G | Corporate Governance | 1. Assist the Board of Directors in fortifying the functions<br>2. Protect the rights and interests of investors<br>3. Establish various systems and regulations for corporate governance<br>4. Ensure the transparency and disclosure of information<br>5. Comply with relevant laws and regulations |
| | Partnership | 1. Improve the sustainability of the supply chain<br>2. Build long-term partnerships for co-prosperity regarding product quality, customer service, and delivery and supply in supply chain management. |
| E | Environmental Sustainability | 1. Promote the environmental protection work of the Company to meet the requirements of laws and regulations<br>2. Promote work on safety and health to meet the requirements of laws and regulations and ensure the safety of the working environment<br>3. Promote energy saving and carbon reduction to achieve the set goals |

| | | |
|---|---|---|
| S | Friendly Workplace and Public Interests of the Society | 1. Plan employee benefits<br>2. Assist the Company in planning employee career development<br>3. Uphold employees' rights at work<br>4. Create a friendly workplace<br>5. Develop community welfare and give back to the community in line with the Company's core philosophy. |

Operating Performance for the Year 2023

1. Committee/Working Group Meeting
   (1) February 24, 2023 - ESG Report and Annual Report - Key Statistics for 2022
   (2) March 30, 2023 - Environmental Sustainability Subcommittee Work Report - TCFD Framework
   (3) April 20, 2023 - Discussion on Annual Sustainability Report (TCFD & SASB)
   (4) May 19, 2023 - Environmental Sustainability Subcommittee Work Report
   (5) June 19, 2023 - Environmental Sustainability Subcommittee Work Report
   (6) July 13, 2023 - Environmental Sustainability/Friendly Workplace Subcommittee Work Report
   (7) August 15, 2023 - Environmental Sustainability/Friendly Workplace Subcommittee Work Report
   (8) October 12, 2023 - Environmental Sustainability Subcommittee Work Report
   (9) November 7, 2023- Discussion on Friendly Workplace Team Activities
   (10) November 16, 2023 - Environmental Sustainability/Friendly Workplace Subcommittee Work Report
   （11） November 29, 2023- Discussion on Friendly Workplace Team Activities

2. Board of Directors Report and Discussion
   (1) February 23, 2023 (6th Meeting of the 9th Board of Directors)
      - Progress Report on the Greenhouse Gas Inventory Project
      - Explanation of the Indicators for the 10th Corporate Governance Evaluation
      - 2022 Annual Sustainability Editorial Report
   (2) April 27, 2023 (8th meeting of the 9th Board of Directors)
      - Progress Report on the Greenhouse Gas Inventory Project
      - 2022 Sustainable Business Performance Report
   (3) July 27, 2023 (10th meeting of the 9th Board of Directors)
      - Progress Report on the Greenhouse Gas Inventory Project
      - Report on Corporate Sustainable Risk Management Policies
      - 2022 Sustainable Business Report
   (4) October 27, 2023 (12th Meeting of the 9th Board of Directors)
      - Progress Report on the Greenhouse Gas Inventory Project

# III. Sustainability Report

## About this report

This Sustainability Report for 2022 is published by Elite Semiconductor Microelectronics Technology Inc., ESMT (“ESMT” hereinafter). This report makes ESMT’s efforts and achievements regarding the Environment, Social, and Governance (ESG).

## Scope

This report discloses ESMT’s actions and accomplishment on The ESG fronts, such as governance, partnership, environmental sustainability, friendly workplace, and charitable events carried out by ESMT’s Hsinchu Operations Headquarters in Taiwan in 2022 (January 1, 2022 ~ December 31, 2022).

## Compilation principles

This report identifies the issues concerning stakeholders by performing a materiality analysis of the ESG issues (Environment, Social, Governance) related to ESMT. Information in this report in compiled and disclosed by following the Core Option of the GRI Standards. The report content is compiled and disclosed in accordance with the Semiconductor Industry Disclosure Standard of the Sustainability Accounting Standards Board (SASB). Additionally, the report incorporates the Taske Force on Climate-Related Financial Disclosures (TCFD) framework.

This report provides summary of statistics from each responsible unit of ESMT, the financial performance statistics are open information which has been attested by CPAs, and are consistent with those in ESMT’s annual report.

## Report verification

The content of this report was collected and compiled by each task force and the executive secretary of ESMT’s Corporate Sustainability Committee. After being verified by the supervisor of each responsible unit and confirmed by all members of the Corporate Sustainability Committee, the report is then approved by the chairperson of the Corporate Sustainability Committee to the Board of Directors.

## Report publication

ESMT has published the Sustainability Report in both the Chinese and the English on the official website for review and download by the general public.
Current publication date: June 2023

# IV. Ethical Management Unit and Operation Status

A corporate governance team is set up under the Company's Corporate Sustainability Committee. It is composed of the corporate governance officer, legal, financial, share affairs, and information security units to initiate relevant tasks of corporate governance and operation integrity (refer to 2022 CSR Report). The convenor is Mr. Hong-Gee Wu. Based on different functions of the units, the team assists Sustainability Committee and supervisors to establish and monitor operation integrity policies, ensuring the guidelines have been adopted thoroughly and the results being reported to the Board of Directors. The team, along with the Sustainability

Committee and the Audit Committee, made a report to the Board of Directors on July. 23, 2023.

Results and Goals

| Issue | Result in 2022 | Future Goals |
| --- | --- | --- |
| Legal compliance and anti-corruption | No violation was found<br>Relevant training on employees: 95.85% | Maintain the operation of corporate governance and ethical management<br>Relevant training on employees > 90% |

The Company completed the educational training featuring the prevention of insider trading through online learning in December 2023. A total of 550 people completed the training, with the achievement rate reaching 96.32%. For employees who haven't completed the training, they will be tracked closely in the education program in the following year.

## V. Identity of Stakeholders, Issues of Concern, Communication Channels, and Response Methods Investigate engagement level (issue of concern and communication channel)

ESMT collected 34 issues and investigated the issues of concern that the five groups of stakeholders care about by delivering 157 questionnaires. 144 questionnaires had been collected with the response rate reaching 91.72%. Hence the issues of concern were collected.

| Stakeholder | Connection | Communication channel | Issues of concern |
| --- | --- | --- | --- |
| Clients/customers<br> | Long-term partners and the key to company growth | · Client satisfaction survey (annually)<br>· Sustainability Report (annually)<br>· Designated unit (occasionally)<br>· Customer audit (occasionally)<br>· Business meetings (occasionally)<br>· Company website (occasionally) | 1. Quality management<br>2. Information protection/ personal information security/client privacy<br>3. Corporate integrity<br>4. Innovative R&D of products and services<br>5. Anti-corruption |
| Employee<br> | An important asset of the Company. Develop a sense of belonging through welfare and career development. | · Labor relations meetings, Employee Welfare Committee meetings (quarterly)<br>· Employee mailbox/hotline:<br>· Internal website and announcement board<br>· Conversation with the Chairman of the Board and the President (regular) | 1. Salary and Welfare<br>2. Employee career management<br>3. Talent development<br>4. Innovative R&D of products and services<br>5. Employment |
| Supplier<br> | Long-term partners for stable development and sustainable operation | · Supplier assessment (quarterly)<br>· Sustainability Report (annually)<br>· Designated unit (occasionally)<br>· Supplier meetings (occasionally)<br>· Company website (occasionally) | 1. Information protection/ personal information security/client privacy<br>2. Occupational safety and health<br>3. Corporate integrity<br>4. Economic performance<br>5. Environmentally-friendly products |

| | | | |
|---|---|---|---|
| Shareholders<br> | The main source of capital. Good performance demonstrates company value and pursues sustainable operation. | • Company financial statements (quarterly)<br>• Investor conference (twice a year)<br>• Annual Report (annually)<br>• Shareholders' meeting (annually)<br>• MOPS (according to law)<br>• Sustainability Report (annually)<br>• Company website (occasionally)<br>• Mailbox and hotline (occasionally) | 1. Corporate integrity<br>2. Economic performance<br>3. Innovative R&D of products and services<br>4. Legal Compliance<br>5. Quality management |
| Government institutions<br> | Communication channel with the government to understand the latest legal news | • MOPS (regular)<br>• Pollution prevention reporting (regularly)<br>• Sustainability Report (annually)<br>• Government audits (occasionally)<br>• Official documents, emails and meetings (occasionally)<br>• Company website (occasionally) | 1. Legal Compliance<br>2. Information protection/ personal information security/client privacy<br>3. Corporate integrity<br>4. Economic performance<br>5. Intellectual Property Rights |

## Analyze business impacts

By considering the impacts of ESG, risks and opportunities in every aspect, ESMT analyzed the impact levels of 34 issues after the identification and assessment of the Sustainability Committee.

## Decide the disclosure border/ review the disclosed content (management strategies of material issues)

After the discussion with ESMT Sustainability Committee, other than the eight issues that have high impacts on business and high level of concerns from the stakeholders, the committee members also considered eco-friendly products and supplier management are also important. Therefore, the two issues were added to the material issues. According to GRI Guidelines to disclose management strategies and performance, future goals have been made for each issue, and regular reviews have been conducted. Relevant content detailed Sustainability Report.

The Company's Corporate Sustainability Committee has submitted the report on matters discussed with the related parties to the 6th meeting of the 2nd Audit Committee and the 10th meeting of the 9th Board of Directors (July 27, 2023).

（XI）Status of Internal Control System:

1. Statement of Internal Control:

Elite Semiconductor Microelectronics Technology Inc

Date: February 27, 2024

This Statement of Internal Control System is issued based on the self-assessment of the Company for the Financial Year 2023.

I. The Company acknowledges that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and managers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.

II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the three aforementioned goals. In addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.

III. The Company uses the assessment items specified in the Guidelines Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Guidelines") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Guidelines divide the internal control system into five constituent elements: 1. control environment; 2. risks assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Guidelines.

IV. The Company has already adopted the aforementioned Guidelines to evaluate the effectiveness of its internal control system design and operating effectiveness.

V. Based on the findings of such evaluation, the Company believes that, on December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of its subsidiaries), to provide reasonable assurance over the Company's operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws, and regulations.

VI. This statement will constitute the main content of the Company's Annual Report and the Prospectus, which will be disclosed to the public. Any falsehood or concealment with regard to the above contents will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement has been approved by the Company's Board of Directors on February 27, 2024, and out of the 9 members of the Board of Directors in attendance, none had objected to it and all consented to the contents expressed in this statement.

Elite Semiconductor Microelectronics Technology Inc

Chairman of the Board: Hsing-Hai Chen Signature and Seal

President: Ming-Chien Chang Signature and Seal

2. Any CPA commissioned to conduct an audit on the Internal Control System shall disclose the CPA’s audit report: None.

(XII) In the most recent financial year and up to the date of publication of the Annual Report, If the Company and its internal personnel have been punished according to the law, or if the Company has imposed penalties on its internal personnel for violations of internal control system regulations, the results of these penalties, which have a significant impact on shareholder equity or securities prices, should be specified with the content of the penalties, the main deficiencies, and the improvement measures: None.

(XIII) Important resolutions of the Shareholders' Meetings and the meetings of the Board of directors from the most recent financial year up to the date of publication of the Annual Report.

Board of Directors:

| Date | Content of Proposals and Follow-up Actions | Issues specified in Article 14-3 of the Securities and Exchange Act | Objections or Qualified Opinion of the Independent Directors |
|---|---|---|---|
| The 9th Board The 6nd meeting Feb 23, 2023 | (1)Approved the 2022 remuneration distribution for employees and directors. | | |
| | (2)Approved the Company's 2022 final accounting books and statements. | | |
| | (3)Approved the distribution of the Company's 2022 earnings. | | |
| | (4)Approved the self-assessment of the Company's internal control system for 2022. | | |
| | (5)Approved the Company's allowance of employee stock option to be subscribed for ordinary shares of NT$53.30 per share until Mar. 31, 2023. If the employee exercises the stock option, the Chairperson of the Board is authorized to set the actual number of shares issued within the range of 1,000 shares to 14,117 shares. The base date for the issuance of new shares is Mar. 31, 2023. In the event of a change, the Chairperson is authorized to set another date. | | |
| | (6)Approved the amendment to the Company's "Articles of Incorporation." | V | |
| | (7) Approved the establishment of the operating plan and budget for fiscal year 2023. | | |
| | (8) Approved the convening of the Company's 2023 Annual General Shareholders' Meeting. | | |
| | (9) Approved the designated period and venue for accepting proposals from the shareholders. | | |
| | (10)Approved the appointment of the Company's CPAs for 2023. | V | |
| | Opinions of Independent Directors: None. | | |
| | The Company's actions in response to the opinions of the Independent Directors: None. | | |
| | Resolution results: All the directors present voted in favor of the resolution without any objection. | | |

| Date | Content of Proposals and Follow-up Actions | Issues specified in Article 14-3 of the Securities and Exchange Act | Objections or Qualified Opinion of the Independent Directors |
|---|---|---|---|
| The 9th Board The 7nd meeting Mar 23, 2023 | (1)Planning of the 2022 continuing education program for the Company's Directors' and Appointed Managers'.<br>(2)Report on the evaluation of the performance of the Board of Directors and its committees for 2022. | | |
| The 9th Board The 8nd meeting April 27, 2023 | (1)Approved the nomination and review of the Independent Director candidates.. | | |
| | (2) Approved that Company's employee stock option can be exercised to subscribe for ordinary shares at NT$53.3 per share until June 30, 2023. If the employee exercises the stock option, the Chairman is authorized to set the actual number of shares issued range from 1,000 to 14,117 shares. The base date for the issuance of new shares is June 30, 2023. In the event of a change, the Chairman is authorized to change the date. | | |
| | (3) Approved the application for the credit line with various financial institutions in response to the Company's capital needs. | | |
| | (4)Approved the proposal on Company's salary adjustment and bonus distribution for Chairman Hsing-Hai Chen. | | |
| | (5)Approved the resolution of the managers' remuneration ajustment for FY2023 of the Company. | | |
| | (6) Approved the resolution of managers' and employees' compensation and bonus for FY2022 of the Company. | | |
| | (7)Approved the resolution of the Company's remuneration to Directors for FY2022. | | |
| | Opinions of the Independent Directors: None. | | |
| | The Company's actions in response to the opinions of the Independent Directors: None. | | |
| | Resolution: In the case (1 and 3) was Approved without objection by the Chairman upon consultation with all the Directors present.<br>In the case (4) except for the members: Chairman Hsing-Hai Chen, who did not participate in the discussion and recused themselves from voting for the interested parties. During his recusal, Director Ming-Chien Chang was designated as Acting Chairman to preside over the proceedings.<br>In the case (5) except for the members:Ming-Chien Chang, Chih-Hong Ho, and Yeong-Wen Daih, who did not participate in the discussion and recused themselves from voting for the interested parties, the remaining members passed the case without any disagreement.<br>In the case (6) except for the members: Ming-Chien Chang, Chih-Hong Ho, and Yeong-Wen Daih, who did not participate in the discussion and recused themselves from voting for the interested parties, the remaining members passed the case without any disagreement.<br>In the case (7) except for the members Hsing-Hai Chen, Ming-Chien Chang, Chih-Hong Ho, Yeong-Wen Daih, Chia-Neng Huang, William W.Shen, Tai-Haur Kuo, Bing-Yue Tsui, and Jeng-Yang, Jian, who did not participate in the discussion and recused themselves from voting for the interested parties.<br>In the case of Chairman Hsing-Hai Chen's related portion of the agenda, Director Jeng-Yang, Jian was designated as the acting chairman to preside over the discussion and voting during his recusal. After consulting with other attending directors and discussing the matter, the decision was unanimously passed without objection. | | |
| The 9th Board The 9nd meeting May 30, 2023 | Report of the ex-dividend record date of and issue date of the Company and related items. | | |
| | Opinions of the Independent Directors: None. | | |
| | The Company's actions in response to the opinions of the Independent Directors: None. | | |
| | Resolution results: All the directors present voted in favor of the resolution without any objection. | | |
| The 9th Board The 10nd meeting July 27, 2023 | (1) Approved the Company's 2023 Q2 financial report. | | |
| | Opinions of Independent Directors: None. | | |
| | The Company's actions in response to the Opinions of the Independent Directors: None. | | |
| | Resolution results: All the directors present voted in favor of the resolution without any objection. | | |

| Date | Content of Proposals and Follow-up Actions | Issues specified in Article 14-3 of the Securities and Exchange Act | Objections or Qualified Opinion of the Independent Directors |
|---|---|---|---|
| The 9th Board The 11nd meeting September 4, 2023 | (1) The Company raised and issued first domestic unsecured convertible bonds. | V | |
| | Opinions of the Independent Directors: None. | | |
| | The Company's actions in response to the opinions of the Independent Directors: None. | | |
| | Resolution: All the directors present voted in favor of the resolution without any objection. | | |
| The 9th Board The 12nd meeting October 27, 2023 | (1)Approved the Company's 2023 Q3 financial report. | | |
| | Opinions of the Independent Directors: None. | | |
| | The Company's actions in response to the opinions of the Independent Directors: None. | | |
| | Resolution: All the directors present voted in favor of the resolution without any objection. | | |
| The 9th Board The 13nd meeting December 28, 2023 | (1) Approved the audit plan of the Company for 2024. | | |
| | (2) Approved the Company's "Operating Standards Related to Financial Business Between Related Parties". | V | |
| | (3) Approved the Company's "Operating Standards Related to Risk Management Procedures". | V | |
| | (4) Approved donation by the ESMT Educational Foundation. | | |
| | (5) Approved the independence and competency of the CPAs and their appointment and remuneration proposal. | V | |
| | (6) Appointment of a Financial Director and an Accounting Director. | V | |
| | Opinions of the Independent Directors: None. | | |
| | The Company's actions in response to the opinions of the Independent Directors: None. | | |
| | Resolution results: All the directors present voted in favor of the resolution without any objection. | | |
| The 9th Board The 14nd meeting Feb 27, 2024 | (1)Approved the Company's 2023 final accounting books and statements. | | |
| | (2) Approved the distribution of the Company's 2023 earnings. | | |
| | (3) Approved the self-assessment of the Company's internal control system for 2023. | | |
| | (4) Approved the application for the credit line with various financial institutions in response to the Company's capital needs. | | |
| | (5)Approved the establishment of the operating plan and budget for fiscal year 2024. | | |
| | (6) Approved the convening of the Company's 2024 Annual General Shareholders' Meeting. | | |
| | (7) Approved the designated period and venue for accepting proposals from the shareholders. | | |
| | (8)Approved the issuance of the Company's inaugural unsecured convertible corporate bonds for domestic conversion into common stock. | | |
| | (9) Approved the change of deputy spokesperson. | | |
| | Opinions of the Independent Directors: None. | | |
| | The Company's actions in response to the opinions of the Independent Directors: None. | | |
| | Resolution results: All the directors present voted in favor of the resolution without any objection. | | |

Shareholders' Meeting:

<table>
<tr><th>Date</th><th>Review of Key Resolutions and Implementation</th></tr>
<tr><td rowspan="3">May 30,2023</td><td>Adoption Item 1: Adoption of the Business Report and Financial Statements for FY2022.<br>Resolution: The proposal is voted and resolved as it is..<br>Voting Results:<br>
<table>
<tr><th>Number of Votes by Attending Shareholders</th><th>Approved Votes</th><th>Disapproved votes</th><th>Abstained Votes/No Votes</th></tr>
<tr><td>176,347,842 rights</td><td>166,452,921 rights</td><td>79,207 rights</td><td>9,815,714 rights</td></tr>
<tr><td>100%</td><td>94.38%</td><td>0.04%</td><td>5.56%</td></tr>
</table></td></tr>
<tr><td>Adoption Item 2: Adoption of the Earnings Distribution for FY2022.<br>Resolution: The proposal is voted and resolved as it is.<br>Voting Results:<br>
<table>
<tr><th>Number of Votes by Attending Shareholders</th><th>Approved Votes</th><th>Disapproved votes</th><th>Abstained Votes/No Votes</th></tr>
<tr><td>176,347,842 rights</td><td>166,554,368 rights</td><td>81,908 rights</td><td>9,711,566 rights</td></tr>
<tr><td>100%</td><td>94.44%</td><td>0.04%</td><td>5.50%</td></tr>
</table>
Implementation review: The cash ex-dividend date of this Earnings Distribution was July 4, 2023, and the dividend was distributed by remittance and postal cheque on July 31, 2023</td></tr>
<tr><td>Discussion Item 1: Proposed resolution to amend the Company's "Articles of Association".<br>Resolution: The proposal is voted and resolved as it is.<br>Voting Results:<br>
<table>
<tr><th>Number of Votes by Attending Shareholders</th><th>Approved Votes</th><th>Disapproved votes</th><th>Abstained Votes/No Votes</th></tr>
<tr><td>176,347,842 rights</td><td>163,697,268 rights</td><td>1,791,643 rights</td><td>10,858,931 rights</td></tr>
<tr><td>100%</td><td>92.82%</td><td>1.01%</td><td>6.15%</td></tr>
</table>
Implementation review: The Company's operating management system documents have been amended, and the relevant "Articles of Association" shall be handled in accordance with this newly revised provision.</td></tr>
</table>

（XIV）Major Issues of Record or Written Statements Made by Any Director Objecting to Important Resolutions Passed by the Board of Directors in the most recent recent financial year and up to the date of publication of the Annual Report: None.

（XV）Resignation or Dismissal of the Chairman of the Board, President, and Heads of Accounting, Finance, Internal Audit and R&D in the most recent recent financial year and up to the date of publication of the Annual Report: None.

| Title | Name | Date of assumption of office | Date of termination of office | Reasons for resignation or dismissal |
|---|---|---|---|---|
| Senior Director of Finance Division | Candy Chu | 2006/09/01 | 2023/12/28 | Position adjustment |

## IV. Information of Audit Fee

### (I) Information of Audit Fee:

Unit:Thousand NTD

| CPA Accounting Firm | Name of CPAs | Audit Period | Audit Fee | Non-audit Fee | Total | Remarks |
|---|---|---|---|---|---|---|
| Pricewaterhouse Coopers Taiwan | Cheng, Ya-Huei | 2023.1.1~ 2023.12.31 | 6,420 | 560 | 6,980 | |
| | Bai Shu-Chian | 2023.1.1~ 2023.12.31 | | | | |

(II) If the Company is in any one of the following conditions, the following information shall be disclosed:

(1) Where the CPA firm was replaced, and the audit fees in the financial year when the replacement was made were less than that in the previous financial year before the replacement, the amount of the audit fees paid before the replacement and reasons for paying said amount shall be disclosed: Not applicable.

(2) Where accounting fee paid has decreased for more than 15% than that of the previous year, the amount, proportion, and reason of the reduction shall be disclosed: None.

## V. Changes of CPAs:

According to the internal job rotation of PricewaterhouseCoopers Taiwan and relevant laws, the CPAs, Bai Shu-Chian and Cheng Ya-Huei, in the 1st quarter of 2024 were replaced by the CPA Bai Shu-Chian and Liu Chien-yu.

(I) Former CPAs

<table>
<tr><td>Date of Replacement</td><td colspan="5">December 19, 2023</td></tr>
<tr><td>Replacement Reasons and Explanations</td><td colspan="5">Legal compliance and internal job rotation adjustment of PricewaterhouseCoopers.</td></tr>
<tr><td rowspan="3">Termination by Aurora or the CPAs</td><td colspan="3">Status</td><td>CPA</td><td>Client</td></tr>
<tr><td colspan="3">Termination by the Company</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="3">Termination by the CPAs</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Opinions (Other than Unmodified Opinions) in the Past 2 Years and Reasons</td><td colspan="5">N/A</td></tr>
<tr><td rowspan="7">Deviation form the Issuer</td><td rowspan="5">Yes</td><td></td><td colspan="3">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="3">Audit scope or steps</td></tr>
<tr><td></td><td colspan="3">Others</td></tr>
<tr><td></td><td colspan="3"></td></tr>
<tr><td>None</td><td colspan="4">V</td></tr>
<tr><td colspan="5">Description</td></tr>
</table>

| | |
|---|---|
| Other Revealed Matters Additional Disclosures under Subparagraphs 1-4 to 1-7, Paragraph 6, Article 10 of the Guidelines | N/A |

(II) Regarding the successor CPA

| | |
|---|---|
| Name of the CPA accounting firm | PricewaterhouseCoopers Taiwan |
| Name of CPAs | Bai Shu-Chian, Liu Chien-yu, CPA |
| Date of Appointment | December 19, 2023 |
| Inquiries into Accounting Treatments or Principles for Specific Transactions and Possible Opinions on Financial Statements before Appointment | N/A |
| Succeeding CPA's written opinion of disagreement toward the former CPA | N/A |

(III) Former CPAs' Reply to Disclosures under Items 1 and 2-3, Subparagraph 6, Article 10 of the Guidelines: N/A.

VI. Company Chairperson, President, or Managerial Officer in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Held a Position at the Company's CPA Accounting Firm or at an Affiliated Enterprise of Such Accounting Firm: None.

VII. Equity Transfer or Changes to Equity Pledge of Directors, Supervisors, Managerial Officers, or Shareholders Holding More Than 10% of Shares, for the Most Recent Fiscal Year and as of the Date of publication of the Annual Report:

(I) Shares changes by Directors, managers, and major shareholders

| Title | Name | FY2023 | | As at April 1, 2024 | |
|---|---|---|---|---|---|
| | | Shareholding (Number of Shares) Amount Increased (Decreased) | Shares Pledged Amount Increased (Decreased) | Shareholding (Number of Shares) Amount Increased (Decreased) | Shares Pledged Amount Increased (Decreased) |
| Chairman of the Board | Hsing-Hai Chen | - | - | - | - |
| Director President | Ming-Chien Chang | - | - | - | - |
| Director | Chih-Hong Ho | - | - | - | - |
| Director Senior Vice President | Yeong-Wen Daih | - | - | - | - |
| Director | Chia-Neng Huang | - | - | - | - |
| Independent Director | William W.Shen | - | - | - | - |
| Independent Director | Bing-Yue Tsui | - | - | - | - |
| Independent Director | Tai-Haur Kuo | - | - | - | - |
| Independent Director | Cheng-Yan Chien | - | - | - | - |

| Title | Name | FY2023 | | As at April 1, 2024 | |
|---|---|---|---|---|---|
| | | Shareholding (Number of Shares) Amount Increased (Decreased) | Shares Pledged Amount Increased (Decreased) | Shareholding (Number of Shares) Amount Increased (Decreased) | Shares Pledged Amount Increased (Decreased) |
| Senior Vice President | Kuan-Chun Chang | - | - | - | - |
| Vice President | Jackie Hao | - | - | - | - |
| Vice President | Shu-Hui Feng | - | - | - | - |
| Special Assistant | Candy Chu ( Note 1) | - | - | - | - |
| Corporate Governance Officer | Hong-Gee Wu | - | - | - | - |
| Senior Director | Hui-Wen Cheng (Note 1) | - | - | - | - |

Note 1: Job adjustment on December 28, 2023.

(II) Equity transfer information: None.

(III) Shares pledged: None.

## VIII. Relationship Information Between the 10 Largest Shareholders

| Name | Current Shareholding | | Spouse & Minor Children Children's Shareholding | | Shareholding by Nominees | | The name and relationship with any one who is a related party or a relative within the second degree of kinship among the ten largest shareholders, | | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Name (or Name) | Relationship | |
| Jie Yong Investment Ltd. | 13,024,000 | 4.55% | - | - | - | - | Hsing-Hai Chen | Chairman of the Board of this company | |
| | | | | | | | Ming-Chien Chang | Director of this company | |
| Representative of Jie Yong Investment Ltd.: Hsing-Hai Chen | 8,411,629 | 2.94% | 1,195,927 | 0.42% | - | - | Jie Yong Investment Ltd. | Chairman of the Board of this company | |
| Hsing-Hai Chen | 8,411,629 | 2.94% | 1,195,927 | 0.42% | - | - | Jie Yong Investment Ltd. | Chairman of the Board of this company | |
| Ming-Chien Chang | 5,523,825 | 1.93% | 1,618,785 | 0.57% | - | - | Jie Yong Investment Ltd. | Director of this company | |
| British Virgin Islands merchant KAHOW LTD. | 4,782,985 | 1.67% | - | - | - | - | Shun Cheng Investment Co., Ltd. | Subsidiary | |
| Representative of British Virgin Islands merchant | 949 | - | - | - | - | - | - | - | |

| Name | Current Shareholding | | Spouse & Minor Children Children's Shareholding | | Shareholding by Nominees | | The name and relationship with any one who is a related party or a relative within the second degree of kinship among the ten largest shareholders, | | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| KAHOW LTD.: ML Chiou | | | | | | | | | |
| Shun Cheng Investment Co., Ltd. | 4,407,941 | 1.54% | - | - | - | - | British Virgin Islands merchant KAHOW LTD. | Parent company | |
| Mizuho Securities Co., Ltd. is entrusted to the custody of Standard Chartered | 3,489,000 | 1.22% | - | - | - | - | - | - | |
| Liu, Yi-Fang | 2,390,645 | 0.84% | - | - | - | - | - | - | |
| Capital High-Tech Fund is entrusted to the custody of Taiwan Business Bank | 2,315,000 | 0.81% | - | - | - | - | - | - | |
| Wang, Ta-Wei | 1,965,106 | 0.69% | - | - | - | - | - | - | |
| Investment account of JP Morgan Stanley Investment Fund managed by HSBC (Taiwan) | 1,867,289 | 0.65% | - | - | - | - | - | - | |

## IX. The Number of Shares Held by the Company, its Directors, Supervisors, Managerial Officers, and Businesses Either Directly or Indirectly Controlled by the Company as a Result of the Investment, and the Consolidated Percentage of Shareholding:

Unit: Shares; %

| Spinoff Company | Investment by the Company | | Investment by Directors/Supervisors/managers and by companies directly or indirectly controlled by the Company | | Total Investment | |
|---|---|---|---|---|---|---|
| | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage |
| Elite Semiconductor Memory Technology Inc. | 100,000 | 100.00% | — | — | 100,000 | 100.00% |
| Charng Feng Investment Ltd. | 50,000,000 | 100.00% | — | — | 50,000,000 | 100.00% |
| Elite Memory Technology Inc. | — | — | 10,000,000 | 100.00% | 10,000,000 | 100.00% |
| Jie Yong Investment Ltd. | 3,600,000 | 41.86% | 2,900,000 | 33.72% | 6,500,000 | 75.58% |
| Elite Investment Services Ltd. | 1 | 100.00% | — | — | 1 | 100.00% |
| Elite Innovation Japan Ltd. | — | — | 200 | 100.00% | 200 | 100.00% |
| Eon Silicon Solutions, Inc.USA | 200,000 | 100.00% | — | — | 200,000 | 100.00% |
| Elite Semiconductor Microelectronics Technology (Shenzhen) Inc. | — | — | — | 100.00% | — | 100.00% |
| Elite Semiconductor Microelectronics (Shanghai) Technology Inc. | — | — | — | 100.00% | — | 100.00% |
| CHI Microelectronics Limited. | — | — | 20,000 | 100.00% | 20,000 | 100.00% |

Note: This document is dated March 31, 2024.

# Funding Overview

I. Capital & Shares

(I) Sources of Capital

| Year and Month | Price at Issuance | Authorized Capital | | Paid-in Capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of Shares (Thousand Shares) | Value (NT$ 1,000) | Number of Shares (Thousand Shares) | Value (NT$ 1,000) | Sources of Capital | Increase of Capital by Assets Other Than Cash | Others |
| 1998.5 | 10 | 30,000 | 300,000 | 10,540 | 105,400 | Capital Shares at Founding | Technical Value NT$ 10,540 thousand | Note 1 |
| 1999.4 | 10 | 30,000 | 300,000 | 28,571 | 285,715 | Increase of Capital in Cash NT$ 162,284 thousand | Technical value NT$ 18,031 thousand | Note 2 |
| 1999.7 | 10 | 30,000 | 300,000 | 30,000 | 300,000 | Recapitalization of Retained Earnings NT$ 14,285 thousand | Nil | Note 3 |
| 2000.9 | 10 | 100,000 | 1,000,000 | 55,453 | 554,530 | Recapitalization of Retained Earnings NT$ 254,530 thousand | Nil | Note 4 |
| 2001.9 | 10 | 100,000 | 1,000,000 | 100,000 | 1,000,000 | Recapitalization of Retained Earnings NT$ 445,470 thousand | Nil | Note 5 |
| 2002.9 | 10 | 150,000 | 1,500,000 | 137,500 | 1,375,000 | Recapitalization of Retained Earnings NT$ 375,000 thousand | Nil | Note 6 |
| 2003.9 | 10 | 180,000 | 1,800,000 | 158,125 | 1,581,250 | Recapitalization of Retained Earnings NT$ 206,250 thousand | Nil | Note 7 |
| 2004.9 | 10 | 210,000 | 2,100,000 | 177,891 | 1,778,906 | Recapitalization of Retained Earnings NT$ 197,656 thousand | Nil | Note 8 |
| 2005.9 | 10 | 260,000 | 2,600,000 | 204,574 | 2,045,742 | Recapitalization of Retained Earnings NT$ 266,836 thousand | Nil | Note 9 |
| 2006.2 | 10 | 260,000 | 2,600,000 | 207,833 | 2,078,325 | Increase of Capital by Merger NT$32,583 thousand | Nil | Note 10 |
| 2006.9 | 10 | 260,000 | 2,600,000 | 216,665 | 2,166,654 | Recapitalization of Retained Earnings NT$ 88,329 thousand | Nil | Note 11 |
| 2007.9 | 10 | 260,000 | 2,600,000 | 227,365 | 2,273,654 | Recapitalization of Retained Earnings NT$ 107,000 thousand | Nil | Note 12 |
| 2008.9 | 10 | 260,000 | 2,600,000 | 239,007 | 2,390,071 | Recapitalization of Retained Earnings NT$ 116,417 thousand | Nil | Note 13 |
| 2008.11 | 17.65 | 260,000 | 2,600,000 | 241,532 | 2,415,321 | Exercising of Employee Stock Options of NT$ 25,250 thousand | Nil | Note 14 |
| 2009.4 | 17.65 | 260,000 | 2,600,000 | 241,995 | 2,419,951 | Exercising of Employee Stock Options of NT$ 4,630 thousand | Nil | Note 15 |

| Year and Month | Price at Issuance | Authorized Capital | | Paid-in Capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of Shares (Thousand Shares) | Value (NT$ 1,000) | Number of Shares (Thousand Shares) | Value (NT$ 1,000) | Sources of Capital | Increase of Capital by Assets Other Than Cash | Others |
| 2009.5 | 17.65 | 260,000 | 2,600,000 | 242,251 | 2,422,519 | Exercising of employee stock options NT$ 2,568 thousand | Nil | Note 16 |
| 2009.9 | 17.65 | 260,000 | 2,600,000 | 242,340 | 2,423,404 | Exercising of Employee Stock Options of NT$ 885 thousand | Nil | Note 17 |
| 2010.1 | 16.65 | 260,000 | 2,600,000 | 244,310 | 2,443,101 | Exercising of Employee Stock Options of NT$ 19,697 thousand | Nil | Note 18 |
| 2010.4 | 16.65 | 260,000 | 2,600,000 | 244,683 | 2,446,834 | Exercising of Employee Stock Options of NT$ 3,733 thousand | Nil | Note 19 |
| 2010.5 | 16.65 | 300,000 | 3,000,000 | 245,422 | 2,454,221 | Exercising of Employee Stock Options of NT$ 7,387 thousand | Nil | Note 20 |
| 2010.7 | 16.65 | 300,000 | 3,000,000 | 245,874 | 2,458,749 | Exercising of Employee Stock Options of NT$ 4,528 thousand | Nil | Note 21 |
| 2011.1 | 15.65 | 300,000 | 3,000,000 | 246,035 | 2,460,351 | Exercising of Employee Stock Options of NT$ 1,602 thousand | Nil | Note 22 |
| 2011.4 | 15.65 | 300,000 | 3,000,000 | 246,224 | 2,462,246 | Exercising of Employee Stock Options of NT$ 1,895 thousand | Nil | Note 23 |
| 2011.7 | 15.65 | 300,000 | 3,000,000 | 246,291 | 2,462,911 | Exercising of Employee Stock Options of NT$ 665 thousand | Nil | Note 24 |
| 2011.11 | 14.7<br>10 | 350,000 | 3,500,000 | 259,777 | 2,597,774 | Exercising of Employee Stock Options of NT$ 1,638 thousand and stock swap of NT$ 133,225 thousand | Nil | Note 25 |
| 2012.4 | 14.7 | 350,000 | 3,500,000 | 260,522 | 2,605,229 | Exercising of Employee Stock Options of NT$7,455 thousand | Nil | Note 26 |
| 2012.7 | 14.7 | 350,000 | 3,500,000 | 260,741 | 2,607,414 | Exercising of Employee Stock Options of NT$ 2,185 thousand | Nil | Note 27 |
| 2012.7 | - | 350,000 | 3,500,000 | 266,741 | 2,667,414 | Issuance of New Restricted Employee Shares Amounted NT$ 60,000 thousand | Nil | Note 28 |
| 2013.1 | 14.2 | 350,000 | 3,500,000 | 267,175 | 2,671,749 | Exercising of Employee Stock Options of NT$ 5,285 thousand<br>Cancellation of restricted employee shares of NT$ 950 thousand | Nil | Note 29 |
| 2013.6 | - | 350,000 | 3,500,000 | 266,980 | 2,669,799 | Cancellation of Restricted Employee Shares NT$ 1,950 thousand | Nil | Note 30 |
| 2013.11 | - | 350,000 | 3,500,000 | 266,873 | 2,668,729 | Cancellation of Restricted Employee Shares NT$ 1,070 thousand | Nil | Note 31 |

| Year and Month | Price at Issuance | Authorized Capital | | Paid-in Capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of Shares (Thousand Shares) | Value (NT$ 1,000) | Number of Shares (Thousand Shares) | Value (NT$ 1,000) | Sources of Capital | Increase of Capital by Assets Other Than Cash | Others |
| 2014.5 | - | 350,000 | 3,500,000 | 266,782 | 2,667,819 | Cancellation of Restricted Employee Shares NT$ 910 thousand | Nil | Note 32 |
| 2014.11 | 24.3 | 350,000 | 3,500,000 | 271,454 | 2,714,544 | Cancellation of Restricted Employee Shares NT$ 600 thousand<br>Exercising of Employee Stock Options of NT$ 47,325 thousand | Nil | Note 33 |
| 2015.4 | 24.3 | 350,000 | 3,500,000 | 272,424 | 2,724,241 | Cancellation of Restricted Employee Shares NT$ 140 thousand<br>Exercising of Employee Stock Options of NT$ 9,837 thousand | Nil | Note 34 |
| 2015.10 | 22.8 | 350,000 | 3,500,000 | 272,514 | 2,725,144 | Exercising of Employee Stock Options of NT$ 903 thousand | Nil | Note 35 |
| 2016.1 | 22.8 | 350,000 | 3,500,000 | 272,834 | 2,728,344 | Exercising of Employee Stock Options of NT$ 3,200 thousand | Nil | Note 36 |
| 2016.4 | 22.8 | 350,000 | 3,500,000 | 273,103 | 2,731,026 | Exercising of Employee Stock Options of NT$ 2,682 thousand | Nil | Note 37 |
| 2016.8 | 22.8 | 350,000 | 3,500,000 | 281,518 | 2,815,177 | Exercising of Employee Stock Options of NT$ 1,415 thousand<br>Stock Issued Pursuant to Acquisitions NT$ 82,736 thousand | Nil | Note 38 |
| 2016.10 | 21.8 | 350,000 | 3,500,000 | 281,924 | 2,819,239 | Exercising of Employee Stock Options of NT$ 4,062 thousand | Nil | Note 39 |
| 2017.1 | 21.8 | 350,000 | 3,500,000 | 282,574 | 2,825,737 | Exercising of Employee Stock Options of NT$ 6,498 thousand | Nil | Note 40 |
| 2017.4 | 21.8 | 350,000 | 3,500,000 | 283,281 | 2,832,814 | Exercising of Employee Stock Options of NT$ 7,077 thousand | Nil | Note 41 |
| 2017.7 | 20.9 | 350,000 | 3,500,000 | 284,025 | 2,840,252 | Exercising of Employee Stock Options of NT$ 7,438 thousand | Nil | Note 42 |
| 2017.10 | 20.9 | 350,000 | 3,500,000 | 284,699 | 2,846,992 | Exercising of Employee Stock Options of NT$ 6,740 thousand | Nil | Note 43 |
| 2018.1 | 20.9 | 350,000 | 3,500,000 | 285,759 | 2,857,589 | Exercising of Employee Stock Options of NT$ 10,597 thousand | Nil | Note 44 |
| 2021.4 | 57.6 | 350,000 | 3,500,000 | 286,099 | 2,860,999 | Exercising of Employee Stock Options of NT$ 3,409 thousand | Nil | Note 45 |
| 2021.7 | 57.6 | 350,000 | 3,500,000 | 286,150 | 2,861,503 | Exercising of Employee Stock Options of NT$ 504 thousand | Nil | Note 46 |

| Year and Month | Price at Issuance | Authorized Capital | | Paid-in Capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of Shares (Thousand Shares) | Value (NT$ 1,000) | Number of Shares (Thousand Shares) | Value (NT$ 1,000) | Sources of Capital | Increase of Capital by Assets Other Than Cash | Others |
| 2021.10 | 57.6 | 350,000 | 3,500,000 | 286,157 | 2,861,570 | Exercising of Employee Stock Options of NT$ 67 thousand | Nil | Note 47 |
| 2023.7 | 53.3 | 350,000 | 3,500,000 | 286,171 | 2,861,711 | Exercising of Employee Stock Options of NT$ 141 thousand | Nil | Note 48 |
| 2024.4 | 85.6 | 350,000 | 3,500,000 | 286,172 | 2,861,722 | Exercising of Convertible Corporate Bonds of NT$ 11 thousand | Nil | Note 49 |

| | | Approval Date and Number by FSC Securities and Futures Bureau | Approval Date and Number by Science Park Bureau |
|---|---|---|---|
| Note 1 | Established in May 1998 | — | (1998) Park Commercial No. 013135 on June 2, 1998 |
| Note 2 | Increase of Capital in April 1999 | — | (1999) Park Commercial No. 007633 on April 19, 1999 |
| Note 3 | Increase of Capital in July 1999 | — | (1999) Park Commercial No. 014586 on July 6, 1999 |
| Note 4 | Increase of Capital in September 2000 | (2000) Taiwan Financial Securities (1) No. 31221 on April 21, 2000 | Park Commercial No. 019842 on September 15, 2000 |
| Note 5 | Increase of Capital in September 2001 | (2001) Taiwan Financial Securities (1) No. 144603 on July 10, 2001 | (2001 )Park Commercial No. 023715 on September 20, 2001 |
| Note 6 | Increase of Capital in September 2002 | Taiwan Financial Securities (1) No. 0910139350 on July 16, 2002 | Park Commercial No. 0910022134 on September 18, 2002 |
| Note 7 | Increase of Capital in September 2003 | Taiwan Financial Securities (1) No. 0920129883 on July 4, 2003 | Park Commercial No. 0920025611 on September 10, 2003 |
| Note 8 | Increase of Capital in September 2004 | Financial Supervisory Securities (1) No. 0930132757 on July 22, 2004 | Park Commercial No. 0930025291 on September 20, 2004 |
| Note 9 | Increase of Capital in September 2005 | Financial Supervisory Securities (1) No. 0940129095 on July 20, 2005 | Park Commercial No. 0940024896 on September 19, 2005 |
| Note 10 | Increase of Capital in Februrary 2006 | Financial Supervisory Securities (1) No. 0940147723 on November 1, 2005 | Park Commercial No. 0950002485 on February 3, 2006 |
| Note 11 | Increase of Capital in September 2006 | Financial Supervisory Securities (1) No. 0950131360 on July 19, 2006 | Park Commercial No. 0950024568 on September 21, 2006 |
| Note 12 | Increase of Capital in September 2007 | Financial Supervisory Securities (1) No. 0960036695 on July 16, 2007 | Park Commercial No. 0960024944 on September 19, 2007 |
| Note 13 | Increase of Capital in September 2008 | Financial Supervisory Securities (1) No. 0970035546 on July 15, 2008 | Park Commercial No. 0970026074 on September 22, 2008 |

| | | Approval Date and Number by FSC Securities and Futures Bureau | Approval Date and Number by Science Park Bureau |
|---|---|---|---|
| Note 14 | Increase of Capital in November 2008 | Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006 | Park Commercial No. 0970032595 on November 21, 2008 |
| Note 15 | Increase of Capital in April 2009 | Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006 | Park Commercial No. 0980009444 on April 14, 2009 |
| Note 16 | Increase of Capital in May 2009 | Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006 | Park Commercial No. 0980012992 on May 13, 2009 |
| Note 17 | Increase of Capital in September 2009 | Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006 | Park Commercial No. 0980025248 on September 10, 2009 |
| Note 18 | Increase of Capital in January 2010 | Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006 | Park Commercial No. 0990002583 on January 28, 2010 |
| Note 19 | Increase of Capital in April 2010 | Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006 | Park Commercial No. 0990009166 on Apil 13, 2010 |
| Note 20 | Increase of Capital in May 2010 | Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006 | Park Commercial No. 0990013413 on May 13, 2010 |
| Note 21 | Increase of Capital in July 2010 | Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006 | Park Commercial No. 0990018991 on July 7, 2010 |
| Note 22 | Increase of Capital in January 2011 | Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006 | Park Commercial No. 1000001111 on January 13, 2011 |
| Note 23 | Increase of Capital in April 2011 | Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006 | Park Commercial No. 1000009811 on April 14, 2011 |
| Note 24 | Increase of Capital in July 2011 | Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006 | Park Commercial No.1000019060 on July 6, 2011 |
| Note 25 | Increase of Capital in November 2011 | Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006<br>Financial Supervisory Securities Issued No. 1000047861 on October 13, 2011 | Park Commercial No. 1000035125 on November 28, 2011 |
| Note 26 | Increase of Capital in April 2012 | Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006 | Park Commercial No. 1010009398 on April 3, 2012 |
| Note 27 | Increase of Capital in July 2012 | Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006 | Park Commercial No.1010020247 on July 9, 2012 |
| Note 28 | Increase of Capital in October 2012 | Financial Supervisory Securities Issued No. 1010030033 on July 9, 2012 | Park Commercial No. 1010031715 on October 15, 2012 |
| Note 29 | Increase of Capital in January 2013 | Financial Supervisory Securities (1) No. 0950128713 on July 6, 2006 | Park Commercial No. 1020000199 on January 7, 2013 |
| Note 30 | Decrease in Capital in June 2013 | Financial Supervisory Securities Issued No. 1010030033 on July 9, 2012 | Park Commercial No. 1020018681 on June 28, 2013 |
| Note 31 | Decrease in Capital in November 2013 | Financial Supervisory Securities Issued No. 1010030033 on July 9, 2012 | Park Commercial No. 1020036135 on November 27, 2013 |

| | | Approval Date and Number by FSC Securities and Futures Bureau | Approval Date and Number by Science Park Bureau |
|---|---|---|---|
| Note 32 | Decrease in Capital in May 2014 | Financial Supervisory Securities Issued No. 1010030033 on July 9, 2012 | Hsinchu Commercial No. 1030015402 on May 29, 2014 |
| Note 33 | Increase of Capital in November 2014 | Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012 | Hsinchu Commercial No. 1030034996 on November 28, 2014 |
| Note 34 | Increase and Decrease of Capital in April 2015 | Financial Supervisory Securities Issued No. 1010030033 on July 9, 2012<br>Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012 | Hsinchu Commercial No. 1040010347 on April 17, 2015 |
| Note 35 | Increase of Capital in October 2015 | Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012 | Hsinchu Commercial No. 1040029657 on October 15, 2015 |
| Note 36 | Increase of Capital in January 2016 | Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012 | Hsinchu Commercial No. 1050001500 on January 19, 2016 |
| Note 37 | Increase of Capital in April, 2016 | Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012 | Hsinchu Commercial No. 1050009686 on April 13, 2016 |
| Note 38 | Increase of Capital in August 2016 | Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012<br>Financial Supervisory Securities Issued No. 1050014535 on May 4, 2016 | Hsinchu Commercial No. 1050021881 on August 5, 2016 |
| Note 39 | Increase of Capital in October 2016 | Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012 | Hsinchu Commercial No. 1050028662 on October 18, 2016 |
| Note 40 | Increase of Capital in January 2017 | Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012 | Hsinchu Commercial No. 060001396 on January 19, 2017 |
| Note 41 | Increase of Capital in April 2017 | Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012 | Hsinchu Commercial No. 1060009648 on April 14, 2017 |
| Note 42 | Increase of Capital in July 2017 | Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012 | Hsinchu Commercial No. 1060019320 on July 18, 2017 |
| Note 43 | Increase of Capital in October 2017 | Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012 | Hsinchu Commercial No. 1060028218 on October 16, 2017 |
| Note 44 | Increase of Capital in January 2018 | Financial Supervisory Securities Issued No. 1000064985 on January 10, 2012 | Hsinchu Commercial No. 1070002487 on January 16, 2018 |
| Note 45 | Increase of Capital in April 2021 | Financial Supervisory Securities Issued No. 1050014535 on May 4, 2016 | Hsinchu Commercial No. 1100010380 on April 15, 2021 |
| Note 46 | Increase of Capital in July 2021 | Financial Supervisory Securities Issued No. 1050014535 on May 4, 2016 | Hsinchu Commercial No. 1100019845 on July 19, 2021 |
| Note 47 | Increase of Capital in October 2021 | Financial Supervisory Securities Issued No. 1050014535 on May 4, 2016 | Hsinchu Commercial No. 1100029581 on October 15, 2021 |
| Note 48 | Increase of Capital in July 2023 | Financial Supervisory Securities Issued No. 1050014535 on May 4, 2016 | Hsinchu Commercial No. 1120023084 on July 14, 2021 |
| Note 49 | Increase of Capital in April 2024 | Financial Supervisory Securities Issued No. 1120356179 on September 28, 2023 | Hsinchu Commercial No. 1130011431 on April 16, 2024 |

(II) Category of Shares

Shareholding record date: April 1, 2024; Unit: Shares

| Category of Shares | Authorized Capital | | | Remarks |
|---|---|---|---|---|
| | Outstanding | Unissued shares | Total | |
| Registered Common | 286,172,238 | 63,827,762 | 350,000,000 | Listed on March 4, 2002 |

Note: shares of a listed company

(III) Shareholder Structure

Record date: April 1, 2024

| Shareholder Structure / Quantity | Government Agencies | Financial Institutions | Other Institutional Shareholders | Domestic Natural Persons | Foreign Institutions and Foreign Natural Persons | Total |
|---|---|---|---|---|---|---|
| Number of | 1 | 10 | 248 | 75,238 | 214 | 75,711 |
| Number of Shares | 799,000 | 3,034,816 | 24,235,688 | 228,958,782 | 29,143,952 | 286,172,238 |
| Shareholding | 0.28% | 1.06% | 8.47% | 80.01% | 10.18% | 100.00% |

Note: Percentage of shareholding from China: None.

(IV) Distribution of Equities (nominal value of NT$ 10 per share)

1. Ordinary Shares:

Record Date: April 1, 2024

| Range of Shareholding | Number of Shareholders | Number of Shares Held | Number of Shares Held |
|---|---|---|---|
| 1 to 999 | 24,298 | 2,204,425 | 0.77 |
| 1,000 to 5,000 | 44,185 | 83,315,323 | 29.11 |
| 5,001 to 10,000 | 4,232 | 32,800,146 | 11.46 |
| 10,001 to 15,000 | 1,142 | 14,770,554 | 5.16 |
| 15,001 to 20,000 | 633 | 11,740,743 | 4.10 |
| 20,001 to 30,000 | 477 | 12,247,826 | 4.28 |
| 30,001 to 40,000 | 240 | 8,645,797 | 3.02 |
| 40,001 to 50,000 | 128 | 5,976,270 | 2.10 |
| 50,001 to 100,000 | 196 | 13,633,333 | 4.76 |
| 100,001 to 200,000 | 97 | 13,428,375 | 4.69 |
| 200,001 to 400,000 | 39 | 10,816,972 | 3.78 |
| 400,001 to 600,000 | 10 | 5,012,578 | 1.75 |
| 600,001 to 800,000 | 13 | 9,128,119 | 3.19 |
| 800,001 to 1,000,000 | 3 | 2,872,148 | 1.00 |
| 1,000,001 or more | 18 | 59,579,629 | 20.83 |
| Total | 75,711 | 286,172,238 | 100.00 |

2. Preferred Shares: None.

(V) List of Major Shareholders:

Record date: April 1, 2024

| Shareholding / Shareholder's Name | Number of Shares Held | Percentage (%) |
|---|---|---|
| Jie Yong Investment Ltd. | 13,024,000 | 4.55% |
| Hsing-Hai Chen | 8,411,629 | 2.94% |
| Ming-Chien Chang | 5,523,825 | 1.93% |
| British Virgin Islands merchant KAHOW LTD. | 4,782,985 | 1.67% |
| Shun Cheng Investment Co., Ltd. | 4,407,941 | 1.54% |
| Mizuho Securities Co., Ltd. is entrusted to the custody of Standard Chartered | 3,489,000 | 1.22% |
| Liu, Yi-Fang | 2,390,645 | 0.84% |
| Capital High-Tech Fund is entrusted to the custody of Taiwan Business Bank | 2,315,000 | 0.81% |
| Wang, Ta-Wei | 1,965,106 | 0.69% |
| Investment account of JP Morgan Stanley Investment Fund managed by HSBC (Taiwan) | 1,867,289 | 0.65% |

(VI) Per Share Market Price, Net Book Value, Earnings and Dividends and Related Information over the Past Two Financial Years

Unit: NT$

| Year / Item | | | 2022 | 2023 | Until March 31, 2024 |
|---|---|---|---|---|---|
| Market Price Per Share | Highest | | 182.00 | 109.00 | 104.00 |
| | Lowest | | 60.00 | 64.60 | 83.50 |
| | Average | | 103.19 | 83.22 | 92.99 |
| Net Book Value Per Share | Before Distribution | | 40.24 | 35.02 | — |
| | After Distribution | | 38. 44 | 34.42 | — |
| Earnings Per Share(Loss) | Weighted Average Number of Shares (thousand shares) | | 280,542 | 280,432 | — |
| | Earnings Per Share (Loss) | Before Adjustment | 3.71 | ( 4.36) | — |
| | | After Adjustment | 3.71 | ( 4.36) | — |
| Dividends Per Share (Note 4) | Cash Dividends | | 1.80 | 0.60 | — |
| | Free Allotment | Dividends from Retained Earnings | — | — | — |
| | | Dividends from Capital Reserves | — | — | — |
| | Cumulative Unpaid Dividends | | — | — | — |
| Investment Return | Price-Earnings Ratio (Note 1) | | 27.81 | (19.09) | — |
| | Price-Dividend ratio (Note 2) | | 57.33 | 138.70 | — |

| Item \ Year | | 2022 | 2023 | Until March 31, 2024 |
|---|---|---|---|---|
| Analysis | Cash Dividend Yield % (Note 3) | 1.74 | 0.72 | — |

Note 1: Price-Earnings ratio = Average per share closing price of the year/earnings per share.
Note 2: Price-Dividend ratio = Average closing price per share of the year/cash dividends per share
Note 3: Cash dividend yield = cash dividend per share/current year average per share closing price.
Note 4:Cash dividends filled in 2024 and 2023 represent the distribution of 2023 and 2022 retained earnings, respectively and exclude cash dividends from capital surplus.

(VII) Dividend Policy and Implementation Status

(1) Dividend policy as set out in the Articles of Association:

The Company is still at the growth stage of related industry life cycle. In response to future capital needs, long-term financial plans, and shareholders' demand for cash dividends, the distributable earnings in the current year can all be allocated. The allocation plan is made by the BOD according to regulations and should be resolved by the shareholders' meeting. The Company may distribute dividends to shareholders in cash or stocks. The ratio of cash dividends shall be no less than 50% of the total dividends of the shareholders.

Where earnings, legal reserve, and capital reserve are distributed entirely or partially in cash, the BOD shall be authorized, pursuant to Articles 240 and 241 of the Company Act, to approve the distribution by a resolution adopted by a majority of the Directors at a meeting attended by over two-thirds of the total number of BOD. The distribution by a resolution of BOD shall be reported to the Shareholders' Meeting.

(2) Dividend distribution:

The Company resolved at the board meeting on February 27, 2024, to distribute cash dividends of NT$600 per thousand shares (rounded to the nearest NT$).

(3) Any expected material changes to the dividend policy shall be further explained:

The Company's dividend policy shall consider the company's current and future investment environment, capital requirement, domestic and foreign competition conditions, and capital budgets, in order to safeguard the shareholders' interests, maintain a balanced between dividend payouts and long-term financial plan. On an annual basis, the Board of Directors will formulate a distribution plan and report it to the Shareholders' Meeting. If there is a surplus in the Company's annual accounting, the Company shall, in the following order, pay taxes and make up losses, set aside 10% of the statutory surplus reserve and if necessary, allocate a special surplus reserves. At least 20% of the financial year's profits shall be distributed as dividends and bonus after allocating a reasonable amount according to the needs of business operations.

(VIII) The impact on the Company's business performance and Earnings Per Share (EPS) for allotment of free shares proposed at the shareholder's meeting: N/A

(IX) Employees' Compensation and Directors' Remuneration

1. Quantity or scope of compensation for employees, and Directors, as prescribed under the Articles of Incorporation:

   Article 24-1 of the Company's Articles of Association stipulates that the Company shall allocate no less than one percent (1%) of its annual profits for compensations to the employees and no more than one percent (1%) for compensations to the Directors. However, the Company shall set aside a sufficient amount to offset its accumulated losses. The compensation shall be distributed, in shares or in cash, to the employees of the Company or the qualified employees of the affiliated companies.

   The profit for the year referred in the first clause is referred to the Profit Before Tax for the year, before deducting employees' compensation, and remuneration to Directors.

   The distribution of employee remuneration and director remuneration should be determined by the board of directors through a resolution approved by two-thirds or more of the attending directors and by a majority of the directors present, and reported to the shareholders' meeting.

2. The basis for estimating the amount of compensation and remuneration to the employees, and Directors, in the current period shall be the basis for calculating of the number of shares to be distributed as employees' remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure:

   The basis for estimating the employees' compensation and the Directors' remuneration during the current period is detailed in the aforementioned "1. Statement". When the actual number of employees' compensation and the Directors' remuneration is different from the estimated amount, this shall be an accounting estimates changes and will be adjusted in the profit and loss for the following year.

3. Information of the proposed employees' comentation approved by the Board of Directors:

   a. The amount of any employee compensation distributed in cash or stocks and compensation for directors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: On Feb 27, 2024, the Board of Directors of our Company made a resolution not to distribute employee remuneration and director remuneration for 2023.

   b. The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: none.

4. The actual distribution of employee remuneration and director remuneration for the previous fiscal year is as follows: In the fiscal year 2022, employee remuneration

amounted to NT$12,651 thousand and director remuneration amounted to NT$12,651 thousand with no variance from the estimated accrual amount for the year.

(X) Shares Buyback: None.

II. The Execution of Corporate Bonds, Preferred Shares, Global Depository Receipts, and Employee Stock Option Certificates, any Merger and Acquisition Activities (including Mergers, Acquisitions, and Demergers), and the Status of Implementation of Capital Utilization Plans.

(I) Issuance of corporate bonds:

1. Current status of the Company's outstanding and pending corporate debt repayment and processing.

As at March 31, 2024

Unit:Share,%,NT$

| Type of corporate bonds | First Domestic Unsecured Convertible Bonds |
|---|---|
| Issue (transaction) date | October 27, 2023 |
| Face Value | NT$100,000 |
| Place of issue and trading | Taipei Exchange |
| Issue Price | Issued at 115.42% of the Face Value |
| Issue Amount | NT$1billion |
| Coupon Rate | 0% Coupon Rate |
| Term | Term: 3 years; Maturity Date: October 27, 2026 |
| Guarantor | None |
| Trustee | KGI Bank Co., Ltd. Trust Department |
| Underwriter | KGI Securities Co., Ltd. |
| Attesting Lawyer | Handsome Attorneys-at-Law |
| Attesting CPA | PricewaterhouseCoopers Taiwan |
| Redemption Method | Except for holders of the convertible corporate bond who convert it into ordinary shares of the Company in accordance with Article 10 of the Company's 1st Domestic Unsecured Convertible Bond Issuance and Conversion Measures (hereinafter referred to as the 'Measures'), or if the Company redeems it in advance in accordance with Article 18 of the Measures, or if the Company repurchases and cancels it through the securities dealer's business office, the Company shall repay the holders of this convertible corporate bond in cash within ten business days after the maturity date of the bond, based on the face value of the bond. If the aforementioned date falls on a non-business day of the TWSE trading floor, it will be postponed to the next business day. |

| | | |
|---|---|---|
| Unredeemed balance | | NT$999.9 million |
| Conditions for redemption or early redemption | | As per Article 18 of the Measures. |
| Restrictive covenants | | None |
| Name of rating agency, date and result of rating | | None |
| Other Rights | The monetary amount of common shares, global depositary receipts, or other securities already converted, exchanged, or subscribed up to the annual report publication date | As of March 31, 2024, a convertible corporate bond has been converted into 1,168 common shares;NT$11,680。 |
| | The issuance and conversion, exchange, or subscription rules | The Measures have been announced on the Market Observation Post System. |
| The possible dilution of shareholding and influence on shareholder equity caused by the issuance and conversion, exchange, or subscription rules and the terms of issuance. | | Based on the evaluation data submitted by our Company to the competent authority, 1st domestic unsecured convertible bonds have a maximum potential dilution effect of 4.08% on the original shareholders' equity. However, they do not have a significant adverse impact on existing shareholders' equity. |
| Name of the custodian institution of the exchangeable underlyings. | | None |

2. Convertible Corporate Bonds Data:

| Types of Corporate Bonds | | First Domestic Unsecured Convertible Bonds | |
|---|---|---|---|
| Item / Year | | 2023 | Until March 31, 2024 |
| Market Price of Convertible Bonds | Highest | 131.00 | 129.10 |
| | Lowest | 115.50 | 116.00 |
| | Average | 121.89 | 121.25 |
| Conversion Price | | 85.60 | 85.60 |
| Issue Date and Conversion Price at the Time of Issue | | Issue Date：2023/10/27 Conversion Price at the Time of Issue：85.60 | Issue Date：2023/10/27 Conversion Price at the Time of Issue：85.60 |
| Method of Fulfilling Conversion Obligations | | Issuing New Shares | Issued 1,168 new shares |

3.Exchangeable Bond Data: None.

4.Declaration Summary of the Issuance of Corporate Bonds: None.

5.Equity Warrant Bonds Information: None.

(II) Issuance of preferred shares: None.

(III) Issuance of overseas depository receipts: None.

(IV) Issuance of employee stock options: None.

(V) Mergers, acquisitions or issuance of new shares to acquire shares of other companies: None.

(VI) Implementation of capital utilization plan:

Our Company has successfully issued first unsecured convertible bonds on the domestic market. The plan was approved by the Financial Supervisory Commission (FSC) under letter No. 1120356179 and came into effect on September 28, 2023. The project was completed according to the planned schedule in Q4 2023, and the financial data has shown significant improvement, highlighting the benefits of capital raising.

(1) Project Description

Unit: NT$1,000

| Project Item | Estimated Completion Date | Total Funding Required | Projected Fund Utilization Progress |
|---|---|---|---|
| | | | Q4 2023 |
| Loan Repayment | Q4 2023 | 1,154,170 | 1,154,170 |
| Source of Funding | The maximum amount of funds raised in this project is NT$1,154,170 thousand. If there are not enough funds, we will cover the shortfall by using our own funds or by reducing the amount of bank loans to be repaid. | | |

Note: The Company has not made any changes to the plan.

(2) Execution Status

Unit: NT$1,000; %

| Project Execution Status | Expected Execution | | Actual Execution | |
|---|---|---|---|---|
| | Amount | Progress | Amount | Progress |
| Q4 2023 | 1,154,170 | 100 | 1,154,170 | 100 |

Unit: NT$1,000; %

| Item | Prior to Fundraising | Following Fundraising | Difference | Percentage Change |
|---|---|---|---|---|
| | 2023/9/30 | 2023/12/31 | | |
| Current Assets | 15,844,793 | 13,552,324 | (2,292,469) | ( 14.47) |
| Current Liabilities (Before Distribution) | 8,473,150 | 6,181,882 | (2,291,268) | ( 27.04) |
| Total Liabilities (Before Distribution) | 9,295,666 | 8,177,118 | (1,118,548) | ( 12.03) |
| Debt Ratio | 47.50 | 45.18 | ( 2.32) | ( 4.88) |

| | | | | |
|---|---|---|---|---|
| Current Ratio | 170.45 | 219.23 | 48.78 | 28.62 |
| Quick Ratio | 73.81 | 101.33 | 27.52 | 37.28 |

Note: The comparison is based on the audited or reviewed consolidated financial information provided by the accountants.

Unit: NT$1,000; %

| Item | Prior to Fundraising | Following Fundraising | Difference | Percentage Change |
|---|---|---|---|---|
| | 2023/7/1~ 2023/9/30 | 2023/10/1~ 2023/12/31 | | |
| Operating Revenue | 3,021,539 | 3,164,474 | 142,935 | 4.73 |
| Interest Expenses | 21,182 | 22,784 | 1,602 | 7.56 |
| Earnings per Share (NT$) | ( 0.57) | ( 2.11) | ( 1.54) | 270.18 |

Not: The comparison is based on the reviewed consolidated financial information provided by the accountants.

# Business Operations Overview

## I. Business Activities

### (I) Business Scope

The Company is a professional integrated circuit (IC) design company, the main business is research, development, manufacturing, and sales of DRAM, Flash Memory, analog integrated circuit, analog and digital mixed-signal IC and product design related to the Company's business and R & D technical services. The IC revenue in 2023 was NT$ 11,884,121 thousand, accounted for 100% of the operating ratio.

With the increasingly enhanced functions of terminal electronic products, the easier operation interface and the humanized application interface and functions designed by its application software, such as electric car(EV), the imminent fifth generation mobile communication generation (5G) and entering of the commercial stage, due to the characteristics of faster transmission, high-frequency bandwidth, high density and low latency, it is conducive to the development of services such as big data, artificial intelligence (AI), and the Internet of Things, which can drive value-added innovative applications such as high-quality audio-visual entertainment, smart medical, smart factories, self-driving cars, drones, and smart cities, as well as various emerging application fields to make memory ICs a key component of electronic products. The relative capacity, operating speed and low power consumption requirements are also becoming stricter. In addition to continuing to focus on the development of high-density, high-speed and low-power memory ICs, the company will also speed up the development of flash memory, analog, analog and digital mixed-signal ICs in response to industry development and market demand. The company enhances product competitiveness and develops towards product diversification.

### (II) Industry Overview

1. Current situation and development of the industry

According to WSTS statistics, the global semiconductor market sales in Q4 2023 reached US$146 billion, representing an 8.4% growth compared to the previous quarter (Q3 2023) and an 11.6% growth compared to the same period in 2022 (Q4 2022). The sales volume reached 223.4 billion units, showing a decline of 5.8% compared to the previous quarter (Q3 2023) and a decline of 11.5% compared to the same period in 2022 (Q4 2022). The ASP was US$0.653, indicating a 15.0% growth compared to the previous quarter (Q3 2023) and a 26.1% growth compared to the same period in 2022 (Q4 2022).

In Q4 2023, the sales value of the semiconductor market in the United States reached US$38.5 billion, representing an 8.9% growth compared to the previous quarter (Q3 2023) and a 12.5% growth compared to the same period in 2022 (Q4 2022). The sales value of the semiconductor market in Japan reached US$11.4 billion, showing a decline of 2.4% compared to the previous quarter (Q3 2023) and a decline of 4.6% compared to the same period in 2022 (Q4 2022). The sales value of the semiconductor market in Europe reached US$13.6 billion, experiencing a decline of 5.6% compared to the previous quarter (Q3 2023) and a growth of 2.1% compared to the same period in 2022 (Q4 2022). The sales value of the semiconductor market in mainland China reached US$45.4 billion, showing a growth of 16.0% compared to the previous quarter (Q3 2023) and a growth of 19.4% compared to the same period in 2022 (Q4 2022). The sales value of the semiconductor market in the Asia-Pacific region reached US$37 billion, experiencing an 8.9% growth compared to the previous quarter (Q3 2023) and an 11.3% growth compared to the same period in 2022 (Q4 2022).

In 2023, the total sales value of the semiconductor market in the United States reached US$133.7 billion, representing a decline of 5.3% compared to 2022. The semiconductor market in Japan achieved sales of US$46.7 billion, experiencing a decline of 3.1% compared to 2022. The semiconductor market in Europe reached sales of US$56 billion, showing a growth of 4.0% compared to 2022. The market in mainland China achieved sales of US$155.1 billion, marking a decline of 14.0% compared to 2022. The semiconductor market in the Asia-Pacific region reached sales of US$135.3 billion, experiencing a decline of 10.1% compared to 2022. The global semiconductor market's total annual sales value in 2023 reached US$526.8 billion, representing a decline of 8.2% compared to 2022.

According to statistics from the Industry Science and Technology International Strategy Center(ISTI) at the Industrial Technology Research Institute(ITRI), the overall output value of the IC industry(including IC design, IC manufacturing, IC packing, IC testing) in Taiwan for the fourth quarter of 2023 (Q4 2023) reached NT$1,203.3 billion (US$38.6 billion). This represents a growth of 7.8% compared to the previous quarter (Q3 2023) and a growth of 0.5% compared to the same period in 2022 (Q4 2022). The IC design industry accounted for NT$300 billion (USD$9.6 billion), showing a growth of 4.2% compared to the previous quarter (Q3 2023) and a growth of 15.4% compared to the same period in 2022 (Q4 2022). The IC manufacturing industry reached NT$751.6 billion (US$24.1 billion), with a growth of 11.2% compared to the previous quarter (Q3 2023) and a decline of 2.4% compared to the same period in 2022 (Q4 2022). Within the IC manufacturing industry, wafer foundry accounted for NT$708.9 billion (US$22.7 billion), showing a growth of 12.2% compared to the previous quarter (Q3 2023) and a decline of 2.0% compared to the same period in 2022 (Q4 2022), while memory and other manufacturing accounted for NT$42.7 billion (US$1.4 billion), showing a decline of 3.0% compared to the previous quarter (Q3 2023) and a decline of 8.2% compared to the same period in 2022 (Q4 2022). The IC packaging industry reached NT$102.9 billion (US$3.3 billion), showing a decline of 0.6% compared to the previous quarter (Q3 2023) and a decline of 9.7% compared to the same period in 2022 (Q4 2022). The IC testing industry reached NT$48.8 billion (US$1.6 billion), showing a decline of 0.4% compared to the previous quarter (Q3 2023) and a decline of 8.3% compared to the same period in 2022 (Q4 2022). The exchange rate between the New Taiwan Dollar and the US Dollar is calculated at 31.2.

The Industrial Technology Research Institute (ITRI) estimates that Taiwan's IC industry output value will reach NT$4.3428 trillion (US$139.2 billion) in 2023, representing a decline of 10.2% compared to 2022. Among them, the output value of the IC design industry is NT$1.0965 trillion (US$35.1 billion), down 11.0% from 2022; the IC manufacturing industry is NT$2.6626 trillion (US$85.3 billion), down 8.8% from 2022, with wafer foundry accounting for NT$2.4925 trillion (US$79.9 billion), down 7.2% from 2022, and memory and other manufacturing accounting for NT$170.1 billion (US$5.5 billion), down 27.8% from 2022; the IC packaging industry is NT$393.1 billion (US$12.6 billion), down 15.6% from 2022; and the IC testing industry is NT$190.6 billion (US$6.1 billion), down 12.8% from 2022. The exchange rate between the New Taiwan Dollar and the US Dollar is calculated at 31.2.

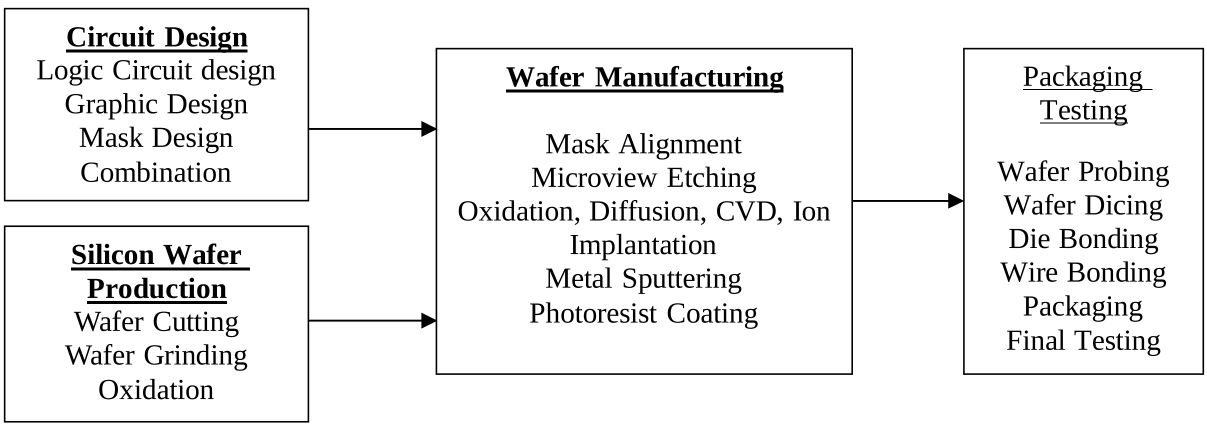
The statistical results of Taiwan's IC industry output value from 2020 to 2023

Unit: NT$100million

| | 2020 | 2021 | 2022 | Growth Rate in 2022 | 2023 | Growth Rate in 2023 |
|---|---|---|---|---|---|---|
| IC Industry Output Value | 32,222 | 40,820 | 48,370 | 18.5% | 43,428 | -10.2% |
| IC Design Industry | 8,529 | 12,147 | 12,320 | 1.4% | 10,965 | -11.0% |
| IC Manufacturing Industry | 18,203 | 22,289 | 29,203 | 31.0% | 26,626 | -8.8% |
| Wafer Foundry | 16,297 | 19,410 | 26,847 | 38.3% | 24,925 | -7.2% |
| Manufacturing Own Products | 1,906 | 2,879 | 2,356 | -18.2% | 1,701 | -27.8% |
| IC Packaging Industry | 3,775 | 4,354 | 4,660 | 7.0% | 3,931 | -15.6% |
| IC Testing Industry | 1,715 | 2,030 | 2,187 | 7.7% | 1,906 | -12.8% |
| IC Product Output Value | 10,435 | 15,026 | 14,676 | -2.3% | 12,666 | -10.2% |
| Global Semiconductor Growth Rate | 6.8% | 26.2% | - | 3.2% | - | -8.2% |

Source: TSIA ITRI IEK (2024/02)

2. Semiconductor upstream, middle and downstream correlation diagram



The following describes the relative industrial characteristics of the abovementioned IC industry upstream, midstream and downstream, as follows:

A. IC Design

IC design company is an integrated circuit product design company. Its main business is to design product sales or design directly entrusted by the customers. It is a brain-intensive industry, it requires much smaller capital than the wafer manufacturing plants and high return on investment. There is a fairly complete semiconductor industry support structure in Taiwan and IC design talents are increasingly abundant, which has prompted many manufacturers to invest in this industry.

B. IC Manufacturing and Foundry

The main business of the IC manufacturing company is to convert the designed circuit into a chip with sophisticated equipment, complex manufacturing processes, and strict quality control. This industry is capital and technology-intensive, and the barriers to entry are quite high. At present, the cost of constructing a 12-inch wafer fab is about NT$ 100 billion, and the subsequent maintenance and research and development costs must continue to be invested to maintain the effective operation of the IC fab.

C. IC Packaging and Testing

The main business of this industry is to further cut, package and test the manufactured IC wafers, and package them to complete the final IC products. It is also a capital- and technology-intensive industry. However, the barriers to entry for this industry are much lower than those for wafer manufacturing, and its profit comes from the fixed revenue of processing. The key factors that affect its profitability are the equipment utilization rate and personnel costs.

The IC design industry is an upstream industry in the industrial value chain. Before the final product is completed, the main processes of photomask, manufacturing, packaging, and testing are required. As far as industrial development trends are concerned, processes such as photomask, packaging, and testing are all directed towards the mode of commissioning production by external professional companies.

3. Product Development Trends and Competition

A. High Degree of Integration

With the evolution of Windows operating system software and the continuous development of diversification of application software, DRAM products have been developed towards high degree of integration. The current mainstream market is 16 GB (DDR5) and 16 GB (DDR4).

B. High Speed

DRAM and CPU have an apparent gap in data transmission speed for a long time, and it has become the bottleneck of PC's overall system performance. To solve this problem, many high-speed DRAM architectures have been proposed, such as DDR4/DDR5 and RAMBUS. In order to adapt to the requirements of network communication products with different performances, such as switches and routers, SRAM (Zero Bus Turnaround SRAM) with high-frequency bandwidth and high-speed operation capability is also introduced due to the mixed reading and writing operations.

C. Low Power Consumption

With the continuous increase of CPU computing speed and the application of portable electronic products, and characteristics such as low power consumption and low voltage are necessary to achieve power-saving or avoid the problem of overheating of components. It is necessary to achieve low voltage through technical process.

D. Reduced Crystallite Size

The continuous decline in the price of memory IC products is a characteristic of the industry. To maintain the competitive position and profitability of the products, with the design and process control, the output quantity of a single wafer is increased and the high quality rate is being maintained, only then could the Company effectively reduce product costs and enhance market competitiveness.

4. Product Competition

The Company's products are mainly based on niche memory. At present, the main domestic and foreign competitors are as follows:

| Domestic Competitors | Foreign Competitors |
|---|---|
| Nan Ya Technology, Etron, Powerchip, Winbond | Samsung, Hynix, Micron |

(III) Technology and R&D Overview

(1) Technical aspects of the business activities

The Company is a professional memory IC design company. It owns the core technology of memory IC design. The members of the R&D design team are well-versed in the design profession for many years and possess extensive practical experience. Since the Company can control the development and design technology of memory IC, it can adjust the product combination in time in response to market changes. Since its establishment, tbe Company has continued to develop memory ICs with high integration, high capacity, high speed and high performance by adhering to superb and outstanding design technology.

(2) Research and development

The Company's development and design of DRAM, Pseudo SRAM, NOR Flash, MCP, analog IC, and analog and digital mixed-signal IC are all focused on mastering "Time-to-Market". The future research and development is directed towards high-end process technology and high-integration product development.

(3) Education and experience of research and development personnel

The Company and its subsidiaries currently have a total of 350 R&D personnel, most of whom have a college degree or above and abundance of experience in R&D. With the pulse of the existing and future markets, they continue to develop new technologies and new products to continue to lead the industry and meet the market needs.

March 31, 2023

| Item | Education | | |
|---|---|---|---|
| | PhD | Master | University |
| Number of Persons | 6 | 259 | 85 |
| Percentage (%) | 1.71% | 74.00% | 24.29% |

(4) R&D expenses and technologies or products successfully developed in the most recent Financial Year:

A. R&D expense in the most recent financial year

Unit: NT$ 1,000

| Item \ Year | 2023 |
| --- | --- |
| R&D Expenses | 1,458,708 |
| Growth Rate (%) | ( 4.81%) |

B. Successfully developed technologies or products

1. The Company's DRAM product line has completed the development of 16 MB ~ 4 GB SDRAM, DDR/DDR2/DDR3/DDR4 and other products with 12" 25/38/45/50/60nm process technology.
2. In terms of Flash Memory has completed the development of 65nm various -capacity 4 MB ~ 256 MB etc, and 50nm various -capacity 8 MB ~ 512 MB etc.
3. Integrated NAND Flash and LP DRAM product technologies and launched MCP products.
4. In terms of non-memory products, various power management and IC solutions for Class D/AB power amplifiers have been developed.

(IV) Long-term and Short-term Development Plans

1. Short-term development plans

(1) Marketing strategy

A. Adopt marketing strategies based on product functions and cost-competitive advantages to provide customers with a stable supply.

B. Strengthen the interactive relationship with agents and distributors, continue to penetrate the domestic market, and actively develop handheld devices, PC-related equipment, and information appliance manufacturers in overseas markets to access direct business opportunities.

(2) Production strategies

A. Improve the use of process technology to reduce production costs.

B. Establish a good cooperative relationship with the wafer foundry and back-end packaging and testing outsourcers to ensure that production capacity, product delivery and quality can be achieved, and meet the demand for flexible scheduling.

(3) Product development

Use new generation process technology to develop mainstream products to reduce production costs and enhance product competitiveness.

(4) Human resources

Provide humane management and share operating profits with the employees to attract professional talents to join the management team and stabilize the Company's personnel flow, maintaining the Company's leading position in technology and operations.

2. Long-term plan

(1) Marketing strategy

Maintain revenue sources from proprietary products and design technical services that are functional/cost competitive to ensure the stability of profits.

(2) Production strategies

Ensure the production quality and cycle time of wafer foundry partners, including fabs, packaging and outsourced testing factories

(3) Product development

Continue to develop memory ICs with high integration, high speed, low power and small die size to increase product performance and enhance product competitiveness. Also, use the new generation process technology for the manufacturing of existing products to strengthen cost competitiveness. In addition, in response to industry development and market demand, the company will actively mass produce MCP, analog, analog and digital mixed-signal IC product lines, towards product diversification.

# II. Analysis of the market as well as production and marketing situation

## (I) Market analysis

### (1) Sales region of main products (services)

The Company's current product combination is mainly based on high-speed and high-integration DRAM/FLASH/analog IC and technical service income. The product sales regions in the past two years are as follows:

Units: Thousand NTD; %

| Geographical Region \ Year | | 2022 | | 2023 | |
|---|---|---|---|---|---|
| | | Sales Amount | Percentage | Sales Amount | Percentage |
| Internal sales | | 7,244,896 | 45 | 5,258,025 | 44 |
| External sales | Asia | 8,841,579 | 54 | 6,512,981 | 55 |
| | Others | 121,423 | 1 | 113,115 | 1 |
| | Sub-total | 8,963,002 | 55 | 6,626,096 | 56 |
| Total | | 16,207,898 | 100 | 11,884,121 | 100 |

### (2) Market share

The global overall memory market has declined significantly in 2023 compared with 2022, resulting in global market size of US$ 51.1 billion. Based on the Company's 2023 revenue calculation, its share of the global market is approximately 0.76%.

### (3) Future market demand and supply status and growth characteristics

The main factor affecting the price trend of DRAM products is the spread between supply and demand. On the supply side, due to the increasing trend of DRAM prices and the rise in sales of high-value-added products, it is predicted that Samsung Electronics will significantly reduce the scale of DRAM production cuts as early as the first quarter of 2024. The schedule for fully restoring normal production is being closely monitored. According to a report from Meritz Securities cited by Asian Economy, Samsung plans to decrease the extent of DRAM production cuts from 35% to 15% within the first quarter of 2024. The Hwaseong 16 and 17 production lines, as well as the Pyeongtaek 2 and 3 production lines, are increasing their wafer output centered around 1z nanometer (10-nanometer class), and the recovery speed of production is faster than expected. As the market recovers, Samsung will also expand its investment to increase the sales proportion of high-value-added DRAM. Despite the unfavorable market conditions in 2023, Samsung invested KRW47.5 trillion (approximately US$36.09 billion) in capital expenditure in the semiconductor field. It is expected that Samsung will focus on mass-producing the new generation 32GB DDR5 DRAM in 2024 and expanding the proportion of HBM3 and HBM3E.

In terms of demand, DRAM application products can be divided into three categories: the first category is computers and relevant products, such as desktop computers, notebook computers, workstations, servers, printers, scanners, DVD-ROM, tablet computers and mining machines, etc., the second category is network communication application products, mobile devices, ADSL, router (Switch/Router), Internet of Things, Internet of Vehicles, cloud data center, 5G communication and artificial intelligence (AI), etc., the third category is consumer applications, such as DVD (Blu-ray) players, digital set-top boxes, digital cameras, iPod music players (MP3 Player), game consoles (PS4, XBOX, Wii), LCD (quantum Point) TV and smart voice assistant. On the demand side, despite the market demand not yet stabilizing, It expects DRAM prices in the first quarter will increase at least 15%. Although a specific increase for NAND has not been mentioned, it is expected to continue rising. The upward trend in memory prices is projected to continue until the end of 2024. Additionally, memory module manufacturers have informed the Samsung and Micron to raise DRAM prices by approximately 15-20% in the first quarter of 2024. This is in contrast to the modest 2-3% increase in DRAM prices in December, which is significantly lower than the 10% increase in 3D TLC NAND prices. With the gradual recovery of smartphone and server demand, it is expected that the supply of DRAM in the market will remain tight in 2024. Starting from January, new DRAM prices will be adjusted to encourage customers to plan their future usage needs in advance. The industry believes that as we enter 2024, the DRAM market will face challenges. Due to the high inventory of DDR4, market prices have been weak. To reduce operational losses, it is expected that DDR4 and DDR5 will be the main drivers of price increases in the first half of 2024. As for DDR3, its production capacity and demand are relatively stable, resulting in a moderate increase in prices.

(4) Competitive niche

A. Core competitiveness of design and R&D

The Company's design and development team has accumulated many years of practical experience, and can effectively control the performance and cycle time of product development, so as to fully access the market opportunities. This is proved by the Company's successful design and development of a variety of market-leading product lines.

B. Long-term procurement of outsourced foundry production capacity

Since the Company's business has grown steadily, it is able to give outsourcing foundries a stable order quantity. At the same time, through product design and technical services, it can still help the fab to use the new generation process to expand the product line and contribute to fab capacity utilization. The establishment of this cooperation model promotes a more stable cooperative relationship between the two parties, which can ensure that the Company's wafers are secured when the OEM production capacity is tight.

C. Competitiveness of cost structure

The Company's operating team, in addition to a strong R&D team, also includes professionals in processing, packaging, and testing. It can assist various professional OEM partners in process improvement and yield improvement, thus establishing a competitive advantage of effectively reduct production cycle and lower product production cost.

D. Good interaction with agency dealers

The R&D capabilities and cost competitiveness cultivated by the Company can launch the products in time as required by the market, and actively integrate with the logic chips represented by the distributors to form a complete turn-key solution to provide to system manufacturers. This will further enhance the value of products/services and establish a long-term and stable mutually beneficial relationship with well-known domestic and international distributors, which will greatly help the sales and promotion of the Company's products.

(5) Advantages, disadvantages and countermeasures of the development prospect:

Favorable factors

A. With the global economic boom gradually recovering, the demand for technology products in emerging markets has become the main growth driver of the global technology industry. It is expected that the demand for technology products in emerging markets will continue to grow in 2024.

B. The rapid development of smartphones, personal computers and workstations in emerging markets, coupled with the rise of multimedia product applications and the rise of the Internet (Internet of Things, Internet of Vehicles, Cloud Data Center, 5G, Artificial Intelligence (AI)). In the long-term, the demand for the memory IC market has shown steady growth.

C. The market demand for products is extensive, including computer peripherals, communications and consumer products, etc. In addition to personal computers/workstations, it is also widely used in multimedia and information appliances, such as digital cameras, high-end graphics cards, DVDs, TVs, mobile phones, printers, set-top-Box, MP3, game consoles, ADSL, routers, mining machines and smart voice assistants.

D. The domestic semiconductor industry has a good development environment, and the industry's vertical division of labor system is perfect. The main raw material suppliers are located in the Hsinchu Science Park. The industry has a high degree of industry concentration, and it has great advantages in timeliness control and cost control.

E. Strong R&D team, high-quality personnel and extensive experience. Able to lead the design of products with high integration, high speed and cost advantage.

Unfavorable factors and countermeasures

A. Market products change rapidly, and product life cycle is shortened. IC products that meet market and customer needs need to be launched in time.

Countermeasures

Maintain excellent design and R&D capabilities, shorten product development time and production cycle to meet market demand.

B. There are many competitors in memory products and the price fluctuation is fierce.

Countermeasures

a. Actively develop niche products that meet market needs, develop new processes to reduce product costs, and increase the added value of products to enhance the overall competitiveness of products by establishing a good product quality image.

b. Expansion of non-memory product lines such as analog, analog and digital mixed signal integrated circuits, and the development of product diversification to disperse product concentration risks.

C. When the wafer fab's production capacity is insufficient, the increase in wafer prices will affect the profit margin.

Countermeasures

Maintain long-term and stable cooperative relations with wafer foundry manufacturers.

D. Professionals are in short supply and high turnover.

<u>Countermeasures</u>

Focus on the building professional image and the deep penetration of R&D technical ability in order to retain the required talents, and to further attract more professionals to join. At the same time, provide a good working environment, and to encourage employee's centripetal force towards the Company through dividends, employee stock options and a suitable and effective reward system design.

(II) Major usage and production process of the primary products

1. Usage of the main products

| Products | Major products | Usage/functions | Product application |
|---|---|---|---|
| Dynamic Random Access Memory (DRAM) | SDRAM, PSRAM, Mobile SDRAM/DDR, DDR1/DDR2/ DDR3/DDR4/ SDRAM Product line | Main memory components of various high-end personal computers and peripheral devices. The main function is data storage during system operation. | Consumer products:<br>DVD-Player, Set-Top-Box, Digital Still Camera, Scanner, VGA Card, HDD and Printer<br>Network products:<br>Cable Modem, ADSL, 5G Products |
| | | The memory element used in portable commodity equipment a low-power consumption feature. | Portable device such as mobile phone, PDA and HPC. |
| | | The basic components of various high-end computer display memories. The main function is to store the data of each pixel on the fluorescent screen. | Graphics cards and multimedia video cards, flat panel TV (liquid crystal / plasma TV) and high-end Desktop/notebook PC, servers, workstations and computer peripherals, etc. |
| NOR flash memory | | It is a non-volatile memory element that can be read and written at high speed that can be used to write fixed boot programs in computers or electronic devices, called "Code Flash", or it can be used for wireless cell phone control and data access. | Desktop/notebook PC, server, workstation, and storage and use of boot programs for various computer equipment products; or used to write fixed boot programs for consumer electronic devices (such as DVD DVR, etc.), or it can be used for wireless cell phone control and data access. |
| MCP products | | Integrate memory ICs such as NAND Flash and LP DRAM for data access of handheld related product systems. | Used in mobile communication data card and other mobile communication related product systems. |
| Audio processing IC (including Class D audio amplifier, A/D & D/A converter, Codec IC, etc.) | | It is a mixed-signal IC product, which is the basic component of audio processing/output of various computers or electronic equipment, used for analog/digital conversion and signal amplification processing of various audio. Of that, the Class D audio amplifier has the feature of low-power consumption and high-amplification efficiency because it is a digital amplifier. | It is suitable for audio processing of various electronic products, including audio transmission and amplification output of PC/notebook, TV, mobile phone, MP3, car/home audio. |
| Power management (Power IC) | | It is an analog IC product, which is a key component of power management for various electronic equipment systems. | Suitable for various 3C equipment and optical component system power management applications. |
| Technical service | | Technical services for memory, power management and audio IC product design and development. | |

2. Production Process

The Company's integrated circuit manufacturing process is mainly divided into the following stages:

Development and design: After determining product specifications, developing design components and selecting design criteria; designing the chip architecture and layout planning of various circuit items on the chip, and then planning circuit design and layout; making this layout file into a mask .

Wafer manufacturing: Repetitive processes such as photolithography, etching, oxidation, and diffusion are used to design and manufacture the circuit on the mask layer by layer on a silicon wafer.

Packaging test: The wafer needs to be tested by Probe Card to select the chip with normal function and meet the design requirements, and is put into paste, wire bonding and packaging, and then undergoes the final Burn-In and test (Final Test), and then to be packaged and shipped.

(III) Supply of primary raw materials

The Company's main raw material is wafers, which are mainly supplied by well-known semiconductor companies in domestic area and abroad. Good cooperative relationships are being maintained currently.

(IV) Names of customers who have accounted for more than 10% of total purchases (sales) in any of the most recent two financial years, their purchases and sales amounts and proportions, and reasons for changes:

1. Main sales customers

Unit: NT$1,000

| | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Ratio to Net Revenue for the Year (%) | Relationship with the Issuer | Name | Amount | Ratio to Net Revenue for the Year (%) | Relationship with the Issuer |
| 1 | Company A | 4,896,525 | 30 | None | Company A | 3,215,734 | 27 | None |
| 2 | Company B | 1,804,403 | 11 | None | Company B | 1,422,720 | 12 | None |
| 3 | Others | 9,506,970 | 59 | | Others | 7,245,667 | 61 | |
| | Net Revenue | 16,207,898 | 100 | | Net Revenue | 11,884,121 | 100 | |

Reasons for Change:

The Company's products are mainly sold through agents, and Company A and B is the Company's main agent. The electronic products market in 2023 continued to be impacted by war and inflation, resulting in weak demand in the terminal market and a decline in the memory industry. Consequently, the business volume of each company has decreased. The revenue of Company A and B has decrease compared with 2022.

2. Main Purchase Suppliers

Unit: NT$1,000

| | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Ratio to Net Purchase for the Year (%) | Relationship with the Issuer | Name | Amount | Ratio to Net Purchase for the Year (%) | Relationship with the Issuer |
| 1 | Company A | 8,238,511 | 53 | None | Company A | 4,082,772 | 43 | None |
| 2 | Company B | 1,747,999 | 11 | None | Company B | 1,692,316 | 18 | None |
| 3 | Others | 5,540,533 | 36 | | Others | 3,721,066 | 39 | |
| | Net Purchase | 15,527,043 | 100 | | Net Purchase | 9,496,154 | 100 | |

Reasons for Change:

The Company is a professional IC design company. The main cost structure in the production process is wafer raw materials and outsourced processing fees, while wafer selling prices and outsourced processing fees are closely linked to the semiconductor business cycle. The electronic products market in 2023 continued to be impacted by war and inflation, resulting in weak demand in the terminal market and a decline in the memory industry. The average unit price of wafers and outsourcing costs have generally decreased. However, the Company has signed a capacity reservation agreement with the suppliers to purchase wafers at the agreed period and quantity, so the value and proportion of major purchasers in 2023 have changed compared with 2022.

(V) Production Volume and Value for the last two years

Unit:1 ,000; NT$1,000

| Item | 2022 | | 2023 | |
|---|---|---|---|---|
| | Production Volume | Production Value | Production Volume | Production Value |
| Integrated Circuit (IC) | 1,484,397 | 8,224,660 | 1,212,838 | 6,400,349 |

Note: The Company's products are outsourced to external professional companies for processing, so no capacity is disclosed.

(VI) Sales Volume and value for the last two years

Unit:1 ,000; NT$1,000

| FY / Item | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Internal sales | | External sales | | Internal sales | | External sales | |
| | Sales Volume | Sales Value | Sales Volume | Sales Value | Sales Volume | Sales Value | Sales Volume | Sales Value |
| Integrated Circuit (IC) | 520,467 | 7,244,896 | 642,002 | 8,963,002 | 617,666 | 5,258,025 | 599,245 | 6,626,096 |

| FY / Item | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Internal sales | | External sales | | Internal sales | | External sales | |
| | Sales Volume | Sales Value | Sales Volume | Sales Value | Sales Volume | Sales Value | Sales Volume | Sales Value |
| Total | 520,467 | 7,244,896 | 642,002 | 8,963,002 | 617,666 | 5,258,025 | 599,245 | 6,626,096 |

## III. Employee information for the most recent two financial years and up to the date of publication of the Annual Report

| Year | | 2022 | 2023 | Until March 31, 2024 |
|---|---|---|---|---|
| No. of employees | Management Personnel | 143 | 156 | 155 |
| | R&D Technicians | 417 | 446 | 448 |
| | Operators | — | — | — |
| | Total | 560 | 602 | 603 |
| Average Age | | 42.04 | 41.85 | 42.03 |
| Average Year of Service | | 9.83 | 9.79 | 9.95 |
| Academic Distribution Ratio | PhD | 1.6% | 1.3% | 1.3% |
| | Master | 55.3% | 58.1% | 57.7% |
| | University | 41.1% | 38.8% | 39.2% |
| | High school | 2.0% | 1.8% | 1.8% |
| | Below high school | — | — | — |

## IV. Disbursements for Environmental Protection

(I) The company's 2023 years and as of the date of publication, there has been no penalty arising from environmental pollution or industrial safety incidents or any disciplinary authority.

(II) Countermeasures for environmental protection and industrial safety in the future:

The Company has always upheld the spirit of the ISO 14001 environmental management system and is committed to complying with international advanced environmental standards. It is committed to providing and maintaining a working environment that is compliant with laws and regulations and at the same time which is an industrial and practical working environment. The Company also continuously improves in its attempt to eliminate the risk of any predictable causes of environmental pollution. Through the preventive measures of process optimization, the Company will continue to improve in the reduction of the emission of hydropower substances and pollutants, and strive to implement the concept of designing for the environment, and become a sustainably developed green enterprise. In order to implement the effectiveness of environmental management, the Company plans to establish the ISO 14001 environmental management system in 2007, and the verification and certificate were obtained in January 2008. The Company's latest ISO 14001 certificate is valid from February 19, 2023, to February 18, 2026.

(III) Implementation of Environmental Sustainability Investment by the Company:

The Company continuously evaluates and analyzes the energy (electricity) usage within our facilities. In 2022, we prioritized the replacement of the outdated air conditioning equipment in Building B of our Hsinchu headquarters. By 2023, we completed the installation of a magnetic levitation chiller, with an overall investment exceeding ten million dollars. Apart from creating a comfortable working environment for our colleagues with high-efficiency air conditioning equipment, this initiative effectively reduces electricity consumption, achieving energy conservation, carbon reduction, and sustainable development goals.

The introduction of the new magnetic levitation chiller is expected to result in an annual electricity savings of over 12,000 kilowatt-hours and a carbon reduction benefit of over 6 metric tons.

This year (2023), in active response to government renewable energy policies, we evaluated and participated in the "Renewable Energy Certificate (REC) trading system," actively promoting the procurement of green electricity (certificates). In 2023, we subscribed to 7 renewable energy certificates, with an initial investment of approximately tens of thousands of dollars, resulting in a carbon reduction benefit of approximately 3.5 metric tons. In the future, we will plan the Company's 2050 low-carbon pathway, gradually expanding the procurement of green electricity (certificates) through the setting of annual targets.

In the future, we will drive a power inventory plan through various office locations to identify electricity consumption hotspots and improve the use of inefficient equipment. We will gradually proceed with the updating and upgrading of machinery and equipment, coupled with renewable energy (certificate) trading, aligning with stakeholder expectations and the company's goals for sustainable development.

(IV) Environmental protection policy and improvement plan

(1) Future quantitative management of energy saving and carbon reduction

After the Company introduced the ISO-14001 environmental management system and continued to implement a number of energy-saving and carbon reduction measures, it has achieved significant performance so far; based on the management principle of continuous improvement, the Company set relevant quantitative management goals for improvement, and with a view to making further contributions to protecting the global environment, as explained below:

A. Quantitative management objectives for greenhouse gas reduction, water resources management and waste management:

1. Greenhouse gas reduction

The Company's quantitative management goals for greenhouse gas reduction are as follows: The per capita greenhouse gas emission decreases by 4% in 2025 compared with 2019.

2. Water resources management

In response to climate change, stable water supply has become a global issue. To fulfill its social responsibilities and respond to global water shortage issues, the company has set quantitative goals for water resources management as follows: By 2025, the overall per capita water consumption will be reduced by 2% compared with 2019, with a view to taking concrete actions to face the challenges of climate change with global corporates.

3. Waste reduction

The Company's goal of quantitative management of waste reduction: The personal output of waste in 2025 will be 2% lower than that in 2019.

B. Measures to achieve goals:

1. Greenhouse Gas Reduction
- Evaluation of public area lighting system to be replaced by LED lights
- The air-conditioning temperature of the office area is set at 26 ~ 28°C.
- Turn off non-essential lighting during meals and breaks.
- Promote a paperless policy and import electronic forms to reduce paper consumption.
- Use environmentally friendly tableware for dining and encourage employees to bring their own tableware to reduce the use of disposable tableware.
- Use green products and select equipment and appliances with energy-saving labels.
- Encourage employees to use stairs instead of elevators.
- Promote the inventory and update of major energy-consuming equipment.

2. Water Resource Management
- Display water-saving slogans to develop the habit of saving water.
- Monitor water consumption and address any abnormalities immediately to avoid wasting water resources.
- Reduce the amount of environmental cleaning agents and reduce the amount of cleaning water.

3. Waste Management
- Implement a resource recycling classification mechanism.
- Promote employee waste reduction.
- Comply with the relevant provisions of environmental regulations and implement environmental policies.

(2) Climate change assessment and countermeasures

The United Nations Intergovernmental Panel on Climate Change (IPCC) pointed out that global warming will exceed 1.5°C in 2040 at the earliest. Climate change has become an issue that should be ignored.

ESMT is of the view that climate change is becoming more and more serious, and there is a high degree of correlation between product production and the supply chain of related industries. In order to continue to strengthen the Company's ability to respond to and combat climate change, the Company will disclose detailed environmental and climate-related measures in an appropriate manner, and disclose the risks and opportunities brought by the climate to the Company's operations with reference to the Task Force on Climate-related Financial Disclosures (TCFD). From the four major aspects of governance, strategy, risk management, and indicators and objectives, the Company will strengthen its governance of climate change in response to the expectations of external stakeholders about the Company's management of climate change.

| | Risk Item | Description | Response measures |
|---|---|---|---|
| Climate related risks | Energy price increase | In response to the greenhouse gas reduction requirements, the pressure to increase energy prices | Promote workplace energy saving and carbon reduction measures |
| | | | Set annual power saving goals |

| | | | |
|---|---|---|---|
| | | and the efficiency of related equipment used has led to an increase in energy costs. | |
| | Stricter fuel/energy/environmental regulations | Increase in operating and manufacturing costs, related fines, litigation cases, and policy changes led to asset impairment | Continue to monitor and identify the impact of changes in regulations |
| | | | Communicate with industry association and participate in government regulations courses |
| | | | Strengthen awareness on laws and regulations and training |
| | Increase in frequency of extreme climate events | Extreme weather events will cause loss of property and equipment, and may even cause business interruption | Improve the recovery time of the operation-related support system and shorten the recovery time to normal business operation |
| | | | Implement a mechanism for handling major abnormal events |
| | | | Continuously supervise suppliers to carry out plans and drills for extreme climate events |
| | | | Assess and build backup equipment |
| Climate-related opportunities | Market transformation/ technology development | Develop low-carbon products, encourage suppliers to use low-carbon technology processes, and increase access to relevant markets | Evaluation and development of low-carbon products and markets |
| | | | Encourage existing suppliers to use low-carbon technology processes, and prioritize suppliers using low-carbon technology processes |

(V) Information on the implementation of RoHS (Limiting Hazardous Substances in Electronic Motor Equipment) in the EU is as follows:

(1) The Company's management measures

1.Process changes are subject to EU RoHS and customer green production specifications.

2.Notify suppliers of environmentally friendly green production practices and request relevant supporting documentation.

3. Audit suppliers from time to time and coach them to establish a green supply chain.

(2)The Company's products comply with the RoHS specifications related to the restrictions on the use of hazardous substances, so does not affect the company's products market sales.

(VI) Annual greenhouse gas emissions, water consumption and the total weight of waste in the past two years ？

In response to global climate change, the Company reduced and managed greenhouse gas emissions, implemented environmental justice, and fulfilled the responsibility to jointly protect the global environment. In addition, the Company actively responds to the Carbon Disclosure Project (CDP), and voluntarily disclosed its investigation in greenhouse gas emissions according to the World Business Sustainable Development Association (WBCSD) and the GHGProtocol issued by the Resource Research Institute (WRI). The results of the investigation are shown in the table below.

1.Annual greenhouse gas emissions Unit ($CO_2$ equivalent)

| Year | Greenhouse gas emissions (year) | Greenhouse gas emissions per capita | % |
|---|---|---|---|
| 2022 | 3,636.05 | 6.87 | -10.62 |
| 2023 | 3,952.411 | 6.97 | 8.70 |

(Data Scope: Taipei/Hsinchu/Tainan Offices)

2.Water Consumption Unit ($M^3$)

| Year | Water Consumption(Note) | Water consumption per capita (degrees) | % |
|---|---|---|---|
| 2022 | 20,499 | 39.57 | -0.76 |
| 2023 | 20,894 | 37.65 | -14.18 |

Note: Third-party water with drawal (tap water) (Data Scope: Hsinchu Science Park)

3. Annual waste disposal statistics Unit (metric tons )

| Category / Year | Hazardous Industrial Waste | General Industrial Waste | Waste disposal volume | Per Capita waste Generation (Kg) |
|---|---|---|---|---|
| | IC Waste | General Waste | | |
| 2022 | 0.47 | 19.57 | 20.04 | 38.69 |
| 2023 | 0.43 | 17.80 | 18.23 | 33.08 |
| Processing method | Commissioned Clearance (Recycling) | Commissioned Disposal (Incineration) | | |

(Data Scope: Hsinchu Science Park)

# V. Labor Relations

(I) The systems and implementation status of the Company's employee welfare policies, continuing education, training, and retirement, as well as the agreements between the employees and employer, and employees’ rights and interests:

(1) Employee welfare policy

The Company provides a friendly and supportive working environment, allowing employees to achieve balance and harmony between work, family and life.

Measures and benefits related to work-life balance:

1.Work:

a. Flexible working hours and two days off a week that allow employees to arrange working hours flexibly to take care of their family or health.
b. Provide employees with flexible annual leave and hours better than those stipulated by the Labor Standards Act.
c. Provide employees with festival and birthday giftcard and festival bonuses.

d. Organize the year-end party and give senior colleagues awards and bonuses to encourage them.
e. In addition to labor (retirement) insurance and national health insurance, we also provide group insurance and insurance coverage for travel safety, accidents, and medical emergencies during business trips for our employees.
f. Provide meal subsidies for employees who have meals during work hours.

2.Family:

a. Friendly maternity protection measures including setting up breastfeeding rooms in our health center and providing breastfeeding breaks that exceed the legally required hours.
b. Arrange one-on-one consultation with on-site physicians for employees after pregnancy and childbirth.
c. We provide various subsidies for employees, such as for marriage, funeral, illness, and childbirth subsidies.
d. We provide childcare subsidies for employees with children aged 0 to 6 years old.
e. Assist in the evaluation of special nursery centers, kindergartens and provide health education information related to childcare.
f. Handle parent-child communication and other related courses and lectures.
g. Organize activities such as parent-child travel for employees and their families to provide opportunities for communication and interaction between parents and children.
h. Provide group insurance for employees and their families, and provide professional on-site services and consultation.

3. Health:

a. Staff assistance programs and health promotion activities provide employees with physical and mental health and safety
b. Provide regular labor health checks that are better than that required by regulations.
c. We provide preventive medical checkups for middle-aged and senior employees.
d. Established a health center to provide staff health management, health check-up education and consultation, and care for specific individuals and arrange health consultations with on-site physicians.
e. We have an on-site doctor who provides health consultation and workplace suitability advice.
f. Established fitness centers, basketball courts, badminton courts, music classrooms and other sports fitness and leisure spaces to encourage employees to maintain a healthy body.
g. The Employee Welfare Committee regularly handles various national and international travel, birthday celebrations and afternoon tea activities to adjust the physical and mental health of employees, strengthen employee communication and mutual interaction and connection.
h. Organize self-growth and stress relief related courses and lectures.
i. We have an employee cafeteria that offers a variety of options including buffet, noodles, or light meals and other diverse options, as well as calorie information.

(2) Continuous education, training and the implementation thereof

Depending on the needs of each employee's job capacity, future personal development, and the requirement of the Company's operational expansion, the Company formulates individual refresher training programs, and each department regularly formulates and implements its annual training plans every year. If requirements arise in the financial year, each department may, from time to time, submit an "Education and Training Requirement

Questionnaire" to add the required training items , which should effectively achieve the purpose of enhancing objectives of the employees' work functions.

(3) Retirement System

In December 1998, the Company set up a special account for labor pension preparation in the Central Trust Bureau, which was allocated at 2% of the total monthly salary. The standard and method of payment of the pension application shall be handled in accordance with the provisions of the Labour Standards Act. Since the beginning of the implementation, no employees have applied for retirement. Since 1999 and in accordance with the Pension Bulletin No. 18, a qualified actuary is hired to conduct actuarial pension assessment. In addition, the Company has solicited the wishes of employees, and since July 1, 2005, according to the regulations of the new labor pension regulations, a retirement fund has been allocated to each employee ’s pension account. Regarding the handling of employee retirement-related matters, it is understood to be handled in accordance with relevant regulations.

(4) Agreements between the employer and employees

The Company has set up labor management meetings in accordance with relevant laws and regulations to negotiate labor management issues through regular discussions. At the same time, through the operation of the employee welfare committee, the Company and the welfare committee cooperated to promote the improvement of employee welfare. In addition, the Company values humane management and recognizes the coexistence and co-prosperity of labor capital as a whole. Therefore, the two-way coordination and communication are adopted in the communication of labor and management issues, so that both parties can understand each other better to achieve the same goals.

(5) Measures to protect employees' rights and interests:

The Company handles all employee rights and welfare measures in accordance with the relevant laws and regulations to fulfill its maintenance responsibilities, and should be able to reasonably and fully protect employees' rights and interests.

(6) Work environment and protection for the physical safety of workers:

The Company spares no effort in workplace safety and health, and will continue to work on the safety and health prevention in the future, to prevent the injury of the workplace and the personal safety of employees through continuous improvement. The Company's occupational safety and health implementation results are as follows:

## Occupational safety and health implementation results

### 1. Labor Operating Environment Monitoring

To understand the actual condition of the working environment in the labor workplace and assess the worker's exposure to the working environment, for which the Company conducts planning, sampling, measurement and analysis accordingly. To protect workers from harmful substances in the workplace and provide workers with a healthy and comfortable working environment, regular environmental monitoring is carried out every year to gradually understand the actual degree of hazards the workers are exposed to, thereby improving the on-site environment and preventing occupational disasters.

Table - Work Safety Performance

| Workplace safety inspection | |
|---|---|
| Workspace safety inspection | Daily inspection |
| Management by walking around | First level supervisor once a quarter |
| Work safety inspection in construction site | Conducted from time to time as needed |

## 2. Labor Safety and Health Committee

To prevent occupational disasters and ensure the safety and health of employees, ESMT has an internal occupational safety and health committee. It holds regular meetings every quarter to discuss labor safety and health related matters and promote various labor safety and health related businesses.

## 3. Personnel Safety and Health Training

Through education and training, ESMT enables employees to understand environmental, safety and health regulations, policies and the Company's environmental, safety and health commitments, enhances the Company's awareness on environmental impact, safety and health risks, and emergency contingency plans to fulfill environmental, safety and health goals and comply with environmental, safety and health.

The Administration Department is responsible for surveying the training needs of various safety, health and environmental protection related courses and organizing training plans. Each department participates in training as needed, and arranges relevant personnel to organize relevant safety and health education and training. In addition, contractors are also required to provide and participate in relevant training in accordance with the "Contractor Management Measures" to ensure the safety and health of the personnel in the Company.

Table - Work Safety Education Training and Promotion

| Year | Training participants | Average training man hour |
|---|---|---|
| 2022 | 246 | 554.0 |
| 2023 | 347 | 688.0 |

Table - Professional Work Safety Management Personnel

| Work safety personnel with professional license | |
|---|---|
| Type A Occupational Safety and Health Manager | 1 |
| Occupational Safety Manager | 1 |
| Occupational Safety and Health Manager | 1 |
| Operators of Forklift Over 1 Ton | 9 |
| Oxygen-Deficient Operations Supervisor | 1 |
| High-pressure Gas-specific Equipment Operators | 1 |
| High-Pressure Gas Container Operator | 1 |
| Radiation Safety Certificate for Operator | 5 |
| First Aid Personnel | 9 |

| | |
|---|---|
| Healthcare Personnel for Labor Health Services | 1 |
| Ionizing radiation | 3 |
| Other | 3 |

## 4. Statistics of Disability due to Occupational Disasters

ESMT is committed to providing colleagues with a safe working environment. For accidents, the parties or surrounding personnel will notify the supervisor and the administrative department as soon as possible, and the work safety and nursing staff will provide assistance.

According to the Occupational Accident and Disability Certification of the Occupational Safety and Health Administration of the Ministry of Labor, traffic accidents beyond the Company are excluded. For occasion traffic contingency, ESMT held quarterly to explain the occurrence of the incident and the new personnel occupational safety and health course to conduct case publicity to prevent similar accidents from happening again through the occupational safety and health committee.

Table - Company's Work Safety Performance in the Past Two Years - Statistics of Employee Disability Injury

| Year | Fatal accident | Disability accident |
|---|---|---|
| 2022 | Male: 0 Female: 0 | Male: 0 Female: 0 |
| 2023 | Male: 0 Female: 0 | Male: 0 Female: 0 |

## 5. Measures for the Prevention and Management of Diseases Caused by Abnormal Workload

ESMT is a professional IC design company with a simple office environment. According to the provisions of Article 6 of the Occupational Safety and Health Act, to ensure the work safety of employees and their physical and mental health, employers should avoid overwork diseases caused by shifts, night work, long hours or other workload factors. "Only a safe and healthy workforce can ensure the competitiveness of the Company"; Labor is an important asset of a company. Based on the principle that prevention is better than cure, the provisions of the Occupational Safety and Health Act are implemented, and relevant measures to promote the physical and mental health of the workers are adopted to create a more friendly and healthy workplace environment for workers, and ensure their rights and interests. ESMT has established the “Measures for the Prevention and Management of Diseases Promoted by Abnormal Workloads” and adopted disease prevention measures and related management to ensure the physical and mental health of employees and prevent employees from causing diseases due to abnormal workloads. Nursing staff regularly evaluates and interviews with specialist doctors in the occupational medicine department, and makes follow-up recommendations and measures based on the interview records of physicians.

(II) Specify losses arising from labor disputes in the most recent year up to the publication date of this Annual Report, and disclose potential losses in the current and future periods as well as and countermeasures:

To uphold the belief of perfect care for the employees, the Company has a vacation and retirement system, and also a variety of welfare measures. Therefore, employees have a high degree of centripetal force to the Company. A harmonious relationship between labor and management is maintained, and thus, there was no loss arising from by labor disputes.

## VI.Cyber Security Management

(1)Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

### 1. Information Security Management Framework

The Information Technology Department is responsible for information security and formulating and implementing information security policies. Every three months, the information security implementation plan and implementation status are reported to the management to ensure the continuous and effective operation of the internal security management mechanism.

The Internal Audit Department is the audit unit of the Information Technology Department. If the audit discovers any discrepancies, the department shall require the audit unit to propose relevant improvement plans and regularly track the improvement results to reduce internal security risks.

The organization's operation mode adopts PDCA (Plan-Do-Check-Act) circular management to build a complete security management system to effectively prevent the occurrence of information security incidents, ensure the achievement of information security goals, and continue to optimize and improve.

### 2. Information Security Policy

This policy is to protect the security of all information assets of Elite Semiconductor Microelectronics Technology Inc., and to prevent internal or external, intentional or accidental threats and destruction that may result in business failure or information tampering, fetching or damage, so as to fulfill our goal of sustainability operation.

i. Definition of Information Security

Protect the Company's information and information systems from unauthorized entry, use, disclosure, destruction, modification, inspection, recording and destruction, and maintain the availability of existing information systems.

ii. Information Security Objective

a. Ensure the confidentiality of business-related information and protect company confidentiality.

b. Ensure the integrity and availability of business-related information.

c. Improve Information Security Protection Capabilities.

iii. Scope of Information Security

This policy applies to various information systems within the Company, internal colleagues, and vendors and third-party personnel who have access to business information or provide services.

## 3. Information Security Management Solution

The Company has invested in hardware equipment electronic insurance for business assets, such as information systems, network equipment and other information equipment, and avoids equipment being stolen or malicious damage through security monitoring operations. In view of the fact that information security is an emerging type of insurance, considering the comprehensive effect of topics such as insurance coverage, claims coverage, claims identification, and qualifications of identification institutions, the Company will not purchase information security insurance for the time being after evaluation. However, in response to the challenges faced by information security, such as APT advanced persistent attacks, DDos attacks, ransomware, social engineering, and stolen funds and other security issues, the following strategies have been adopted: Keep track of the changes in the information environment in accordance with the Company 's information security policy, and develop information security protection mechanisms and solutions with reference to technical information. Join ISAC to obtain the latest attack information and take appropriate defensive countermeasures. Conduct regular safety inspections, information security and health consultations, social security and information security drills, strengthen the Company 's colleagues' awareness on security crisis and their responsiveness, in order to prevent in advance and effectively identify and prevent proliferation immediately.

The Company has employed corresponding employees responsible for information security according to the Regulations Governing Establishment of Internal Control Systems by Public Companies stipulated by the Financial Supervisory Commission, including dedicated information security managers and personnel. The information security management project above has been integrated to maximize its synergy and to continue increasing investment in information security.。

## 4. Information Security Management Measures, including:

| Information Security Management | | |
|---|---|---|
| **Type** | Description | Relevant Operation |
| **Access control** | Management measures for personnel account, authority management and system operation behavior | ● Personnel account permission management and review<br>● Periodic check of personnel account permissions |
| **Access control** | Control measures for personnel to access internal and external systems and data transmission channels | ● Internal/external access control measures<br>● Confidential information leakage control<br>● Operation behavior track record |
| **External threat** | Potential internal weaknesses, poisoning pipelines and protective measures | ● Host/computer weakness protection and update measures<br>● Virus protection and malware detection<br>● Network threat monitoring |
| **System availability** | System availability and measures to deal with service interruption | ● System/network availability monitoring and notification mechanism<br>● Contingency measures for service interruption<br>● Information backup measures, local/offsite backup mechanism |

| | | |
|---|---|---|
| | | ● Regular disaster recovery drills |

(2) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided :None.

## VII. Important Contracts

| Nature of Contract | Counterparty | Term | Salient terms | Restrictions |
|---|---|---|---|---|
| Lease Contract | Science Park Bureau | January 1, 2021 to December 31, 2040 | Land Lease | Nil |
| Lease Contract | Science Park Bureau | January 1, 2021 to December 31, 2040 | Land Lease | Nil |
| Lease Contract | Science Park Bureau | August 1, 2019 to December 31, 2033 | Land Lease | Nil |
| Long-term Guaranteed Loans | Chang Hwa Commercial Bank Ltd | October 7, 2022 to October 7, 2037 | Long-term Loans | Collateral: Land and Plant |
| Production Capacity Reservation Agreement | Vendor A | | Production Capacity Reservation Agreement | Acquiring wafer production capacity in accordance with the agreed period and quantity |

# Financial Overview

I. Condensed Balance Sheet and Income Statement for the Past Five Fiscal Years

(1) Balance Sheet Summary - Adopted International Financial Reporting Standards

1. Consolidated Balance Sheet Summary - Adopted of International Financial Reporting Standards (IFRS)

Unit: NT$ 1,000

| Item \ Financial Year | | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---|---|---|---|---|---|---|
| Current assets | | 9,497,077 | 11,832,047 | 17,811,977 | 15,021,131 | 13,552,324 |
| Property, plant, and equipment | | 696,328 | 776,598 | 1,302,287 | 2,052,992 | 1,957,077 |
| Intangible assets | | 81,593 | 111,688 | 83,825 | 51,410 | 117,255 |
| Other assets | | 205,322 | 280,015 | 1,039,290 | 2,600,196 | 2,470,554 |
| Total assets | | 10,480,320 | 13,000,348 | 20,237,379 | 19,725,729 | 18,097,210 |
| Current liabilities | Before distribution | 3,025,945 | 4,756,158 | 7,467,705 | 7,492,375 | 6,181,882 |
| | After distribution | 3,311,704 | 5,328,472 | 9,756,961 | 9,756,961 | 6,353,585 |
| Non-current liabilities | | 113,596 | 114,907 | 110,114 | 795,478 | 1,995,236 |
| Total liabilities | Before distribution | 3,139,541 | 4,871,065 | 7,577,819 | 8,287,853 | 8,177,118 |
| | After distribution | 3,425,300 | 5,443,379 | 9,867,075 | 9,867,075 | 8,348,821 |
| Equity attributable to parent company | | 7,461,460 | 8,264,043 | 12,721,415 | 11,514,330 | 10,021,738 |
| Share capital | | 2,857,589 | 2,857,589 | 2,861,570 | 2,861,570 | 2,861,711 |
| Capital reserves | Before distribution | 104,305 | 109,677 | 181,329 | 255,317 | 487,274 |
| | After distribution | 104,305 | 109,677 | 181,329 | 181,329 | 487,274 |
| Retained profits | Before distribution | 4,645,411 | 5,436,890 | 9,839,838 | 8,591,453 | 6,853,601 |
| | After distribution | 4,359,652 | 4,864,576 | 7,550,582 | 7,550,582 | 6,681,898 |
| Minority interest | | ( 8,524) | 5,536 | ( 23,906) | ( 46,310) | ( 36,380) |
| Treasury shares | | ( 137,321) | ( 145,649) | ( 137,416) | ( 147,700) | ( 144,468) |
| Non-controlling interest | | ( 120,681) | ( 134,760) | ( 61,855) | ( 76,454) | ( 101,646) |
| Total equity | Before distribution | 7,340,779 | 8,129,283 | 12,659,560 | 11,437,876 | 9,920,092 |
| | After distribution | 7,055,020 | 7,556,969 | 10,370,304 | 10,370,304 | 9,748,389 |

Note 1: The financial information of the Company has been reviewed or audited by the CPAs.
Note 2: No asset revaluation has been processed in the above years.

2. Balance Sheet Summary of the Company - Adopted of International Financial Reporting Standards (IFRS)

Unit: NT$ 1,000

| Item \ Financial Year | | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---|---|---|---|---|---|---|
| Current assets | | 8,346,065 | 10,623,102 | 16,484,075 | 13,779,567 | 12,574,796 |
| Property, plant, and equipment | | 695,067 | 776,013 | 1,237,536 | 1,991,347 | 1,894,390 |
| Intangible assets | | 81,177 | 111,688 | 83,825 | 51,410 | 117,255 |
| Other assets | | 1,356,424 | 1,494,414 | 2,350,407 | 3,871,519 | 3,557,784 |
| Total assets | | 10,478,733 | 13,005,217 | 20,155,843 | 19,693,843 | 18,144,225 |
| Current liabilities | Before distribution | 2,912,373 | 4,630,790 | 7,324,117 | 7,384,000 | 6,135,811 |
| | After distribution | 3,198,132 | 5,203,104 | 9,613,373 | 9,613,373 | 6,307,514 |
| Non-current liabilities | | 104,900 | 110,384 | 110,311 | 795,513 | 1,986,676 |
| Total liabilities | Before distribution | 3,017,273 | 4,741,174 | 7,434,428 | 8,179,513 | 8,122,487 |
| | After distribution | 3,303,032 | 5,313,488 | 9,723,684 | 9,723,684 | 8,294,190 |
| Equity attributable to parent company | | 7,461,460 | 8,264,043 | 12,721,415 | 11,514,330 | 10,021,738 |
| Share capital | | 2,857,589 | 2,857,589 | 2,861,570 | 2,861,570 | 2,861,711 |
| Capital reserves | Before distribution | 104,305 | 109,677 | 181,329 | 255,317 | 487,274 |
| | After distribution | 104,305 | 109,677 | 181,329 | 181,329 | 487,274 |
| Retained profits | Before distribution | 4,645,411 | 5,436,890 | 9,839,838 | 8,591,453 | 6,853,601 |
| | After distribution | 4,359,652 | 4,864,576 | 7,550,582 | 7,550,582 | 6,681,898 |
| Other equity interest | | ( 8,524) | 5,536 | ( 23,906) | ( 46,310) | ( 36,380) |
| Treasury stock | | ( 137,321) | ( 145,649) | ( 137,416) | ( 147,700) | ( 114,468) |
| Non-controlling interest | | - | - | - | - | - |
| Total equity | Before distribution | 7,461,460 | 8,264,043 | 12,721,415 | 11,514,330 | 10,021,738 |
| | After distribution | 7,175,701 | 7,691,729 | 10,432,159 | 10,432,159 | 9,850,035 |

Note 1: The financial information of the Company has been reviewed or audited by the CPAs.

Note 2: No asset revaluation has been processed in the above years.

3. Consolidated Comprehensive Profit and Loss Summary - Adopted International Financial Reporting Standards (IFRS)

Unit: NT$1,000

| Item \ Year | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---|---|---|---|---|---|
| Revenue | 11,983,479 | 15,267,139 | 23,844,898 | 16,207,898 | 11,884,121 |
| Gross profit | 1,802,208 | 2,649,042 | 8,716,119 | 2,978,958 | 324,741 |
| Operating profit (loss) | 574,943 | 1,154,785 | 5,875,007 | 792,710 | (1,638,552) |
| Non-operating income and expenses | 1,237 | 98,915 | 105,887 | 512,506 | 410,291 |
| Net profit before tax | 576,180 | 1,253,700 | 5,980,894 | 1,305,216 | (1,228,261) |
| Net profit from continuing operations | 505,611 | 1,084,441 | 5,040,020 | 1,103,715 | (1,208,961) |
| Loss from discontinued operations | - | - | - | - | - |
| Profit (loss) for the year | 505,611 | 1,084,441 | 5,040,020 | 1,103,715 | (1,208,961) |
| Other comprehensive income (net, after tax) | ( 7,888) | 14,872 | ( 30,391) | ( 23,726) | 10,031 |
| Total comprehensive income | 497,723 | 1,099,313 | 5,009,629 | 1,079,989 | (1,198,930) |
| Net profit attributable to the parent company | 497,405 | 1,076,426 | 4,976,211 | 1,042,193 | (1,222,845) |
| Net profit attributable to non-controlling interest | 8,206 | 8,015 | 63,809 | 61,522 | 13,884 |
| Total comprehensive profit attributable to parent company | 489,517 | 1,091,298 | 4,945,820 | 1,018,467 | (1,212,814) |
| Total comprehensive profit attributable to non-controlling interest | 8,206 | 8,015 | 63,809 | 61,522 | 13,884 |
| Earnings per share (NT$) | 1.78 | 3.85 | 17.76 | 3.71 | (4.36) |

Note 1: The financial information of the Company has been reviewed or audited by the CPAs.

## 4. Company's Comprehensive Profit and Loss Summary - Adopted International Financial Reporting Standards (IFRS)

Unit: NT$1,000

| Item \ Year | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---|---|---|---|---|---|
| Revenue | 11,964,770 | 15,252,723 | 23,844,898 | 16,207,898 | 11,884,121 |
| Gross profit | 1,745,049 | 2,577,636 | 8,679,125 | 2,917,561 | 275,379 |
| Operating profit (loss) | 578,899 | 1,101,133 | 5,857,145 | 725,546 | (1,693,806) |
| Non-operating income and expenses | ( 15,466) | 141,956 | 52,038 | 514,246 | 449,283 |
| Net profit before tax | 563,433 | 1,243,089 | 5,909,183 | 1,239,792 | (1,244,523) |
| Net profit from continuing operations | 497,405 | 1,076,426 | 4,976,211 | 1,042,193 | (1,222,845) |
| Loss from discontinued operations | - | - | - | - | - |
| Profit (loss) for the year | 497,405 | 1,076,426 | 4,976,211 | 1,042,193 | (1,222,845) |
| Other comprehensive profit (net, after tax) | ( 7,888) | 14,872 | ( 30,391) | ( 23,726) | 10,031 |
| Total comprehensive profit | 489,517 | 1,091,298 | 4,945,820 | 1,018,467 | (1,212,814) |
| Earnings per share (NT$) | 1.78 | 3.85 | 17.76 | 3.71 | ( 4.36) |

Note 1: The financial information of the Company has been reviewed or audited by the CPAs.

### (2) Names of CPAs in the five most recent financial years and audit opinions

| Year | Name of the CPA accounting firm | Name of CPAs | Audit opinion | Remarks |
|---|---|---|---|---|
| FY 2019 | PricewaterhouseCoopers Taiwan | Ya-Huei Cheng & Danie Lee | Unqualified opinion | |
| FY 2020 | PricewaterhouseCoopers Taiwan | Ya-Huei Cheng & Danie Lee | Unqualified opinion | |
| FY 2021 | PricewaterhouseCoopers Taiwan | Ya-Huei Cheng & Danie Lee | Unqualified opinion | |
| FY 2022 | PricewaterhouseCoopers Taiwan | Shu-Chian Bai & Ya-Huei Cheng | Unqualified opinion | Note |
| FY 2023 | PricewaterhouseCoopers Taiwan | Shu-Chian Bai & Ya-Huei Cheng | Unqualified opinion | |

Note: The Company appointed PricewaterhouseCoopers Taiwan to attest the financial statement. Due to the rotation of internal work functions of the CPA accounting firm, the CPA was changed.

## II. Financial Analysis for the Past Five Fiscal Years

### (1) Financial analysis - Adopted International Financial Reporting Standards (IFRS)

#### 1. Consolidated Financial Analysis - Adopted International Financial Reporting Standards (IFRS)

| Item | | Year: FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---|---|---|---|---|---|---|
| Financial structure | Debts to total assets ratio (%) | 29.96 | 37.47 | 37.44 | 42.02 | 45.18 |
| | Long-term capital to PPE ratio (%) | 1,070.53 | 1,061.58 | 980.56 | 595.88 | 608.83 |
| Debt service ability | Current ratio (%) | 313.85 | 248.77 | 238.52 | 200.90 | 219.23 |
| | Quick ratio (%) | 148.39 | 122.58 | 165.61 | 83.25 | 101.33 |
| | Interest coverage ratio (times) | 6,617.87 | 10,976.20 | 29,372.19 | 3,992.68 | (1,385.40) |
| Operating ability | Accounts receivable turnover rate (times) | 10.06 | 10.49 | 13.14 | 10.98 | 10.97 |
| | Average collection days (days) | 37 | 35 | 28 | 34 | 34 |
| | Inventory turnover rate (times) | 1.82 | 2.25 | 2.64 | 1.81 | 1.39 |
| | Payables turnover rate (times) | 4.94 | 5.46 | 5.62 | 4.98 | 5.01 |
| | Average inventory turnover days (days) | 201 | 163 | 139 | 202 | 263 |
| | Turnover rate for PPE (times) | 16.03 | 20.73 | 22.94 | 9.66 | 5.93 |
| | Total asset turnover rate (times) | 1.15 | 1.30 | 1.43 | 0.81 | 0.63 |
| Profit ability | Return on assets (%) | 4.94 | 9.32 | 30.43 | 5.67 | ( 5.96) |
| | Return on equity (%) | 6.93 | 14.02 | 48.49 | 9.16 | ( 11.32) |
| | Ratio to paid-in Capital (%): Operating profit margin (%) | 20.12 | 40.41 | 205.31 | 27.70 | ( 57.26) |
| | Ratio to paid-in Capital (%): Net profit before tax margin (%) | 20.16 | 43.87 | 209.01 | 45.61 | ( 42.92) |
| | Net profit margin (%) | 4.22 | 7.10 | 21.14 | 6.81 | ( 10.17) |
| | Earnings per share (NT$) | 1.78 | 3.85 | 17.76 | 3.71 | ( 4.36) |
| Cash flow | Cash flow ratio (%) | 61.12 | 9.53 | 111.01 | - | 3.02 |
| | Cash flow adequacy ratio (%) | 28.20 | 57.56 | 144.61 | 47.70 | 63.07 |
| | Cash reinvestment ratio (%) | 15.60 | 1.72 | 51.08 | - | - |
| Leverage | Operating leverage | 3.30 | 2.20 | 1.29 | 3.43 | ( 0.35) |
| | Financial leverage | 1.02 | 1.01 | 1.00 | 1.04 | 0.95 |

Analysis of financial ratio differences for the last two years:

1. The quick ratio has increased primarily because of the issuance of first domestic unsecured convertible bonds this year, leading to a reduction in current liabilities.
2. The decrease in the interest coverage ratio is primarily attributed to a decline in profitability.
3. The decrease in inventory turnover rate and the increase in average sales days are primarily attributed to the ongoing impact of war, inflation, and interest rate hikes on the overall electronic products market this year. The weak demand for end products has resulted in a decline in the overall market demand for memory. This is because the reduction in inventory turnover is not as significant as the decrease in

sales costs.

4. The decrease in turnover rates for property, plant, and equipment, along with total assets, is mainly attributed to the ongoing impact of war, inflation, and interest rate hikes on the overall electronics market this year. Weak demand for end products has led to a decline in overall market demand for memory, resulting in reduced sales revenue.
5. The decrease in asset turnover ratio, equity return on investment, operating profit/pre-tax net profit to paid-up capital ratio, net profit margin, and earnings per share is primarily due to the continued impact of war, inflation, and interest rate hikes on the overall electronics market this year. Weak demand for end products has led to a decline in overall market demand for memory, resulting in reduced revenue and profitability for the Company.
6. The increase in the cash flow ratio is primarily reason for the increase in cash inflow is the ongoing reduction of inventory and current liabilities in the current year.
7. The increase in the cash flow adequacy ratio is primarily attributed to the decrease in inventory accumulation resulting from the liquidation of inventory during the current year.
8. The decrease in operational leverage is primarily attributed to the continued impact of war, inflation, and interest rate hikes on the overall electronics market this year. Weak demand for end products has led to a decline in overall market demand for memory, resulting in reduced sales revenue and operating profit for the Company.

2. Financial Analysis of the Company - Adopted International Financial Reporting Standards (IFRS)

| Item | | Year | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---|---|---|---|---|---|---|---|
| Financial structure | Debts to total assets (%) | | 28.79 | 36.46 | 36.88 | 41.53 | 44.77 |
| | Long-term capital to PPE ratio (%) | | 1,088.58 | 1,079.16 | 1,036.88 | 618.17 | 633.89 |
| Debt service ability | Current ratio (%) | | 286.57 | 229.40 | 225.07 | 186.61 | 204.94 |
| | Quick ratio (%) | | 114.99 | 99.87 | 151.01 | 67.59 | 86.40 |
| | Interest coverage ratio (times) | | 6,565.09 | 11,093.00 | 29,150.60 | 3,802.20 | (1,406.47) |
| Operating ability | Accounts receivable turnover rate (times) | | 10.69 | 11.36 | 13.93 | 11.58 | 11.77 |
| | Average collection days (days) | | 35 | 33 | 27 | 32 | 32 |
| | Inventory turnover rate (times) | | 1.83 | 2.26 | 2.65 | 1.82 | 1.40 |
| | Payables turnover rate (times) | | 5.12 | 5.74 | 5.97 | 5.23 | 5.21 |
| | Average inventory turnover days (days) | | 200 | 162 | 138 | 201 | 261 |
| | Turnover rate for PPE (times) | | 16.08 | 20.74 | 23.68 | 10.04 | 6.12 |
| | Total asset turnover rate (times) | | 1.15 | 1.30 | 1.44 | 0.81 | 0.63 |
| Profit ability | Return on assets (%) | | 4.85 | 9.25 | 30.12 | 5.37 | ( 6.03) |
| | Return on equity (%) | | 6.71 | 13.69 | 49.74 | 8.60 | ( 11.36) |
| | Ratio to paid-in Capital (%) | Operating profit margin (%) | 20.26 | 38.53 | 204.68 | 25.35 | ( 59.19) |
| | | Net profit before tax margin (%) | 19.72 | 43.50 | 206.50 | 43.33 | ( 43.49) |
| | Net profit margin (%) | | 4.16 | 7.06 | 20.87 | 6.43 | ( 10.29) |

| Item / Year | | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---|---|---|---|---|---|---|
| | Earnings per share (NT$) | 1.78 | 3.85 | 17.76 | 3.71 | (4.36) |
| Cash flow | Cash flow ratio (%) | 66.94 | 9.63 | 110.95 | - | 2.79 |
| | Cash flow adequacy ratio (%) | 34.46 | 60.02 | 143.95 | 47.51 | 63.10 |
| | Cash reinvestment ratio (%) | 16.49 | 1.55 | 49.74 | - | - |
| Leverage | Operating leverage | 3.26 | 2.26 | 1.29 | 3.66 | (0.31) |
| | Financial leverage | 1.02 | 1.01 | 1.00 | 1.05 | 0.95 |

Analysis of financial ratio differences for the last two years:

1. The quick ratio has increased primarily because of the issuance of first domestic unsecured convertible bonds this year, leading to a reduction in current liabilities.
2. The decrease in the interest coverage ratio is primarily attributed to a decline in profitability.
3. The decrease in inventory turnover rate and the increase in average sales days are primarily attributed to the ongoing impact of war, inflation, and interest rate hikes on the overall electronic products market this year. The weak demand for end products has resulted in a decline in the overall market demand for memory. This is because the reduction in inventory turnover is not as significant as the decrease in sales costs.
4. The decrease in turnover rates for property, plant, and equipment, along with total assets, is mainly attributed to the ongoing impact of war, inflation, and interest rate hikes on the overall electronics market this year. Weak demand for end products has led to a decline in overall market demand for memory, resulting in reduced sales revenue.
5. The decrease in asset turnover ratio, equity return on investment, operating profit/pre-tax net profit to paid-up capital ratio, net profit margin, and earnings per share is primarily due to the continued impact of war, inflation, and interest rate hikes on the overall electronics market this year. Weak demand for end products has led to a decline in overall market demand for memory, resulting in reduced revenue and profitability for the Company.
6. The increase in the cash flow ratio is primarily reason for the increase in cash inflow is the ongoing reduction of inventory and current liabilities in the current year.
7. The increase in the cash flow adequacy ratio is primarily attributed to the decrease in inventory accumulation resulting from the liquidation of inventory during the current year.
8. The decrease in operational leverage is primarily attributed to the continued impact of war, inflation, and interest rate hikes on the overall electronics market this year. Weak demand for end products has led to a decline in overall market demand for memory, resulting in reduced sales revenue and operating profit for the Company.

The formulas for calculating the financial ratios are as follows:

1. Financial structure
   (1) Liability to asset ratio = total liabilities / total assets.
   (2) Long-term capital PPE = (total equities + non-current liabilities) / net value of PP&E.
2. Debt service ability
   (1) Current ratio = current assets / current liabilities
   (2) Quick ratio = (current assets - inventory - prepaid expenditures) / current liabilities.
   (3) Interest coverage ratio = profit before interest and tax / interest expenditures for this year.
3. Operating ability

(1) Accounts receivable (including accounts receivable and notes receivable resulting from operation) turnover = net revenue / balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
(2) Average collection days = 365 / receivables turnover rate.
(3) Inventory turnover = cost of goods sold / average inventory value.
(4) Payable turnover rate (including bills payable resulting from accounts payable and business operations) = cost of goods sold / average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
(5) Average sales days = 365 / inventory turnover ratio.
(6) PPE turnover ratio = net sale / average PPE value.
(7) Total asset turnover ratio = Net revenue / average total PPE value.

4. Profitability
(1) Return on assets ＝ [net profit after taxes + interest expense (1 – tax rate)] / average total assets.
(2) Equity remuneration rate = net profit (loss) after tax / average total equity value.
(3) Net profit margin = net profit (loss) after tax / net revenue.
(4) Earnings per share (EPS) = (Profit (loss) attributable to the parent company - dividend for preferred shares) / weighted average of issued shares

5. Cash flow
(1) Cash flow ratio = net cash from business activities / current liabilities.
(2) Net cash flow adequacy ratio = net cash flow for business activities for the last 5 years / (capital expenses + additional inventory sum + cash dividend) for the past 5 financial years.
(3) Cash re-investment ratio = (net cash flow from business activities - cash dividend) / (gross amount of PPE + long-term investments + other non-current assets + working capital).

6. Leverage:
(1) Operating leverage＝(net revenue－variable operating cost and expense)／operating income
(2) Financial Leverage = operating profit / (operating profit - interest expense).

III. The Audit Committee's Review Report on the Financial Report for the Most Recent Fiscal Year

# Audit Committees' Review Report

The BOD has prepared Business Report, Financial Statements, and proposal for earnings distribution of the Company for the year 2023. The Certified Public Accountant firm of PricewaterhouseCoopers has audited the Financial Statements and issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and proposal for earnings distribution have been reviewed and determined to be correct and accurate by the Audit Committee of the Elite Semiconductor Microelectronics Technology Inc. We hereby report to the shareholders as described above in accordance with relevant requirements of the Securities and Exchange Act and the Company Act.

To: 2024 Annual General Shareholders' Meeting of Elite Semiconductor Microelectronics Technology Inc.

Elite Semiconductor Microelectronics Technology Inc.

Convener of the Audit Committee: William W.Shen

February 27, 2024

## IV. Audited and Certified Consolidated Financial Statements for the Most Recent Fiscal Year

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 consolidated balance sheets of Elite Semiconductor Microelectronics Technology Inc. and its subsidiaries (the" Group") as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

### *Basis for opinion*

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of 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 consolidated financial statements section of our report. We are independent of the Group 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 the Group's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated 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 the Group's 2023 consolidated 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, and Note 6(5) for details of inventories. As at December 31, 2023, the Group's inventories and allowance for inventory valuation losses amounted to NT$7,351,825 thousand and NT$466,188 thousand, respectively.

The Group is primarily engaged in researching, developing, manufacturing, selling of integrated circuits. The Group 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 assessed the reasonability of the policies and procedures adopted to provide for inventory losses based on our understanding of the Group’s operations and industry, validated the appropriateness of relevant information in the inventory aging report utilised by the Group, and evaluated and tested the reasonability of estimation of net realizable value. We then evaluated the reasonableness of the Group decided the allowance for inventory valuation losses.

### *Other matter–Parent company only financial reports*

We have audited and expressed an unqualified opinion on the parent company only financial statements of Elite Semiconductor Microelectronics Technology Inc. as at and for the years ended December 31, 2023 and 2022.

### *Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## *Auditor’s responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 the Group'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 the Group'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 consolidated 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 the Group to cease to continue as a going concern.

E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 consolidated 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 27, 2024

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The accompanying consolidated 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 consolidated 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. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | Assets | Notes | December 31, 2023 AMOUNT | % | December 31, 2022 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 4,520,314 | 25 | $ 4,764,681 | 24 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 167,295 | 1 | 205,510 | 1 |
| 1136 | Financial assets at amortised cost - current | | 31,791 | - | - | - |
| 1150 | Notes receivable, net | | - | - | 9 | - |
| 1170 | Accounts receivable, net | 6(4) | 1,204,521 | 7 | 962,383 | 5 |
| 1200 | Other receivables | | 107,564 | 1 | 84,473 | 1 |
| 1220 | Current income tax assets | | 232,673 | 1 | 220,468 | 1 |
| 130X | Inventories | 6(5) | 6,885,637 | 38 | 8,369,225 | 42 |
| 1410 | Prepayments | | 399,667 | 2 | 444,561 | 2 |
| 1470 | Other current assets | | 2,862 | - | 821 | - |
| 11XX | **Total current assets** | | 13,552,324 | 75 | 15,052,131 | 76 |
| | **Non-current assets** | | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non-current | 6(3) | 22,920 | - | 12,990 | - |
| 1550 | Investments accounted for using equity method | 6(6) | 135,110 | 1 | 103,857 | 1 |
| 1600 | Property, plant and equipment | 6(7) and 8 | 1,957,077 | 11 | 2,052,992 | 11 |
| 1755 | Right-of-use assets | 6(8) | 75,942 | - | 74,924 | - |
| 1760 | Investment property, net | 6(9) | 14,791 | - | 15,761 | - |
| 1780 | Intangible assets | 6(10) | 117,255 | 1 | 51,410 | - |
| 1840 | Deferred income tax assets | 6(28) | 256,076 | 1 | 213,192 | 1 |
| 1900 | Other non-current assets | 6(11) and 8 | 1,965,715 | 11 | 2,148,472 | 11 |
| 15XX | **Total non-current assets** | | 4,544,886 | 25 | 4,673,598 | 24 |
| 1XXX | **Total assets** | | $ 18,097,210 | 100 | $ 19,725,729 | 100 |

(Continued)

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | Liabilities and Equity | Notes | December 31, 2023 AMOUNT | % | December 31, 2022 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2100 | Short-term borrowings | 6(12) | $ 2,620,000 | 14 | $ 3,175,000 | 16 |
| 2130 | Contract liabilities - current | 6(21) | 4,665 | - | 6,096 | - |
| 2150 | Notes payable | | 2,178 | - | 2,399 | - |
| 2170 | Accounts payable | | 2,282,490 | 13 | 2,325,661 | 12 |
| 2200 | Other payables | 6(14) | 714,823 | 4 | 1,426,556 | 7 |
| 2230 | Current income tax liabilities | | 1,295 | - | 3,464 | - |
| 2250 | Provisions for liabilities - current | | 533,499 | 3 | 530,888 | 3 |
| 2280 | Lease liabilities - current | | 13,914 | - | 12,881 | - |
| 2300 | Other current liabilities | | 9,018 | - | 9,430 | - |
| 21XX | **Total current liabilities** | | 6,181,882 | 34 | 7,492,375 | 38 |
| | **Non-current liabilities** | | | | | |
| 2530 | Bonds payable | 6(13) | 942,923 | 5 | - | - |
| 2540 | Long-term borrowings | 6(15) | 643,400 | 4 | 643,400 | 3 |
| 2550 | Provisions for liabilities - non-current | | 21,055 | - | 19,850 | - |
| 2570 | Deferred income tax liabilities | 6(28) | 54,661 | - | 55,208 | - |
| 2580 | Lease liabilities - non-current | | 62,767 | - | 62,421 | 1 |
| 2600 | Other non-current liabilities | | 270,430 | 2 | 14,599 | - |
| 25XX | **Total non-current liabilities** | | 1,995,236 | 11 | 795,478 | 4 |
| 2XXX | **Total Liabilities** | | 8,177,118 | 45 | 8,287,853 | 42 |
| | **Equity attributable to owners of parent** | | | | | |
| | Share capital | 6(18) | | | | |
| 3110 | Common stock | | 2,861,711 | 16 | 2,861,570 | 15 |
| | Capital surplus | 6(19) | | | | |
| 3200 | Capital surplus | | 487,274 | 2 | 255,317 | 1 |
| | Retained earnings | 6(20) | | | | |
| 3310 | Legal reserve | | 2,118,375 | 12 | 2,014,288 | 10 |
| 3320 | Special reserve | | 46,310 | - | 23,906 | - |
| 3350 | Unappropriated retained earnings | | 4,688,916 | 26 | 6,553,259 | 33 |
| | Other equity interest | | | | | |
| 3400 | Other equity interest | | ( 36,380) | - | ( 46,310) | - |
| 3500 | Treasury shares | 6(18) | ( 144,468) | ( 1) | ( 147,700) | ( 1) |
| 31XX | **Total equity attributable to owners of the parent** | | 10,021,738 | 55 | 11,514,330 | 58 |
| 36XX | **Non-controlling interests** | | ( 101,646) | - | ( 76,454) | - |
| 3XXX | **Total equity** | | 9,920,092 | 55 | 11,437,876 | 58 |
| | Significant contingent liabilities and unrecognised contract commitments | 9 | | | | |
| | Significant events after the balance sheet date | 11 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 18,097,210 | 100 | $ 19,725,729 | 100 |

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

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,EXCEPT(LOSSES)EARNINGS PER SHARE AMOUNTS)

| | | | Year ended December 31, | | | |
|---|---|---|---|---|---|---|
| | | | 2023 | | 2022 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % |
| 4000 | Operating revenue | 6(21) | $ 11,884,121 | 100 | $ 16,207,898 | 100 |
| 5000 | Operating costs | 6(5)(26)(27) | ( 11,559,380) | ( 97) | ( 13,228,940) | ( 82) |
| 5950 | Gross profit | | 324,741 | 3 | 2,978,958 | 18 |
| | Operating expenses | 6(26)(27) | | | | |
| 6100 | Selling expenses | | ( 271,256) | ( 3) | ( 328,630) | ( 2) |
| 6200 | General and administrative expenses | | ( 233,329) | ( 2) | ( 325,125) | ( 2) |
| 6300 | Research and development expenses | | ( 1,458,708) | ( 12) | ( 1,532,493) | ( 9) |
| 6000 | Total operating expenses | | ( 1,963,293) | ( 17) | ( 2,186,248) | ( 13) |
| 6900 | Operating (loss) profit | | ( 1,638,552) | ( 14) | 792,710 | 5 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(22) | 170,442 | 2 | 97,380 | 1 |
| 7010 | Other income | 6(23) | 32,761 | - | 92,266 | - |
| 7020 | Other gains and losses | 6(24) | 259,145 | 2 | 332,510 | 2 |
| 7050 | Finance costs | 6(25) | ( 82,689) | - | ( 33,530) | - |
| 7060 | Share of profit of associates and joint ventures accounted for using equity method | 6(6) | 30,632 | - | 23,880 | - |
| 7000 | Total non-operating income and expenses | | 410,291 | 4 | 512,506 | 3 |
| 7900 | **(Loss) profit before income tax** | | ( 1,228,261) | ( 10) | 1,305,216 | 8 |
| 7950 | Income tax benefit (expense) | 6(28) | 19,300 | - | ( 201,501) | ( 1) |
| 8200 | **(Loss) profit for the year** | | ($ 1,208,961) | ( 10) | $ 1,103,715 | 7 |
| | **Other comprehensive income (loss)-net** | | | | | |
| | **Other comprehensive income (loss) components that will not be reclassified to profit or loss** | | | | | |
| 8311 | Remeasurement of defined benefit plans | 6(16) | $ 101 | - | ($ 1,322) | - |
| 8316 | Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 6(3) | 9,930 | - | ( 22,404) | - |
| 8300 | **Other comprehensive income (loss) for the year-net** | | $ 10,031 | - | ($ 23,726) | - |
| 8500 | **Total comprehensive income (loss) for the year** | | ($ 1,198,930) | ( 10) | $ 1,079,989 | 7 |
| 8610 | Owners of the parent | | ($ 1,222,845) | ( 10) | $ 1,042,193 | 7 |
| 8620 | Non-controlling interest | | $ 13,884 | - | $ 61,522 | - |
| | Total comprehensive (loss) income attributable to: | | | | | |
| 8710 | Owners of the parent | | ($ 1,212,814) | ( 10) | $ 1,018,467 | 7 |
| 8720 | Non-controlling interest | | $ 13,884 | - | $ 61,522 | - |
| | (Losses) earnings per share(in dollars) | 6(29) | | | | |
| 9750 | Basic (losses) earnings per share | | ($ 4.36) | | $ 3.71 | |
| 9850 | Diluted (losses) earnings per share | | ($ 4.36) | | $ 3.71 | |

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

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | | Equity attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained Earnings | | | | | | | |
| | Notes | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Unrealised gains (losses) from financial assets at fair value through other comprehensive income | Treasury shares | Total | Non-controlling interest | Total equity |
| 2022 | | | | | | | | | | | |
| Balance at January 1, 2022 | | $ 2,861,570 | $ 181,329 | $ 1,516,762 | $ - | $ 8,323,076 | ($ 23,906) | ($ 137,416) | $ 12,721,415 | ($ 61,855) | $ 12,659,560 |
| Profit for the year | | - | - | - | - | 1,042,193 | - | - | 1,042,193 | 61,522 | 1,103,715 |
| Other comprehensive loss for the year | | - | - | - | - | (1,322) | (22,404) | - | (23,726) | - | (23,726) |
| Total comprehensive income (loss) for the year | | - | - | - | - | 1,040,871 | (22,404) | - | 1,018,467 | 61,522 | 1,079,989 |
| Distribution of 2021 earnings: | 6(20) | | | | | | | | | | |
| Legal reserve appropriated | | - | - | 497,526 | - | (497,526) | - | - | - | - | - |
| Cash dividends of ordinary share | | - | - | - | - | (2,289,256) | - | - | (2,289,256) | - | (2,289,256) |
| Special reserve appropriated | | - | - | - | 23,906 | (23,906) | - | - | - | - | - |
| Acquisition of parent company's share by subsidiary recognised as treasury share | | - | - | - | - | - | - | (10,284) | (10,284) | (14,284) | (24,568) |
| Recognition of changes in ownership interests in subsidiaries - cash dividends distributed by subsidiaries | 6(19) | - | 989 | - | - | - | - | - | 989 | (61,155) | (60,166) |
| Adjustment of capital surplus due to cash dividends that subsidiaries received from parent | 6(19) | - | 44,720 | - | - | - | - | - | 44,720 | - | 44,720 |
| Recognition of changes in ownership interests in subsidiaries - subsidiary acquired non-controlling interests | 6(19)(30) | - | (29) | - | - | - | - | - | (29) | (18) | (47) |
| Change in associates and joint ventures accounted for using equity method | 6(19) | - | 28,165 | - | - | - | - | - | 28,165 | - | 28,165 |
| Expired cash dividends transferred to capital surplus | 6(19) | - | 143 | - | - | - | - | - | 143 | - | 143 |
| Disposal of a subsidiary | | - | - | - | - | - | - | - | - | (664) | (664) |
| Balance at December 31, 2022 | | $ 2,861,570 | $ 255,317 | $ 2,014,288 | $ 23,906 | $ 6,553,259 | ($ 46,310) | ($ 147,700) | $ 11,514,330 | ($ 76,454) | $ 11,437,876 |
| 2023 | | | | | | | | | | | |
| Balance at January 1, 2023 | | $ 2,861,570 | $ 255,317 | $ 2,014,288 | $ 23,906 | $ 6,553,259 | ($ 46,310) | ($ 147,700) | $ 11,514,330 | ($ 76,454) | $ 11,437,876 |
| Profit (loss) for the year | | - | - | - | - | (1,222,845) | - | - | (1,222,845) | 13,884 | (1,208,961) |
| Other comprehensive income for the year | | - | - | - | - | 101 | 9,930 | - | 10,031 | - | 10,031 |
| Total comprehensive income (loss) for the year | | - | - | - | - | (1,222,744) | 9,930 | - | (1,212,814) | 13,884 | (1,198,930) |
| Distribution of 2022 earnings | 6(20) | | | | | | | | | | |
| Legal reserve appropriated | | - | - | 104,087 | - | (104,087) | - | - | - | - | - |
| Cash dividends of ordinary shares | | - | - | - | - | (515,108) | - | - | (515,108) | - | (515,108) |
| Special reserve appropriated | | - | - | - | 22,404 | (22,404) | - | - | - | - | - |
| Disposal of parent company's share by subsidiary recognised as treasury share | 6(19) | - | 8,540 | - | - | - | - | 3,232 | 11,772 | 16,349 | 28,121 |
| Recognition of changes in ownership interests in subsidiaries - cash dividends distributed by subsidiaries | 6(19) | - | 989 | - | - | - | - | - | 989 | (55,425) | (54,436) |
| Adjustment of capital surplus due to cash dividends that subsidiaries received from parent | 6(19) | - | 10,329 | - | - | - | - | - | 10,329 | - | 10,329 |
| Changes in equity of associates and joint ventures accounted for using equity method | 6(19) | - | 621 | - | - | - | - | - | 621 | - | 621 |
| Issuance of new shares due to employee stock options exercised | 6(17)(18) (19) | 141 | 611 | - | - | - | - | - | 752 | - | 752 |
| Expired cash dividends transferred to capital surplus | 6(19) | - | 45 | - | - | - | - | - | 45 | - | 45 |
| Issuance of convertible bonds | 6(13)(19) | - | 210,822 | - | - | - | - | - | 210,822 | - | 210,822 |
| Balance at December 31, 2023 | | $ 2,861,711 | $ 487,274 | $ 2,118,375 | $ 46,310 | $ 4,688,916 | ($ 36,380) | ($ 144,468) | $ 10,021,738 | ($ 101,646) | $ 9,920,092 |

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

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | Notes | Year ended December 31, 2023 | 2022 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| (Loss) profit before income tax | | ($ 1,228,261 ) | $ 1,305,216 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(7)(8)(9)(26) | 538,796 | 514,396 |
| Amortisation | 6(10)(26) | 167,413 | 122,101 |
| Net (gain) loss on financial assets at fair value through profit or loss | 6(2)(24) | ( 9,172 ) | 87,280 |
| Interest expense | 6(25) | 82,689 | 33,530 |
| Interest income | 6(22) | ( 170,442 ) | ( 97,380 ) |
| Dividend income | 6(23) | ( 17,380 ) | ( 68,750 ) |
| Losses on disposal of a subsidiary | 6(24) | - | 161 |
| Share of profit of associates and joint ventures accounted for using equity method | 6(6) | ( 30,632 ) | ( 23,880 ) |
| Gains on disposals of property, plant and equipment | 6(24) | ( 281,765 ) | - |
| Transfer of property, plant and equipment to miscellaneous expenses | 6(7) | - | 477 |
| Onerous contracts losses | 6(24) | - | 530,888 |
| Gains on lease modifications | 6(24) | ( 67 ) | ( 1,213 ) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Financial assets at fair value through profit and loss | | 48,687 | 66,896 |
| Notes receivable | | 9 | ( 9 ) |
| Accounts receivable | | ( 243,620 ) | 1,028,518 |
| Accounts receivable - related parties | | 1,482 | ( 1,482 ) |
| Other receivables | | ( 16,749 ) | 36,041 |
| Inventories | | 1,483,588 | ( 2,993,540 ) |
| Prepayments | | 44,894 | ( 375,495 ) |
| Other current assets | | ( 2,041 ) | ( 651 ) |
| Other non-current assets | | 195,621 | ( 1,182,950 ) |
| Changes in operating liabilities | | | |
| Notes payable | | ( 221 ) | 194 |
| Accounts payable | | ( 43,171 ) | ( 655,040 ) |
| Contract liabilities | | ( 1,431 ) | ( 15,303 ) |
| Other payables | | ( 635,111 ) | ( 404,101 ) |
| Provisions for liabilities | | 2,611 | - |
| Other current liabilities | | ( 412 ) | 1,521 |
| Other non-current liabilities | | 255,933 | 106 |
| Cash inflow (outflow) generated from operations | | 141,248 | ( 2,092,469 ) |
| Interest received | | 164,100 | 93,328 |
| Interest paid | | ( 79,918 ) | ( 29,432 ) |
| Income taxes paid | | ( 38,505 ) | ( 1,499,968 ) |
| Net cash flows from (used in) operating activities | | 186,925 | ( 3,528,541 ) |

(Continued)

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | Notes | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets at amortised cost | | ($ 31,791 ) | ($ 114,250 ) |
| Disposal of financial assets at amortised cost | | - | 224,970 |
| Decrease in cash due to disposal of a subsidiary | | - | ( 793 ) |
| Acquisition of property, plant and equipment | 6(31) | ( 516,581 ) | ( 1,276,718 ) |
| Disposal of property, plant and equipment | | 281,765 | - |
| Dividends received | 6(23) | 17,380 | 68,750 |
| Acquisition of intangible assets | 6(10)(31) | ( 233,258 ) | ( 89,470 ) |
| Decrease (increase) in refundable deposits | | 609 | ( 86,336 ) |
| Net cash flows used in investing activities | | ( 481,876 ) | ( 1,273,847 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| (Decrease) increase in short-term borrowings | 6(31) | ( 555,000 ) | 1,475,000 |
| Increase in long-term borrowings | 6(31) | - | 643,400 |
| Increase in short-term notes and bills payable | 6(31) | 1,723 | 271 |
| Repayments of lease liabilities | 6(31) | ( 14,742 ) | ( 13,030 ) |
| Decrease in guarantee deposit received | 6(31) | ( 1 ) | ( 120 ) |
| Issuance of convertible bonds | 6(31) | 1,148,901 | - |
| Proceeds from exercise of employee stock options | | 752 | - |
| Cash dividends paid | 6(20) | ( 515,108 ) | ( 2,289,256 ) |
| Expired cash dividends | 6(19) | 45 | 143 |
| Subsidiaries paid cash dividends to non-controlling interests | | ( 54,436 ) | ( 60,166 ) |
| Subsidiaries received cash dividends from parent company | 6(19) | 10,329 | 44,720 |
| Purchase of treasury shares | | - | ( 24,568 ) |
| Proceeds from disposal of treasury shares | | 28,121 | - |
| Acquisition of additional shares of a subsidiary from non-controlling interests | | - | ( 47 ) |
| Net cash flows from (used in) financing activities | | 50,584 | ( 223,653 ) |
| Net decrease in cash and cash equivalents | | ( 244,367 ) | ( 5,026,041 ) |
| Cash and cash equivalents at beginning of year | 6(1) | 4,764,681 | 9,790,722 |
| Cash and cash equivalents at end of year | 6(1) | $ 4,520,314 | $ 4,764,681 |

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

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC. AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

## 1. HISTORYAND ORGANISATION

Elite Semiconductor Microelectronics Technology Inc. (the “Company”) was incorporated in May 1998 and commenced operations in December 1998. The Company and its subsidiaries (collectively referred herein as “the Group”) are 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 Group 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 CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 27, 2024.

## 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

### (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) Accounting Standards 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 2023 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board ("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 |
| Amendments to IAS 12, ‘International tax reform - pillar two model rules’ | May 23, 2023 |

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

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

| New Standards, Interpretations and Amendments | Effective date by IASB |
| --- | --- |
| Amendments to IFRS 16, 'Lease liability in a sale and leaseback' | January 1, 2024 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2024 |
| Amendments to IAS 1, 'Non-current liabilities with covenants' | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements' | January 1, 2024 |

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

(3) Effect of IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards 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 |
| 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 21, 'Lack of exchangeability' | January 1, 2025 |

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

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance 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").

(2) Basis of preparation

A. Except for the following items, the consolidated 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 IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group 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. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions 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.

B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) December 31, 2023 | Ownership (%) December 31, 2022 | Description |
|---|---|---|---|---|---|
| Elite Semiconductor Microelectronics Technology Inc. | Elite Semiconductor Memory Technology Inc. | Research and development, production,sales and related consulting services of integrated circuit | 100 | 100 | Note 2 |
| Elite Semiconductor Microelectronics Technology Inc. | Charng Feng Investment Ltd. | General investment | 100 | 100 | |
| Elite Semiconductor Microelectronics Technology Inc. | Jie Yong Investment Ltd. | General investment | 41.86 | 41.86 | Note 1 |
| Elite Semiconductor Microelectronics Technology Inc. | Elite Investment Services Ltd. | General investment | 100 | 100 | |
| Elite Semiconductor Microelectronics Technology Inc. | Eon Silicon Solutions, Inc. USA | Product design, development and test | 100 | 100 | |
| Charng Feng Investment Ltd. | Elite Memory Technology Inc. | Product design, wholesale and retail of electronic materials, manufacturing of electronic components,information software services and international trade | 100 | 100 | |
| Charng Feng Investment Ltd. | Elite Silicon Technology Inc. | Product design, wholesale and retail of electronic materials, manufacturing of electronic components,information software services and international trade | - | - | Note 2 |
| Charng Feng Investment Ltd. | Elite Innovation Japan Ltd. | Product design, wholesale and retail of electronic materials, manufacturing of electronic components,information software services and international trade | 100 | 100 | |
| Charng Feng Investment Ltd. | Elite Semiconductor Microelectronics Technology (shenzhen) Inc. | Trading of goods or technical services, development and sales products of networking system , storage and peripherals, technical consulting services of integrated circuit, and after-sales service | 100 | 100 | |
| Charng Feng Investment Ltd. | Elite Semiconductor Microelectronics (Shanghai) Technology Inc. | Product design, wholesale and retail of electronic materials, software design services and international trade | 100 | 100 | |

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) December 31, 2023 | Ownership (%) December 31, 2022 | Description |
|---|---|---|---|---|---|
| Charng Feng Investment Ltd. | CHI Microelectronics Limited | General trading | 100 | 100 | |

Note 1: Elite Semiconductor Microelectronics Technology Inc. accounts for the majority of voting rights of Jie Yong Investment Ltd. and both have the same management. It is concluded to have substantial control; therefore, it was included in the consolidated financial statements.

Note 2: 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. was the surviving company, and Elite Silicon Technology Inc. was 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.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation 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 differences 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’.

(5)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.

(6)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.

(7)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 Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) 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 Group 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 Group'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 Group measures the financial assets at fair value plus transaction costs. The Group 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 Group and the amount of the dividend can be measured reliably.

(9) 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 Group'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 Group 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 Group'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.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group 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.

(11) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group 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 that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

(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 labour, 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 / associates

A. Associates are all entities over which the Group 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.

B. The Group’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 Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. 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 Group’s ownership percentage of the associate, the Group recognises the Group’s share of change in equity of the associate in ‘capital surplus’ in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’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 Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group'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 Group'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.

F. Upon loss of significant influence over an associate, the Group 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.

G. When the Group 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.

(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 Group 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 Group. 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 Group 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 Group assesses whether it can reasonably determine its option to extend the lease or purchase the underlying asset, or not to terminate the lease. The Group 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.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(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 Group 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 groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group 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) Convertible bonds payable

A. Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares) and call options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

(a) The embedded call options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

(b) The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

(c) The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

(d) Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

(e) When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(23) Derecognition of financial liabilities

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

(24) Provisions

Provisions (including decommissioning liabilities and onerous contracts) are recognised when the Group 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.

(25) 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 a s the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group 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 Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(26) 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.

(27) 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 and its subsidiaries operate and generate 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 and does not give rise to equal taxable and deductible temporary differences. 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 Group 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.

(28) 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.

(29) 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.

(30) Revenue recognition

A. The Group manufactures and sells integrated circuit. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, 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 Group has objective evidence that all criteria for acceptance have been satisfied.

B. The Group accepts sales orders from customers. Sales revenue is recognised according to the contract price, and the Group transfers the promised goods or services to customers. Since the customer's payment period does not exceed one year, the Group 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.

(31) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date.

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group'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:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group 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, 2023, the carrying amount of inventories was $6,885,637.

B. Evaluation of onerous contract losses

Part of refundable deposits of the Group is a capacity reservation agreement with the supplier. According to the agreement, if the Group's actual purchased quantities do 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 Group has made onerous contracts losses. As at December 31, 2023, the carrying amount of the provision for onerous contract liabilities was $533,499.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash on hand and revolving funds | $ 137 | $ 137 |
| Checking accounts and demand deposits | 1,324,622 | 814,977 |
| Time deposits | 3,195,555 | 3,949,567 |
| | $ 4,520,314 | $ 4,764,681 |

A. The Group transacts with a variety of 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 Group'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 Group's time deposits include the green deposits amounted to $15,000 and $10,000 as at December 31, 2023 and 2022, respectively.

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

| Items | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Listed stocks | $ 20,367 | $ 20,943 |
| Emerging stocks | 38,134 | 38,134 |
| Unlisted stocks | 8,113 | 8,113 |
| Beneficiary certificates | 75,141 | 75,146 |
| Corporate bonds | - | 31,226 |
| Call options of convertible bonds | 1,300 | - |
| Subtotal | 143,055 | 173,562 |
| Valuation adjustment | 24,240 | 31,948 |
| Total | $ 167,295 | $ 205,510 |

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, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Equity instruments | $ 9,025 | ($ 78,535) |
| Debit instruments | ( 426) | ( 6,939) |
| Beneficiary certificates | ( 227) | ( 1,806) |
| Call options of convertible bonds | 800 | - |
| Total | $ 9,172 | ($ 87,280) |

B. The Group 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, 2023 | December 31, 2022 |
|---|---|---|
| Non-current items: | | |
| Equity instruments | | |
| Unlisted stocks | $ 59,300 | $ 59,300 |
| Valuation adjustment | ( 36,380) | ( 46,310) |
| | $ 22,920 | $ 12,990 |

The Group 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 $22,920 and $12,990 as at December 31, 2023 and 2022, respectively.

(4) Accounts receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts receivable - general customers | $ 1,204,521 | $ 960,901 |
| Accounts receivable - related parties | - | 1,482 |
| | 1,204,521 | 962,383 |
| Less: Allowance for uncollectible accounts | - | - |
| | $ 1,204,521 | $ 962,383 |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Not past due | $ 1,198,010 | $ 953,157 |
| Up to 30 days | 6,511 | 9,226 |
| 31 to 90 days | - | - |
| 91 to 180 days | - | - |
| Over 181 days | - | - |
| | $ 1,204,521 | $ 962,383 |

The above aging analysis is based on past due date.

B. As at December 31, 2023 and 2022, 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 Group's accounts receivable were $1,204,521 and $962,383, respectively.

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Bank guarantee | $ 37,211 | $ 42,284 |
| Pledged certificates of deposit | 21,033 | 39,923 |
| Guarantee deposits received (shown as "other non-current liabilities") | 5,620 | 5,621 |
| Letters of credit | 730,029 | 812,396 |
| Company promissory notes/checks | 432,156 | 507,813 |
| | $ 1,226,049 | $ 1,408,037 |

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

E. As at December 31, 2023 and 2022, accounts receivable were all from contracts with customers. As at January 1, 2022, the balance of receivables from contracts with customers amounted to $1,989,419.

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

(5) Inventories

| | December 31, 2023 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 84,520 | ($ 1,232) | $ 83,288 |
| Work in process | 6,091,559 | ( 243,709) | 5,847,850 |
| Finished goods | 1,172,084 | ( 221,247) | 950,837 |
| Inventory in transit | 3,662 | - | 3,662 |
| | $ 7,351,825 | ($ 466,188) | $ 6,885,637 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 481,935 | ($ 1,314) | $ 480,621 |
| 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 |
| | $ 9,234,664 | ($ 865,439) | $ 8,369,225 |

The cost of inventories recognised as expense for the periods:

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Cost of goods sold | $ 11,958,631 | $ 12,389,788 |
| (Gain on reversal of) loss on decline in market value and obsolete and slow-moving investing | ( 399,251) | 839,152 |
| | $ 11,559,380 | $ 13,228,940 |

As the Group sold some inventory which were previously provided with allowance for decline in market value, the Group recognised gain on reversal of decline in market value for the year ended December 31, 2023.

(6) Investments accounted for using equity method

| | 2023 | 2022 |
|---|---|---|
| At January 1 | $ 103,857 | $ 51,812 |
| Share of profit or loss of investments accounted for using equity method | 30,632 | 23,880 |
| Changes in capital surplus | 621 | 28,165 |
| At December 31 | $ 135,110 | $ 103,857 |

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Associates | $ 135,110 | $ 103,857 |

(7) Property, plant and equipment

| | Land | Buildings and structures | Machinery equipment | Test equipment | Others | Total |
|---|---|---|---|---|---|---|
| At January 1, 2023 | | | | | | |
| Cost | $ 562,898 | $ 1,085,790 | $ 757,193 | $ 378,316 | $ 2,320,503 | $ 5,104,700 |
| Accumulated depreciation and impairment | - | ( 476,457) | ( 470,637) | ( 229,128) | ( 1,875,486) | ( 3,051,708) |
| | $ 562,898 | $ 609,333 | $ 286,556 | $ 149,188 | $ 445,017 | $ 2,052,992 |
| 2023 | | | | | | |
| At January 1 | $ 562,898 | $ 609,333 | $ 286,556 | $ 149,188 | $ 445,017 | $ 2,052,992 |
| Additions | - | 3,730 | 9,369 | 151,702 | 238,747 | 403,548 |
| Transfers (Note) | - | 435 | 14,958 | 2,549 | 6,614 | 24,556 |
| Depreciation charge | - | ( 44,661) | ( 58,116) | ( 43,516) | ( 376,363) | ( 522,656) |
| Net exchange difference | - | ( 1,222) | ( 17) | - | ( 124) | ( 1,363) |
| At December 31 | $ 562,898 | $ 567,615 | $ 252,750 | $ 259,923 | $ 313,891 | $ 1,957,077 |
| At December 31, 2023 | | | | | | |
| Cost | $ 562,898 | $ 1,088,733 | $ 499,738 | $ 530,147 | $ 2,565,560 | $ 5,247,076 |
| Accumulated depreciation and impairment | - | ( 521,118) | ( 246,988) | ( 270,224) | ( 2,251,669) | ( 3,289,999) |
| | $ 562,898 | $ 567,615 | $ 252,750 | $ 259,923 | $ 313,891 | $ 1,957,077 |

| | Land | Buildings and structures | Machinery equipment | Test equipment | Others | Total |
|---|---|---|---|---|---|---|
| At January 1, 2022 | | | | | | |
| Cost | $ 168,768 | $ 732,851 | $ 701,361 | $ 333,051 | $ 1,918,252 | $ 3,854,283 |
| Accumulated depreciation and impairment | - | ( 436,193) | ( 413,655) | ( 197,329) | ( 1,504,819) | ( 2,551,996) |
| | $ 168,768 | $ 296,658 | $ 287,706 | $ 135,722 | $ 413,433 | $ 1,302,287 |
| 2022 | | | | | | |
| At January 1 | $ 168,768 | $ 296,658 | $ 287,706 | $ 135,722 | $ 413,433 | $ 1,302,287 |
| Additions | 394,130 | 352,939 | 46,573 | 42,510 | 403,025 | 1,239,177 |
| Reclassifications | - | - | - | - | ( 477) | ( 477) |
| Transfers (Note) | - | - | 9,259 | 2,826 | - | 12,085 |
| Depreciation charge | - | ( 40,264) | ( 56,982) | ( 31,870) | ( 370,964) | ( 500,080) |
| At December 31 | $ 562,898 | $ 609,333 | $ 286,556 | $ 149,188 | $ 445,017 | $ 2,052,992 |
| At December 31, 2022 | | | | | | |
| Cost | $ 562,898 | $ 1,085,790 | $ 757,193 | $ 378,316 | $ 2,320,503 | $ 5,104,700 |
| Accumulated depreciation and impairment | - | ( 476,457) | ( 470,637) | ( 229,128) | ( 1,875,486) | ( 3,051,708) |
| | $ 562,898 | $ 609,333 | $ 286,556 | $ 149,188 | $ 445,017 | $ 2,052,992 |

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

A. For the years ended December 31, 2023 and 2022, there was no capitalisation of borrowing costs attributable to the property, plant and equipment.

B. Information about property, plant and equipment pledged to others as collateral is provided in Note 8.

(8) Leasing arrangements－lessee

A. The Group leases 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 depreciation charge are as follows:

| | Carrying amount | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Land | $ 54,338 | $ 57,912 |
| Buildings and structures | 15,736 | 7,314 |
| Business vehicles | 3,997 | 7,204 |
| Printers | 1,871 | 2,494 |
| | $ 75,942 | $ 74,924 |

| | Depreciation charge | |
|---|---|---|
| | Years ended December 31, | |
| | 2023 | 2022 |
| Land | $ 3,574 | $ 3,574 |
| Buildings and structures | 6,989 | 6,211 |
| Business vehicles | 3,984 | 2,938 |
| Printers | 623 | 623 |
| | $ 15,170 | $ 13,346 |

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were $777 and $7,576, respectively.

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

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Items affecting profit or loss | | |
| Interest expense on lease liabilities | $ 943 | $ 857 |
| Expense on short-term lease contracts | $ 6,191 | $ 6,082 |

E. For the years ended December 31, 2023 and 2022, the Group’s total cash outflow for leases were $21,876 and $19,969, respectively.

## (9) Investment property

| | Buildings and structures |
|---|---|
| At January 1, 2023 | |
| Cost | $ 20,369 |
| Accumulated depreciation and impairment | ( 4,608) |
| | $ 15,761 |
| 2023 | |
| At January 1 | $ 15,761 |
| Depreciation charge | ( 970) |
| At December 31 | $ 14,791 |
| At December 31, 2023 | |
| Cost | $ 20,369 |
| Accumulated depreciation and impairment | ( 5,578) |
| | $ 14,791 |

| | Buildings and structures |
|---|---|
| At January 1, 2022 | |
| Cost | $ 20,369 |
| Accumulated depreciation and impairment | ( 3,638) |
| | $ 16,731 |
| 2022 | |
| At January 1 | $ 16,731 |
| Depreciation charge | ( 970) |
| At December 31 | $ 15,761 |
| At December 31, 2022 | |
| Cost | $ 20,369 |
| Accumulated depreciation and impairment | ( 4,608) |
| | $ 15,761 |

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

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Rental income from investment property | $ 2,562 | $ 2,562 |
| Direct operating expenses arising from the investment property that generated rental income during the period | $ 970 | $ 970 |

B. The fair value of the investment property held by the Group as at December 31, 2023 and 2022 was $8,707 and $8,314, respectively, which was valued by income approach. Key assumptions are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Rate of net return on capital (Note) | 17.45% | 17.37% |

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

C. For the years ended December 31, 2023 and 2022, there was no capitalisation of borrowing costs attributable to the investment property.

D. The Group has no investment property pledged to others.

(10) Intangible assets

| | Patents and professional technology | Customer relationship | Goodwill | Computer software | Total |
|---|---|---|---|---|---|
| At January 1, 2023 | | | | | |
| Cost | $ 34,478 | $ 11,000 | $ 80,758 | $ 639,003 | $ 765,239 |
| Accumulated amortisation and impairment | ( 34,478) | ( 11,000) | ( 80,758) | ( 587,593) | ( 713,829) |
| | $ - | $ - | $ - | $ 51,410 | $ 51,410 |
| 2023 | | | | | |
| At January 1 | $ - | $ - | $ - | $ 51,410 | $ 51,410 |
| Additions | - | - | - | 233,258 | 233,258 |
| Amortisation charge | - | - | - | ( 167,413) | ( 167,413) |
| At December 31 | $ - | $ - | $ - | $ 117,255 | $ 117,255 |
| At December 31, 2023 | | | | | |
| Cost | $ 34,478 | $ 11,000 | $ 80,758 | $ 872,261 | $ 998,497 |
| Accumulated amortisation and impairment | ( 34,478) | ( 11,000) | ( 80,758) | ( 755,006) | ( 881,242) |
| | $ - | $ - | $ - | $ 117,255 | $ 117,255 |

| | Patents and professional technology | Customer relationship | Goodwill | Computer software | Total |
|---|---|---|---|---|---|
| At January 1, 2022 | | | | | |
| Cost | $ 34,478 | $ 11,000 | $ 80,758 | $ 478,152 | $ 604,388 |
| Accumulated amortisation and impairment | ( 34,478) | ( 11,000) | ( 80,758) | ( 394,327) | ( 520,563) |
| | $ - | $ - | $ - | $ 83,825 | $ 83,825 |
| 2022 | | | | | |
| At January 1 | $ - | $ - | $ - | $ 83,825 | $ 83,825 |
| Additions | - | - | - | 89,470 | 89,470 |
| Transfer (Note) | - | - | - | 216 | 216 |
| Amortisation charge | - | - | - | ( 122,101) | ( 122,101) |
| At December 31 | $ - | $ - | $ - | $ 51,410 | $ 51,410 |
| At December 31, 2022 | | | | | |
| Cost | $ 34,478 | $ 11,000 | $ 80,758 | $ 639,003 | $ 765,239 |
| Accumulated amortisation and impairment | ( 34,478) | ( 11,000) | ( 80,758) | ( 587,593) | ( 713,829) |
| | $ - | $ - | $ - | $ 51,410 | $ 51,410 |

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, | |
|---|---|---|
| | 2023 | 2022 |
| Operating costs | $ 16 | $ - |
| Selling expenses | 151 | 329 |
| General and administrative expenses | 3,114 | 3,261 |
| Research and development expenses | 164,132 | 118,511 |
| | $ 167,413 | $ 122,101 |

B. For the years ended December 31, 2023 and 2022, there was no capitalisation of borrowing costs attributable to the intangible assets.

C. The Group has no intangible assets pledged to others.

(11) Other non-current assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Prepayments for purchases | $ 987,329 | $ 1,182,950 |
| Refundable deposits (Note1) | 928,144 | 928,753 |
| Prepayments for equipment | 46,273 | 32,800 |
| Pledged time deposits | 3,969 | 3,969 |
| | $ 1,965,715 | $ 2,148,472 |

Note1：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 (shown as “provisions for liabilities”) for the year ended December 31, 2022.

(12) Short-term borrowings

| Type of borrowings | December 31, 2023 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Credit borrowings | $ 2,620,000 | 1.65%~1.87% | None |

| Type of borrowings | December 31, 2022 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Credit borrowings | $ 3,175,000 | 1.56%~2.275% | None |

Interest expense recognised in profit or loss amounted to $64,681 and $28,408 for the years ended December 31, 2023 and 2022, respectively.

(13) Bonds payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Convertible bonds payable | $ 1,000,000 | $ - |
| Less: Discount on bonds payable | ( 57,077) | - |
| | $ 942,923 | $ - |

A. The issuance of domestic convertible bonds:

(a) The terms of the first domestic unsecured convertible bonds issued by the Company are as follows:

i. The regulatory authority has approved the first domestic unsecured convertible bonds issued by the Company. The total issuance amount is $1,000,000 at 115.42% of the bond’s face value with coupon rate of 0%, covering a 3-year period of issuance and a circulation period from October 27, 2023 to October 27, 2026. The convertible bonds will be settled by cash with principal value at maturity. The bonds were listed on the Taipei Exchange on October 27, 2023.

ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from three months after the bonds issuance date to the maturity date, except for the suspended transfer period as specified in the terms of the bonds or the regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

iii. The conversion price of convertible bonds was set at NT$85.6 (in dollars) per share. However, the conversion price is adjusted according to the formula set out in the indenture if any of the following events occurs after the issuance of the Company’s convertible bonds:

(i) Increase in outstanding (or private placement) common shares.

(ii) The conversion price should be reduced on the effective date of ex-dividend for distributing cash dividends of ordinary shares.

(iii) Reissuance (or private placement) of various securities with conversion options or stock options to common shares at a conversion or an exercise price lower than the market price per share.

(iv) Reduction in ordinary share capital that is not caused by the retirement of treasury shares.

iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time during the period from the date after three months of the bonds issue to 40 days before the maturity date if the following events occur: (i) the closing price of the Company's common shares is above the conversion price by 30% (including 30%) for 30 consecutive trading days, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount.

v. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be sold or re-issued; the conversion options attached to the bonds are also extinguished.

(b) As at December 31, 2023, the conversion of the Company's first domestic unsecured convertible bonds has not yet been exercised.

B. Regarding the issuance of the domestic unsecured convertible bonds, the equity conversion options amounting to $210,822 were separated from the liability component and were recognised in "Capital surplus—share options" in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in 'Financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts.

(14) Other payables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accrued salaries and bonuses | $ 581,256 | $ 1,158,130 |
| Accrued employees' compensation and directors' remuneration | 261 | 26,405 |
| Payables on equipment | 13,722 | 90,089 |
| Others | 119,584 | 151,932 |
| | $ 714,823 | $ 1,426,556 |

(15) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | | December 31, 2023 |
|---|---|---|---|---|---|
| Long-term bank borrowings | | | | | |
| Secured borrowings | Note | 1.55%~1.675% | Land, buildings and structures | $ | 643,400 |
| Less:Current portion | | | | | - |
| | | | | $ | 643,400 |

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

Interest expense recognised in profit or loss amounted to $10,584 and $2,180 for the years ended December 31, 2023 and 2022, respectively.

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.

(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:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Present value of defined benefit obligations | ($ 9,235) | ($ 8,817) |
| Fair value of plan assets | 812 | 435 |
| Net defined benefit liability | ($ 8,423) | ($ 8,382) |

(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 |
|---|---|---|---|
| 2023 | | | |
| At January 1 | ($ 8,817) | $ 435 | ($ 8,382) |
| Current servise cost | ( 178) | - | ( 178) |
| Interest (expense) income | ( 115) | 6 | ( 109) |
| | ( 9,110) | 441 | ( 8,669) |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 226 | 226 |
| Change in financial assumptions | ( 79) | - | ( 79) |
| Experience adjustments | ( 46) | - | ( 46) |
| | ( 125) | 226 | 101 |
| Pension fund contribution | - | 145 | 145 |
| At December 31 | ($ 9,235) | $ 812 | ($ 8,423) |

| | 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 servise cost | ( 176) | - | ( 176) |
| Interest (expense) income | ( 59) | 1 | ( 58) |
| | ( 8,709) | 118 | ( 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) | - | ( 636) |
| | ( 108) | 178 | 70 |
| Pension fund contribution | - | 139 | 139 |
| At December 31 | ($ 8,817) | $ 435 | ($ 8,382) |

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' 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 and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries 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, 2023 and 2022 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, | |
|---|---|---|
| | 2023 | 2022 |
| Discount rate | 1.20% | 1.30% |
| Future salary increases | 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, 2023 and 2022.

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, 2023 | | | | |
| Effect on present value of defined benefit obligation | ($ 197) | $ 202 | $ 176 | ($ 172) |
| December 31, 2022 | | | | |
| Effect on present value of defined benefit obligation | ($ 209) | $ 215 | $ 189 | ($ 185) |

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 Group for the year ending December 31, 2024 amount to $146.

(g) As at December 31, 2023, the weighted average duration of the retirement plan is 9 years. The analysis of timing of the future pension payment was as follows:

| | |
|---|---|
| Within 1 year | $ - |
| 1-2 years | 509 |
| 2-5 years | 642 |
| Over 5 years | 9,109 |
| | $ 10,260 |

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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 Company's subsidiaries, Eon Silicon Solutions, Inc. USA has established a 401(K) pension plan in accordance with Section 401(K) of the Internal Revenue Code (IRC) of the U.S. Local employees may raise a certain amount of salary to the employee's individual pension account each month within the upper limit; while the Company's subsidiary may provide a matching contribution to the above account based on its policies of rewarding or comforting employees.

(c) The Company's mainland China subsidiaries, Elite Semiconductor Microelectronics Technology (shenzhen) Inc. and Elite Semiconductor Microelectronics (Shanghai) Technology Inc., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(d) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022 were $45,484 and $41,408, respectively.

(17) Share-based payment

A. For the years ended December 31, 2023 and 2022, the Company's share-based payment arrangements were as follows:

| Type of arrangement | Grant date | Quantity granted | Contract period | Vesting conditions |
|---|---|---|---|---|
| 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 2013 employee stock option plans were 688 thousand shares.

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:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | No. of options | Weighted-average exercise price (in dollars) | No. of options | Weighted-average exercise price (in dollars) |
| Options outstanding at January 1 | 14 | $ 53.3 | 14 | $ 57.6 |
| Options exercised | ( 14) | 53.3 | - | - |
| Options outstanding at December 31 | - | $ - | 14 | $ 53.3 |
| Option exercisable at December 31 | - | | 14 | |

C. The weighted average share price of the stock options executed from January 1 to December 31, 2023 was NT$85.65 on the execution date. No stock options were exercised for the year ended December 31, 2022.

D. As at December 31, 2023, no stock options were outstanding. As at December 31, 2022, the range of exercise prices of stock options outstanding were NT$53.3 (in dollars), and the weighted-average remaining contractual period was 0.64 years.

E. There were no expenses incurred on share-based payment transactions for the years ended December 31, 2023 and 2022.

## (18) Share capital

A. As at December 31, 2023, 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 $2,861,711 with a par value of $10 (in dollars) per share.

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

Unit：Thousands of shares

| | 2023 | 2022 |
|---|---|---|
| Outstanding ordinary shares at January 1 | 272,448 | 272,803 |
| Employee stock options exercised | 14 | - |
| 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 | 300 | - |
| Outstanding ordinary shares at December 31 | 272,762 | 272,448 |
| Treasury stocks at the end of the year | 13,409 | 13,709 |
| Issued ordinary shares at December 31 | 286,171 | 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, 2023 and 2022, were 13,409 thousand shares and 13,709 thousand shares with carrying amounts of $345,123 and $352,845, respectively; the average carry amounts per share were $25.74 (in dollars), and the fair values per share were $98.0 (in dollars) and $65.0 (in dollars), 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.

| | 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share premium | Treasury share transactions | Changes in ownership interests in subsidiaries and associates | Employee stock options | Stock options | Others | Total |
| At January 1 | $ 20,162 | $ 41,750 | $ 186,631 | $ 2,697 | $ - | $4,077 | $255,317 |
| Disposal of company's share by subsidiary recognised as treasury share | - | 8,540 | - | - | - | - | 8,540 |
| 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 | - | - | 10,329 | - | - | - | 10,329 |
| Change in equity of associates and joint ventures accounted for using equity method | - | - | 621 | - | - | - | 621 |
| Issuance of new shares due to employee stock options exercised | 3,308 | - | - | ( 2,697) | - | - | 611 |
| Expired cash dividends transferred to capital surplus | - | - | - | - | - | 45 | 45 |
| Issuance of convertible bonds | - | - | - | - | 210,822 | - | 210,822 |
| At December 31 | $ 23,470 | $ 50,290 | $ 198,570 | $ - | $210,822 | $4,122 | $487,274 |

| | 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 equity of associates and joint ventures accounted for using equity mothod | - | - | 28,165 | - | - | 28,165 |
| Expired cash dividends transferred to capital surplus | - | - | - | - | 143 | 143 |
| At December 31 | $ 20,162 | $ 41,750 | $ 186,631 | $ 2,697 | $ 4,077 | $ 255,317 |

(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 year's 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 25, 2022, the appropriations of 2021 earnings would be legal reserve of $497,526 and cash dividends 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.

F. 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 dividends of $515,108, constituting $1.8 (in dollars) per share. The aforementioned appropriations had been resolved in the stockholders' meeting on May 30, 2023 and distributed on July 31, 2023.

G. As approved by the Board of Directors on February 27, 2024, the appropriations of 2023 earnings would be reversed special reserve of $9,929 and cash dividends of $171,703, constituting $0.6 (in dollars) per share. The aforementioned appropriations has not yet been approved at the shareholders' meeting.

(21) Operating revenue

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Revenue from contracts with customers | $ 11,884,121 | $ 16,207,898 |

A. Disaggregation of revenue from contracts with customers

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

| Year ended December 31,2023 | Domestic area | Asia | Others | Total |
|---|---|---|---|---|
| Integrated circuits | $ 5,258,025 | $ 6,512,981 | $ 113,115 | $ 11,884,121 |

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

B. Contract liabilities

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

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|---|---|---|---|
| Contract liabilities-<br>advance sales receipts | $ 4,665 | $ 6,096 | $ 21,399 |

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

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Contract liabilities – advance sales receipts | $ 5,752 | $ 23,459 |

(22) Interest income

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Interest income from bank deposits | $ 168,398 | $ 96,154 |
| Interest income from financial assets at amortised cost | 524 | 253 |
| Other interest income | 1,520 | 973 |
| | $ 170,442 | $ 97,380 |

(23) Other income

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Rent income | $ 6,471 | $ 5,752 |
| Dividend income | 17,380 | 68,750 |
| Other income, others | 8,910 | 17,764 |
| | $ 32,761 | $ 92,266 |

## (24) Other gains and losses

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Losses on disposal of subsidiary | $ - | ($ 161) |
| Gains on disposals of property, plant and equipment | 281,765 | - |
| Gains arising from lease modifications | 67 | 1,213 |
| Net Foreign exchange gains | 12,043 | 999,034 |
| Gains (losses) on financial assets at fair value through profit or loss | 9,172 | ( 87,280) |
| Onerous contracts losses | - | ( 530,888) |
| Miscellaneous disbursements | ( 43,902) | ( 49,408) |
| | $ 259,145 | $ 332,510 |

## (25) Finance costs

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Interest expense: | | |
| Bank borrowings | $ 75,265 | $ 30,588 |
| Provisions for liabilities-amortisation of discount | 1,205 | 1,810 |
| Lease liabilities | 943 | 857 |
| Amortisation of discount on bonds payable | 3,544 | - |
| Total interest expense | 80,957 | 33,255 |
| Others | 1,732 | 275 |
| | $ 82,689 | $ 33,530 |

## (26) Expenses by nature

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Employee benefit expenses | $ 1,370,963 | $ 1,575,197 |
| Depreciation charges on property, plant and equipment | $ 522,656 | $ 500,080 |
| Depreciation charges on right-of-use assets | $ 15,170 | $ 13,346 |
| Depreciation charges on investment property | $ 970 | $ 970 |
| Amortisation charges on intangible assets | $ 167,413 | $ 122,101 |

(27) Employee benefit expenses

| | Years ended December 31, 2023 | 2022 |
|---|---|---|
| Wages and salaries | $ 1,208,364 | $ 1,413,512 |
| Labor and health insurance fees | 79,130 | 71,996 |
| Pension costs | 45,771 | 41,642 |
| Directors' remuneration | 7,859 | 21,285 |
| Other personnel expenses | 29,839 | 26,762 |
| | $ 1,370,963 | $ 1,575,197 |

A. In accordance with the Articles of Incorporation of the Company, 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, 2023 and 2022, of the Company employees' compensation of the Company was accrued at $0 and $12,651, respectively; directors' remuneration of the Company was accrued at $0 and $12,651, respectively. The aforementioned amounts were recognised in wages and salaries expenses.

   For the years ended December 31, 2023 and 2022, employees' compensation of the Company's subsidiaries was accrued at $3 and $13, respectively; while directors' remuneration of the Company's subsidiaries was accrued at $258 and $1,090, respectively. The aforementioned amounts were recognised in wages and salaries expenses.

C. The employees' compensation and directors' remuneration of 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 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 (benefit) expense

(a) Components of income tax (benefit) expense:

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Current tax: | | |
| Current tax on profit for the year | $ 2,374 | $ 311,059 |
| Tax on undistributed earnings | - | 60,944 |
| Prior year income tax underestimation (overestimation) | 21,757 | ( 179) |
| Total current tax | 24,131 | 371,824 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | ( 43,431) | ( 170,323) |
| Income tax (benefit) expense | ($ 19,300) | $ 201,501 |

(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, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Tax calculated based on (loss) profit before tax and statutory tax rate (Note) | ($ 236,572) | $ 264,589 |
| Effect from items not recognised by tax regulation | ( 34) | - |
| Expenses disallowed by tax regulation | 17,351 | - |
| Tax exempt income by tax regulation | - | ( 46,714) |
| Effect from alternative minimum tax | 1,086 | - |
| Prior year income tax underestimation (overestimation) | 21,757 | ( 179) |
| Temporary differences not recognised as deferred tax assets | - | 85,117 |
| Taxable loss not recognised as deferred tax assets | 181,481 | 3,422 |
| Effect from temporary differences | 1,385 | - |
| Effect from taxable loss | ( 469) | - |
| Assessment of realisation of investment tax credits | ( 98,082) | - |
| Effect from investment tax credits | - | ( 165,646) |
| Assessment of realisation of deferred tax assets | 92,797 | ( 32) |
| Tax on undistributed earnings | - | 60,944 |
| Income tax (benefit) expense | ($ 19,300) | $ 201,501 |

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

| | 2023 | | | |
|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| Deferred tax assets: | | | | |
| - Temporary differences: | | | | |
| Unrealised exchange loss | $ 116 | $ 952 | $ - | $ 1,068 |
| Loss on market value decline and obsolete and slow-moving inventories | 103,853 | ( 47,910) | - | 55,943 |
| Pension liability | 71 | ( 68) | - | 3 |
| Onerous contract losses | 106,178 | ( 106,178) | - | - |
| Loss carryforward | - | 97,733 | - | 97,733 |
| Investment tax credits | - | 98,082 | - | 98,082 |
| Others | 2,974 | 273 | - | 3,247 |
| Subtotal | 213,192 | 42,884 | - | 256,076 |
| -Deferred tax liabilities: | | | | |
| Unrealised exchange gain | ( 55,208) | 3,581 | - | ( 51,627) |
| Others | - | ( 3,034) | - | ( 3,034) |
| Subtotal | ( 55,208) | 547 | - | ( 54,661) |
| Total | $ 157,984 | $ 43,431 | $ - | $ 201,415 |

| | 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 | 2,222 | 752 | - | 2,974 |
| Subtotal | 3,116 | 210,076 | - | 213,192 |
| -Deferred tax liabilities: | | | | |
| Unrealised exchange gain | ( 5,054) | ( 50,154) | - | ( 55,208) |
| Others | ( 10,401) | 10,401 | - | - |
| Subtotal | ( 15,455) | ( 39,753) | - | ( 55,208) |
| Total | ($ 12,339) | $ 170,323 | $ - | $ 157,984 |

D. Details of the amount the Company is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

| | December 31, 2023 | | |
|---|---|---|---|
| Qualifying items | Unused tax credits | Unrecognised deferred tax assets tax amount | Expiry year |
| Expenditure of research and development | $ 122,603 | $ 24,521 | 2025 |

Year ended December 31, 2022 : None.

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

| December 31, 2023 | | | | |
|---|---|---|---|---|
| Year incurred | Amount estimated | Unused amount | Unrecognised deferred tax assets amount | Expiry year |
| 2023 | $ 1,396,187 | $ 1,396,187 | $ 907,522 | 2033 |

Year ended December 31, 2022 : None.

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Deductible temporary differences | $ 602,536 | $ 721,570 |

G. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As at December 31, 2023 and 2022, there were no temporary difference unrecognised as deferred tax liabilities.

H. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(29) (Losses) earnings per share

| | Year ended December 31, 2023 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Losses per share (in dollars) |
| Basic and dilulted losses per share (note) | | | |
| Loss attributable to ordinary shareholders of the parent company | ($ 1,222,845) | 280,432 | ($ 4.36) |

| | Year ended December 31, 2022 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent company | $ 1,042,193 | 280,542 | $ 3.71 |
| Diluted earnings per share | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employee stock options | | 7 | |
| Employees' compensation | | 535 | |
| Profit attributable to ordinary shareholders of the parent company plus assumed conversion of all dilutive potential ordinary shares | $ 1,042,193 | 281,084 | $ 3.71 |

Note: As the convertible bonds payable in 2023 has an anti-dilutive effect, it is not included in the calculation of diluted losses per share.

(30) Transactions with non-controlling interest

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. As a result, the Group acquired an additional 1.9% of shares of Elite Silicon Technology Inc., for a total cash consideration of $47 on June 30, 2022. The carrying amount of non-controlling interest in Elite Silicon Technology Inc. was $18 at the acquisition date. This transaction resulted in a decrease in the equity attributable to owners of the parent company by $29.

The effect of changes in interests in Elite Silicon Technology Inc. on the equity attributable to owners of the parent for the year 2022 is shown below:

| | 2022 |
|---|---|
| Carrying amount of non-controlling interest acquired | $ 18 |
| Consideration paid to non-controlling interest | ( 47) |
| Capital surplus-recognition of change in ownership interests in subsidiaries | ($ 29) |

Year ended December 31, 2023: None.

(31) Supplemental cash flow information

A. Investing activities with partial cash payments:

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Purchase of property, plant and equipment (including transferred amount and net exchange difference) | $ 426,741 | $ 1,251,262 |
| Add: Ending balance of prepayment for equipment | 46,273 | 32,800 |
| Add: Opening balance of prepayment for equipment being transferred to intangible assets | - | 216 |
| Less: Opening balance of prepayment for equipment | ( 32,800) | ( 12,302) |
| Add: Opening balance of payable on equipment | 90,089 | 94,831 |
| Less: Ending balance of payable on equipment | ( 13,722) | ( 90,089) |
| Cash paid during the year | $ 516,581 | $ 1,276,718 |

| | 2023 | 2022 |
|---|---|---|
| Purchase of intangible assets (including transferred amount) | $ 233,258 | $ 89,686 |
| Less: Opening balance of prepayment for land, buildings and equipment being transferred to intangible assets | - | ( 216) |
| Cash paid during the year | $ 233,258 | $ 89,470 |

B. Changes in liabilities from financing activities:

| | Short-term borrowings | Short-term notes and bills payable | Bonds payable | Long-term borrowings | Lease liabilities | Guarantee deposits received | Liabilities from financing activities-gross |
|---|---|---|---|---|---|---|---|
| At January 1, 2023 | $ 3,175,000 | $ - | $ - | $ 643,400 | $ 75,302 | $ 6,217 | $ 3,899,919 |
| Changes in cash flow from financing activities | ( 555,000) | 1,723 | 1,148,901 | - | ( 14,742) | ( 1) | 580,881 |
| Interest paid | - | - | - | - | ( 943) | - | ( 943) |
| Interest expense | - | - | - | - | 943 | - | 943 |
| Changes in other non-cash items | - | ( 1,723) | ( 205,978) | - | 16,188 | - | ( 191,513) |
| Change from lease modifications | - | - | - | - | ( 67) | - | ( 67) |
| At December 31, 2023 | $ 2,620,000 | $ - | $ 942,923 | $ 643,400 | $ 76,681 | $ 6,216 | $ 4,289,220 |

| | 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 | $ - | $ - | $ 74,829 | $ 6,337 | $ 1,781,166 |
| Changes in cash flow from financing activities | 1,475,000 | 271 | 643,400 | ( 13,030) | ( 120) | 2,105,521 |
| Interest paid | - | - | - | ( 857) | - | ( 857) |
| Interest expense | - | - | - | 857 | - | 857 |
| Changes in other non-cash items | - | ( 271) | - | 7,576 | - | 7,305 |
| Change from lease modifications | - | - | - | 5,927 | - | 5,927 |
| At December 31, 2022 | $ 3,175,000 | $ - | $ 643,400 | $ 75,302 | $ 6,217 | $ 3,899,919 |

## 7. RELATED PARTY TRANSACTIONS

### A. Names of related parties and relationship

| Names of related parties | Relationship with the Group |
|---|---|
| Arima Lasers Corporation | Associates |
| Canyon Semiconductor Inc. | Associates |
| ESMT Educational Foundation | Substantial related party |

### B. Key management compensation

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Salaries and other short-term employee benefits | $ 29,925 | $ 64,544 |
| Post-employment benefits | 594 | 522 |
| Total | $ 30,519 | $ 65,066 |

## 8. PLEDGED ASSETS

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

| | Book value | | |
|---|---|---|---|
| Assets item | December 31, 2023 | December 31, 2022 | Purposes |
| Land, buildings and structures | $ 738,052 | $ 744,954 | Long-term borrowings |
| Time deposits (shown as "other non-current assets") | 3,969 | 3,969 | Guarantee deposits for land leasing |
| | $ 742,021 | $ 748,923 | |

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

A. 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 made by the Company.

B. Unused letters of credit issued

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Unused letters of credit issued | $ - | $ 120,035 |

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriations of 2023 earnings had been approved by the Board of Directors on February 27, 2024. 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 Group plans the future requirement of working capital, expenditure of research and development and dividends paid to shareholders to safeguard the Group'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, 2023 and 2022 were as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Total assets | $ 18,097,210 | $ 19,725,729 |
| Total liabilities | ( 8,177,118) | ( 8,287,853) |
| Total equity | $ 9,920,092 | $ 11,437,876 |
| Equity to assets ratio | 55% | 58% |

(2) Financial instruments

A. Financial instruments by category

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial assets | | |
| Financial assets mandatorily measured at fair value through profit or loss | $ 167,295 | $ 205,510 |
| Financial assets at fair value through other comprehensive income | | |
| Designation of equity instrument | $ 22,920 | $ 12,990 |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | $ 4,520,314 | $ 4,764,681 |
| Financial assets at amortised cost-current | 31,791 | - |
| Notes receivable | - | 9 |
| Accounts receivable | 1,204,521 | 962,383 |
| Other receivables | 107,564 | 84,473 |
| Time deposits (shown as "Other non-current assets") | 3,969 | 3,969 |
| Refundable deposits (shown as "Other non-current assets") | 928,144 | 928,753 |
| | $ 6,796,303 | $ 6,744,268 |
| Financial liabilities | | |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | $ 2,620,000 | $ 3,175,000 |
| Notes payable | 2,178 | 2,399 |
| Accounts payable | 2,282,490 | 2,325,661 |
| Other payables | 714,823 | 1,426,556 |
| Bonds payable (including current portion) | 942,923 | - |
| Long-term borrowings (including current portion) | 643,400 | 643,400 |
| Guarantee deposits received (shown as"Other non-current liabilities") | 6,216 | 6,217 |
| | $ 7,212,030 | $ 7,579,233 |
| Lease liabilities | $ 76,681 | $ 75,302 |

B. Financial risk management policies

(a) The Group implements a comprehensive system of risk management and control to identify, measure and monitor a variety of financial risks, 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 Group'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

<u>Foreign exchange risk</u>

1. The Group 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 companies of the Group to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group finance team. The companies adopt natural hedge through the Group finance team to manage the foreign exchange risk from future commercial transactions and recognised assets and liabilities. The foreign exchange risk will exist when future commercial transactions and recognised assets and liabilities use the currency different from the functional currency of the companies.
3. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through deposits denominated in the relevant foreign currencies (see Note 6(1)).

4. The Group's business involves some non-functional currency operations (the Company's and subsidiaries' 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, 2023 | | |
|---|---|---|---|
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 219,183 | 30.705 | $ 6,730,014 |
| RMB:NTD | 158,028 | 4.327 | 683,787 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | $ 50,689 | 30.705 | $ 1,556,406 |
| RMB:NTD | 5,541 | 4.327 | 23,976 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 224,794 | 30.710 | $ 6,903,424 |
| RMB:NTD | 178,410 | 4.408 | 786,431 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | $ 63,733 | 30.710 | $ 1,957,240 |
| RMB:NTD | 3,088 | 4.408 | 13,612 |

5. The total exchange gains, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022, amounted to $12,043 and $999,034, respectively.

6. Analysis of foreign currency market risk arising from significant foreign exchange variation:

| | Year ended December 31, 2023 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 67,300 | $ - |
| RMB:NTD | 1% | 6,838 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1% | ($ 15,564) | $ - |
| RMB:NTD | 1% | ( 240) | - |

| | Year ended December 31, 2022 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 69,034 | $ - |
| RMB:NTD | 1% | 7,864 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1% | ($ 19,572) | $ - |
| RMB:NTD | 1% | ( 136) | - |

Price risk

i. The Group’s equity securities, which are exposed to price risk, are the held 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 Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group'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, 2023 and 2022 would have increased/decreased by $16,520 and $17,386, 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 $2,292 and $1,300, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

<u>Cash flow and fair value interest rate risk</u>

i. The Group's cash flow interest rate risk arises from long-term and short-term borrowings with variable rate. During the years ended December 31, 2023 and 2022, the Group'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, 2023 and 2022 would have decreased/increased by $1,829 and $2,309, 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 Group 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 Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only these with good rating are accepted. According to the Group's credit policy, each local entity in the Group 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 Group adopts the assumption under IFRS 9, the default occurs when the contract payments are past due over 90 days .

iv. The Group 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 reorganisation 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 Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group 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 Group requests its significant sales customers to provide collaterals or other rights of guarantee, therefore, the Group classifies customers' accounts receivable in accordance with the nature of collaterals. The Group applies the simplified approach using loss rate methodology to assess expected credit loss. Based on the assessment, the allowance for losses that the Group should recognise is immaterial on December 31, 2023 and 2022.

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

| | 2023 | 2022 |
|---|---|---|
| | Accounts receivable | Accounts receivable |
| At January 1 | $ - | $ - |
| Provision of impairment loss | 682 | - |
| Reversal for impairment loss | ( 682) | - |
| At December 31 | $ - | $ - |

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance team. Group finance team monitors rolling forecasts of the Group'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 Group'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 non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

| Non-derivative financial liabilities: December 31, 2023 | Less than 1 year | Between 1 and 5 years | Over 5 years |
|---|---|---|---|
| Short-term borrowings | $ 2,620,000 | $ - | $ - |
| Notes payable | 2,178 | - | - |
| Accounts payable | 2,282,490 | - | - |
| Other payables | 714,823 | - | - |
| Lease liabilities | 14,828 | 27,221 | 40,907 |
| Bonds payable (including current portion) | 19,895 | 980,105 | - |
| Long-term borrowings (including current portion) | 10,777 | 201,409 | 520,023 |
| Guarantee deposits received | - | - | 6,216 |

Derivative financial liabilities: None.

| Non-derivative financial liabilities: December 31, 2022 | Less than 1 year | Between 1 and 5 years | Over 5 years |
|---|---|---|---|
| Short-term borrowings | $ 3,175,000 | $ - | $ - |
| Notes payable | 2,399 | - | - |
| Accounts payable | 2,325,661 | - | - |
| Other payables | 1,426,556 | - | - |
| Lease liabilities | 13,765 | 23,478 | 44,894 |
| Long-term borrowings (including current portion) | - | 139,102 | 579,295 |
| Guarantee deposits received | - | - | 6,217 |

Derivative financial liabilities: 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 Group'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 Group'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 Group include cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, refundable deposits, short-term borrowings, long-term borrowings, notes payable, accounts payable, other payables, lease liabilities and guarantee deposits received. Their carrying amounts approximate to their fair values.

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial liabilities: | | | | |
| Bonds payable (including current portion) | $ 942,923 | $ - | $ 946,900 | $ - |

December 31, 2022：None.

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, 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial Assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | $ 76,993 | $ - | $ 817 | $ 77,810 |
| Beneficiary certificates | 87,385 | - | - | 87,385 |
| Call options of convertible bonds | - | - | 2,100 | 2,100 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 22,920 | 22,920 |
| Total | $ 164,378 | $ - | $ 25,837 | $ 190,215 |

Financial liabilities: None.

| December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial Assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | $ 85,832 | $ - | $ 414 | $ 86,246 |
| Beneficiary certificates | 87,612 | - | - | 87,612 |
| Debt securities | 31,652 | - | - | 31,652 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 12,990 | 12,990 |
| Total | $ 205,096 | $ - | $ 13,404 | $ 218,500 |

Financial liabilities: None.

(b) The methods and assumptions that the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

| | Listed and emerging stocks | Open-end fund |
|---|---|---|
| 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.

E. For the years ended December 31, 2023 and 2022, 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, 2023 and 2022:

| | 2023 | | 2022 |
|---|---|---|---|
| | Equity instrument | Call options of convertible bonds | Equity instrument |
| At January 1 | $ 13,404 | $ - | $ 39,194 |
| Convertible bonds issued for the year | - | 1,300 | - |
| Valuation adjustment | 10,333 | 800 | ( 25,790) |
| At December 31 | $ 23,737 | $ 2,100 | $ 13,404 |

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, 2023 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | $ 817 | Market comparable companies | Discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value |
| Financial assets at fair value through profit or loss -call options of convertible bonds | 2,100 | Binary tree convertible evaluation model | Stock price volatility | 40.36% | The higher the volatility, the lower the fair value |
| Unlisted shares | 22,920 | Market comparable companies | Discount for lack of marketability | 45% | The higher the discount for lack of marketability, the lower the fair value |

| | Fair value at December 31, 2022 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | $ 414 | Market comparable companies | Discount for lack of marketability | 30% | The higher the discount of lack of marketability, the lower the fair value |
| Unlisted shares | 12,990 | Market comparable companies | Discount for lack of marketability | 45% | The higher the discount of lack of marketability, the lower the fair value |

I. The Group 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 categorised within Level 3 if the inputs used to valuation models have changed:

| | | | December 31, 2023 | | | |
|---|---|---|---|---|---|---|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Input | Change | Favorable change | Unfavorable change | Favorable change | Unfavorable change |
| Financial assets Equity instrument | Discount for lack of marketability | ± 10% | $ 35 | ($ 35) | $ 1,876 | ($ 1,876) |
| Financial assets at fair value through profit or loss - call options of convertible bonds | Volatility | ± 1% | $ 400 | ($ 100) | $ - | $ - |

| | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Input | Change | Favorable change | Unfavorable change | Favorable change | Unfavorable change |
| Financial assets Equity instrument | Discount for lack of marketability | ± 10% | $ 18 | ($ 18) | $ 1,062 | ($ 1,062) |

## 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: None.

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 2.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting period: None.

J. Significant inter-company transactions during the reporting period: Please refer to table 3.

(2) Information on investees

Names, locations, and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 5.

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, 2023, the Company had no shareholders who hold over 5% (including 5%) of the Company's shares.

14. OPERATING SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The Chief Operating Decision-Maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Revenue from external customers | $ 11,884,121 | $ 16,207,898 |
| Segment (loss) income before income tax | ($ 1,228,261) | $ 1,305,216 |

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Segment assets | $ 18,097,210 | $ 19,725,729 |
| Segment liabilities | $ 8,177,118 | $ 8,287,853 |

(3) Reconciliation for segment income (loss): None.

(4) Information on products and services

For the year ended December 31, 2023 and 2022, the net operating revenue of integrated circuit and electronic materials is $11,884,121 and $16,207,898, respectively.

(5) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Revenue | Non-current assets | Revenue | Non-current assets |
| Domestic | $ 5,258,025 | $ 2,135,263 | $ 7,244,896 | $ 2,156,355 |
| Asia | 6,512,981 | 62,559 | 8,841,579 | 67,655 |
| Others | 113,115 | 13,516 | 121,423 | 3,876 |
| Total | $ 11,884,121 | $ 2,211,338 | $ 16,207,898 | $ 2,227,886 |

(6) Major customer information

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | Revenue | Revenue |
| A Company | $ 3,215,734 | $ 4,896,525 |
| B Company | 1,422,720 | 1,804,403 |

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC. AND SUBSIDIARIES

Holding of marketable securities at the end of the period

December 31, 2023

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, 2023 Number of shares | Book value (Note 1) | Ownership (%) | Fair value (Note 1) | Footnote |
|---|---|---|---|---|---|---|---|---|
| Elite Semiconductor Microelectronics Technology Inc. | Arima Lasers Corporation stock | Note 2 | Financial assets at fair value through profit or loss | 256,700 | $ 5,930 | 0.83 | $ 5,930 | |
| Elite Semiconductor Microelectronics Technology Inc. | BGF RENMINBI BOND FUND | None | Financial assets at fair value through profit or loss | 127,986 | 55,410 | Not applicable | 55,410 | |
| Elite Semiconductor Microelectronics Technology Inc. | Turning Point Lasers Ltd, preferred stock | None | Financial assets at fair value through other comprehensive income | 1,000,000 | 11,460 | 6.29 | 11,460 | |
| Elite Investment Services Ltd. | HSBC ALL CHINA BOND FUND - AC (2802) | None | Financial assets at fair value through profit or loss | 600,000 | 31,975 | Not applicable | 31,975 | |
| Charng Feng Investment Ltd. | Arima Lasers Corporation stock | Note 3 | Financial assets at fair value through profit or loss | 997,700 | 23,047 | 3.22 | 23,047 | |
| Charng Feng Investment Ltd. | M2 Communication Inc. stock | None | Financial assets at fair value through profit or loss | 100,542 | 817 | 0.99 | 817 | |
| Charng Feng Investment Ltd. | Powership Semiconductor Manufacturing Corporation | None | Financial assets at fair value through profit or loss | 1,630,426 | 48,016 | 0.04 | 48,016 | |
| Charng Feng Investment Ltd. | Turning Point Lasers Ltd, preferred stock | None | Financial assets at fair value through other comprehensive income | 1,000,000 | 11,460 | 6.29 | 11,460 | |
| Jie Yong Investment Ltd. | Elite Semiconductor Microelectronics Technology Inc. stock | Parent Company | Financial assets at fair value through other comprehensive income | 13,409,000 | 1,314,082 | 4.69 | 1,314,082 | |

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.

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC. AND SUBSIDIARIES

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, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable(payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchase/seller | Counterparty | Relationship with the counterparty | Purchase (sales) | Amount | Percentage of total purchase (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote |
| CHI Microelectronics Limited | Elite Semiconductor Microelectronics Technology Inc. | Ultimate parent company | Sales | $ 467,087 | 3.93% | monthly payment in 15 days | $ - | - | $ 39,981 | 3.32% | |

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
Year ended December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

| | | | | Transaction | | | |
|---|---|---|---|---|---|---|---|
| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | General ledger account | Amount | Transaction terms | Percentage of consolidated total operating revenues or total assets (Note 3) |
| 1 | CHI Microelectronics Limited | Elite Semiconductor Microelectronics Technology Inc. | (2) | Sales | $ 467,087 | Note 4 | 3.93% |

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.

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC. AND SUBSIDIARIES

Information on investees (exclude investees in Mainland China)

Year ended December 31, 2023

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | | Initial investment amount | | Shares held as at December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investor | Investee | Location | Main business activities | Balance as at December 31, 2023 | Balance as at December 31, 2022 | Number of shares | Ownership (%) | Book value | Net profit (loss) of the investee for the year ended December 31, 2023 | Investment income (loss) recognised by the Company for the year ended December 31, 2023 | Footnote |
| 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 | $ 20,517 | $ 3,144 | $ 3,144 | |
| Elite Semiconductor Microelectronics Technology Inc. | Charng Feng Investment Ltd. | Taiwan | General investment | 500,000 | 500,000 | 50,000,000 | 100 | 585,575 | 30,634 | 30,634 | |
| Elite Semiconductor Microelectronics Technology Inc. | Elite Investment Services Ltd. | British Virgin Islands | General investment | 460,575 | 460,575 | 15 | 100 | 483,183 | 25,118 | 25,118 | |
| Elite Semiconductor Microelectronics Technology Inc. | Jie Yong Investment Ltd. | Taiwan | General investment | 270,000 | 270,000 | 3,600,000 | 41.86 | 160,817 | 23,880 | ( 333) | |
| 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 | ( 1,557) | 93 | 93 | |
| 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 | 21,561 | 113 | 113 | |
| 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 | 135,110 | 82,166 | 30,632 | |
| 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 | 1,303 | 482 | 482 | |
| Charng Feng Investment Ltd. | CHI Microelectronics Limited | Hong Kong | General trading | 786 | 393 | 20,000 | 100 | 1,018 | 183 | 183 | |

Note 1: The foreign investment amount was translated at the exchange rate as at December 31, 2023.

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2023

Table 5

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, 2023 | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2023: Remitted to Mainland China | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2023: Remitted back to Taiwan | Accumulated amount of remittance from Taiwan to Mainland China as at December 31, 2023 | Net income (loss) of investee for the year ended December 31, 2023 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2) | Book value of investment in Mainland China as at December 31, 2023 | Accumulated amount of investment income remitted back to Taiwan as at December 31, 2023 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | $ 93,327 | (1) | $ 93,327 | $ - | $ - | $ 93,327 | ($ 1,222) | 100 | ($ 1,222) | $ 90,813 | $ - | Note 5 |
| Elite Semiconductor Microelectronics Technology (Shanghai) Inc. | Product design, wholesale and retail of electronic materials, software design services and international trade | 6,141 | (1) | 6,141 | - | - | 6,141 | 1,048 | 100 | 1,048 | 9,632 | - | Note 6 |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as at December 31, 2023 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note5 and 6) | Ceiling of investments in Mainland China imposed by the Investment Commission of MOEA |
|---|---|---|---|
| Charng Feng Investment Ltd. | $ 99,468 | $ 99,468 | $ 351,345 |

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, 2023.

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 on May 20, 2020.

## V. Audited and Certified Parent Company Only Financial Statements for the Most Recent Fiscal Year

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, 2023 and 2022, 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 material 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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 2023 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 2023 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, and Note 6(5) for details of inventories. As at December 31, 2023, the Company's inventories and allowance for inventory valuation losses amounted to NT$7,342,465 thousand and NT$466,188 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 assessed the reasonability of the policies and procedures adopted to provide for inventory losses based on our understanding of Elite Semiconductor Microelectronics Technology Inc. operations and industry, validated the appropriateness of relevant information in the inventory aging report utilised by Elite Semiconductor Microelectronics Technology Inc., and evaluated and tested the reasonability of estimation of net realizable value. We then evaluated the reasonableness of Elite Semiconductor Microelectronics Technology Inc. decided the allowance for inventory valuation losses.

### *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 27, 2024

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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, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | Assets | Notes | December 31, 2023 AMOUNT | % | December 31, 2022 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 3,713,204 | 21 | $ 3,705,997 | 19 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 63,440 | - | 94,813 | 1 |
| 1136 | Financial assets at amortised cost - current | | 31,791 | - | - | - |
| 1150 | Notes receivable, net | | - | - | 9 | - |
| 1170 | Accounts receivable, net | 6(4) | 1,132,044 | 6 | 886,551 | 5 |
| 1180 | Accounts receivable-related parties, net | 6(4) and 7(2) | - | - | 1,482 | - |
| 1200 | Other receivables | | 102,852 | 1 | 81,556 | - |
| 1210 | Other receivables-related parties | 7(2) | 25,200 | - | 100 | - |
| 1220 | Current income tax assets | | 232,673 | 1 | 220,468 | 1 |
| 130X | Inventories | 6(5) | 6,876,277 | 38 | 8,346,916 | 42 |
| 1410 | Prepayments | | 394,453 | 2 | 440,854 | 2 |
| 1470 | Other current assets | | 2,862 | - | 821 | - |
| 11XX | **Total current assets** | | 12,574,796 | 69 | 13,779,567 | 70 |
| | **Non-current assets** | | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non-current | 6(3) | 11,460 | - | 6,495 | - |
| 1550 | Investments accounted for using equity method | 6(6) | 1,248,535 | 7 | 1,423,932 | 7 |
| 1600 | Property, plant and equipment | 6(7) and 8 | 1,894,390 | 11 | 1,991,347 | 10 |
| 1755 | Right-of-use assets | 6(8) | 62,556 | - | 71,272 | 1 |
| 1760 | Investment property, net | 6(9) | 14,791 | - | 15,761 | - |
| 1780 | Intangible assets | 6(10) | 117,255 | 1 | 51,410 | - |
| 1840 | Deferred income tax assets | 6(28) | 256,076 | 1 | 213,192 | 1 |
| 1900 | Other non-current assets | 6(11) and 8 | 1,964,366 | 11 | 2,140,867 | 11 |
| 15XX | **Total non-current assets** | | 5,569,429 | 31 | 5,914,276 | 30 |
| 1XXX | **Total assets** | | $ 18,144,225 | 100 | $ 19,693,843 | 100 |

(Continued)

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | | | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|---|
| | Liabilities and Equity | Notes | AMOUNT | % | AMOUNT | % |
| | **Current liabilities** | | | | | |
| 2100 | Short-term borrowings | 6(12) | $ 2,620,000 | 15 | $ 3,175,000 | 16 |
| 2130 | Contract liabilities - current | 6(21) | 4,665 | - | 6,096 | - |
| 2150 | Notes payable | | 2,178 | - | 2,399 | - |
| 2170 | Accounts payable | | 2,187,588 | 12 | 2,132,751 | 11 |
| 2180 | Accounts payable - related parties | 7(2) | 39,981 | - | 88,172 | 1 |
| 2200 | Other payables | 6(14) and 7(2) | 730,949 | 4 | 1,432,504 | 7 |
| 2250 | Provisions for liabilities - current | 6(11)(24) | 533,499 | 3 | 530,888 | 3 |
| 2280 | Lease liabilities - current | | 9,056 | - | 9,224 | - |
| 2300 | Other current liabilities | | 7,895 | - | 6,966 | - |
| 21XX | **Total current liabilities** | | 6,135,811 | 34 | 7,384,000 | 38 |
| | **Non-current liabilities** | | | | | |
| 2530 | Bonds payable | 6(13) | 942,923 | 5 | - | - |
| 2540 | Long-term borrowings | 6(15) | 643,400 | 4 | 643,400 | 3 |
| 2550 | Provisions for liabilities -non-current | | 21,055 | - | 19,850 | - |
| 2570 | Deferred income tax liabilities | 6(28) | 54,661 | - | 55,208 | - |
| 2580 | Lease liabilities - non-current | | 54,172 | - | 62,421 | 1 |
| 2600 | Other non-current liabilities | | 270,465 | 2 | 14,634 | - |
| 25XX | **Total non-current liabilities** | | 1,986,676 | 11 | 795,513 | 4 |
| 2XXX | **Total Liabilities** | | 8,122,487 | 45 | 8,179,513 | 42 |
| | **Equity** | | | | | |
| | Share capital | 6(18) | | | | |
| 3110 | Common stock | | 2,861,711 | 16 | 2,861,570 | 15 |
| | Capital surplus | 6(19) | | | | |
| 3200 | Capital surplus | | 487,274 | 2 | 255,317 | 1 |
| | Retained earnings | 6(20) | | | | |
| 3310 | Legal reserve | | 2,118,375 | 12 | 2,014,288 | 10 |
| 3320 | Special reserve | | 46,310 | - | 23,906 | - |
| 3350 | Unappropriated retained earnings | | 4,688,916 | 26 | 6,553,259 | 33 |
| | Other equity interest | | | | | |
| 3400 | Other equity interest | | ( 36,380) | - | ( 46,310) | - |
| 3500 | Treasury shares | 6(18) | ( 144,468) | ( 1) | ( 147,700) | ( 1) |
| 3XXX | **Total equity** | | 10,021,738 | 55 | 11,514,330 | 58 |
| | Significant contingent liabilities and unrecognised contract commitments | 9 | | | | |
| | Significant events after the balance sheet date | 11 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 18,144,225 | 100 | $ 19,693,843 | 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, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | | | Year ended December 31 | | | |
|---|---|---|---|---|---|---|
| | | | 2023 | | 2022 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % |
| 4000 | Operating revenue | 6(21) and 7(2) | $ 11,884,121 | 100 | $ 16,207,898 | 100 |
| 5000 | Operating costs | 6(5)(26)(27) and 7(2) | ( 11,608,742) | ( 98) | ( 13,290,337) | ( 82) |
| 5950 | Gross profit | | 275,379 | 2 | 2,917,561 | 18 |
| | Operating expenses | 6(26)(27) | | | | |
| 6100 | Selling expenses | 7(2) | ( 278,286) | ( 2) | ( 337,139) | ( 2) |
| 6200 | General and administrative expenses | | ( 231,784) | ( 2) | ( 321,690) | ( 2) |
| 6300 | Research and development expenses | 7(2) | ( 1,459,115) | ( 12) | ( 1,533,186) | ( 10) |
| 6000 | Total operating expenses | | ( 1,969,185) | ( 16) | ( 2,192,015) | ( 14) |
| 6900 | Operating (loss) profit | | ( 1,693,806) | ( 14) | 725,546 | 4 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(22) | 139,917 | 1 | 83,306 | 1 |
| 7010 | Other income | 6(23) and 7(2) | 61,925 | 1 | 69,068 | - |
| 7020 | Other gains and losses | 6(24) | 271,397 | 2 | 360,144 | 2 |
| 7050 | Finance costs | 6(25) | ( 82,612) | ( 1) | ( 33,488) | - |
| 7070 | Share of profit of associates and joint ventures accounted for using equity method | 6(6) | 58,656 | 1 | 35,216 | - |
| 7000 | Total non-operating income and expenses | | 449,283 | 4 | 514,246 | 3 |
| 7900 | **(Loss) profit before income tax** | | ( 1,244,523) | ( 10) | 1,239,792 | 7 |
| 7950 | Income tax benefit (expense) | 6(28) | 21,678 | - | ( 197,599) | ( 1) |
| 8200 | **(Loss) profit for the year** | | ($ 1,222,845) | ( 10) | $ 1,042,193 | 6 |
| | **Other comprehensive income (loss)-net** | | | | | |
| | **Other comprehensive income (loss) components that will not be reclassified to profit or loss** | | | | | |
| 8311 | Remeasurement of defined benefit plans | 6(16) | $ 101 | - | ($ 1,322) | - |
| 8316 | Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 6(3) | 4,965 | - | ( 11,202) | - |
| 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 | | 4,965 | - | ( 11,202) | - |
| 8300 | **Other comprehensive (loss) income for the year-net** | | $ 10,031 | - | ($ 23,726) | - |
| 8500 | **Total comprehensive (loss) income for the year** | | ($ 1,212,814) | ( 10) | $ 1,018,467 | 6 |
| | (Losses) earnings per share (in dollars) | 6(29) | | | | |
| 9750 | Basic (losses) earnings per share | | ($ 4.36) | | $ 3.71 | |
| 9850 | Diluted (losses) earnings per share | | ($ 4.36) | | $ 3.71 | |

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, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | | | | Retained Earnings | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Notes | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Unrealised gains (losses) from financial assets at fair value through other comprehensive income | Treasury shares | Total equity |
| 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 year | | - | - | - | - | 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 appropiated | | - | - | - | 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 equity of 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 | | $ 2,861,570 | $ 255,317 | $ 2,014,288 | $ 23,906 | $ 6,553,259 | ($ 46,310 ) | ($ 147,700 ) | $ 11,514,330 |
| 2023 | | | | | | | | | |
| Balance at January 1, 2023 | | $ 2,861,570 | $ 255,317 | $ 2,014,288 | $ 23,906 | $ 6,553,259 | ($ 46,310 ) | ($ 147,700 ) | $ 11,514,330 |
| Loss for the year | | - | - | - | - | ( 1,222,845 ) | - | - | ( 1,222,845 ) |
| Other comprehensive income for the year | | - | - | - | - | 101 | 9,930 | - | 10,031 |
| Total comprehensive income (loss) for the year | | - | - | - | - | ( 1,222,744 ) | 9,930 | - | ( 1,212,814 ) |
| Distribution of 2022 earnings: | 6(20) | | | | | | | | |
| Legal reserve appropriated | | - | - | 104,087 | - | ( 104,087 ) | - | - | - |
| Cash dividends of ordinary shares | | - | - | - | - | ( 515,108 ) | - | - | ( 515,108 ) |
| Special reserve appropiated | | - | - | - | 22,404 | ( 22,404 ) | - | - | - |
| Disposal of parent company's share by subsidiary recognised as treasury share | 6(19) | - | 8,540 | - | - | - | - | 3,232 | 11,772 |
| 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) | - | 10,329 | - | - | - | - | - | 10,329 |
| Change in equity of associates and joint ventures accounted for using equity method | 6(19) | - | 621 | - | - | - | - | - | 621 |
| Issuance of new shares due to employee stock options exercised | 6(17)(18)(19) | 141 | 611 | - | - | - | - | - | 752 |
| Expired cash dividends transferred to capital surplus | 6(18) | - | 45 | - | - | - | - | - | 45 |
| Issuance of convertible bonds | 6(13)(19) | - | 210,822 | - | - | - | - | - | 210,822 |
| Balance at December 31, 2023 | | $ 2,861,711 | $ 487,274 | $ 2,118,375 | $ 46,310 | $ 4,688,916 | ($ 36,380 ) | ($ 144,468 ) | $ 10,021,738 |

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, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | Notes | Year ended December 31 2023 | 2022 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| (Loss) profit before income tax | | ( $ 1,244,523 ) | $ 1,239,792 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(7)(8)(9)(26) | 527,980 | 505,867 |
| Amortisation | 6(10)(26) | 167,417 | 122,085 |
| Net loss (gain) on financial assets at fair value through profit or loss | 6(2)(24) | ( 15,171 ) | 11,804 |
| Interest expenses | 6(25) | 82,612 | 33,488 |
| Interest income | 6(22) | ( 139,917 ) | ( 83,306 ) |
| Dividend income | 6(23) | ( 513 ) | ( 771 ) |
| Share of profit of associates and joint ventures accounted for using equity method | 6(6) | ( 58,656 ) | ( 35,216 ) |
| Gains on disposals of property, plant and equipment | 6(24) | ( 281,765 ) | - |
| Onerous contracts losses | 6(11)(24) | - | 530,888 |
| Gains on lease modifications | 6(24) | ( 51 ) | ( 1,213 ) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Financial assets at fair value through profit and loss | | 47,844 | 66,896 |
| Notes receivable | | 9 | ( 9 ) |
| Accounts receivable | | ( 245,493 ) | 1,024,294 |
| Accounts receivable - related parties | | 1,482 | ( 1,482 ) |
| Other receivables | | ( 15,403 ) | 35,879 |
| Other receivables - related parties | | ( 25,100 ) | 100 |
| Inventories | | 1,470,639 | ( 2,983,607 ) |
| Prepayments | | 46,401 | ( 380,078 ) |
| Other current assets | | ( 2,041 ) | ( 651 ) |
| Other non-current assets | | 195,621 | ( 1,182,950 ) |
| Changes in operating liabilities | | | |
| Notes payable | | ( 221 ) | 194 |
| Accounts payable | | 54,837 | ( 667,094 ) |
| Accounts payable-related parties | | ( 48,191 ) | 35,233 |
| Contract liabilities | | ( 1,431 ) | ( 15,303 ) |
| Other payables | | ( 624,932 ) | ( 395,340 ) |
| Provisions for liabilities | | 2,611 | - |
| Other current liabilities | | 929 | 1,355 |
| Other non-current liabilities | | 255,933 | 104 |
| Cash inflow (outflow) generated from operations | | 150,907 | ( 2,139,041 ) |
| Interest received | | 134,024 | 81,174 |
| Interest paid | | ( 79,842 ) | ( 29,390 ) |
| Income taxes paid | | ( 33,958 ) | ( 1,492,972 ) |
| Net cash flows from (used in) operating activities | | 171,131 | ( 3,580,229 ) |

(Continued)

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | Notes | Year ended December 31 2023 | 2022 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets at amortised cost | | ($ 31,791) | ($ 83,540) |
| Disposal of financial assets at amortised cost | | - | 194,260 |
| Acquisition of property, plant and equipment | 6(30) | ( 516,503) | ( 1,269,380) |
| Disposal of property, plant and equipment | | 281,765 | - |
| Acquisition of intangible assets | 6(30) | ( 233,262) | ( 89,454) |
| Decrease (increase) in refundable deposits | | 585 | ( 86,279) |
| Dividends received | | 263,243 | 50,343 |
| Net cash flows used in investing activities | | ( 235,963) | ( 1,284,050) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| (Decrease) increase in short-term borrowings | 6(30) | ( 555,000) | 1,475,000 |
| Increase in long-term borrowings | 6(30) | - | 643,400 |
| Increase in short-term notes and bills payable | 6(30) | 1,723 | 271 |
| Repayment of lease liabilities | 6(30) | ( 9,273) | ( 8,241) |
| Decrease in guarantee deposit received | 6(30) | ( 1) | ( 280) |
| Issuance of convertible bonds | 6(30) | 1,148,901 | - |
| Proceeds from exercise of employee stock options | | 752 | - |
| Cash dividends paid | 6(20) | ( 515,108) | ( 2,289,256) |
| Expired cash dividends | 6(19) | 45 | 143 |
| Net cash flows from (used in) financing activities | | 72,039 | ( 178,963) |
| Net increase (decrease) in cash and cash equivalents | | 7,207 | ( 5,043,242) |
| Cash and cash equivalents at beginning of year | 6(1) | 3,705,997 | 8,749,239 |
| Cash and cash equivalents at end of year | 6(1) | $ 3,713,204 | $ 3,705,997 |

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, 2023 AND 2022

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

## 1. HISTORYAND 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 27, 2024.

## 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

### (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) Accounting Standards 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 2023 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board (“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 |
| Amendments to IAS 12, ‘International tax reform - pillar two model rules’ | May 23, 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.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC and effective from 2024 are as follows:

| New Standards, Interpretations and Amendments | Effective date by IASB |
| --- | --- |
| Amendments to IFRS 16, 'Lease liability in a sale and leaseback' | January 1, 2024 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2024 |
| Amendments to IAS 1, 'Non-current liabilities with covenants' | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements' | January 1, 2024 |

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 IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards 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 |
| 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 21, 'Lack of exchangeability' | January 1, 2025 |

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 MATERIAL 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 o f 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

B. 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) Convertible bonds payable

A. Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares) and call options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

(a) The embedded call options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

(b) The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

(c) The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

(d) Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

(e) When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(23) Derecognition of financial liabilities

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

(24) Provisions

Provisions (including provision for decommissioning 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.

(25) 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.

(26) 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.

(27) 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 and does not give rise to equal taxable and deductible temporary differences. 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.

(28) 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.

(29) 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.

(30) 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, changes in the external economic environment and sales conditions may result in changes in the value of inventories, which may affect the evaluation of inventories.

As at December 31, 2023, the carrying amount of inventories was $6,876,277.

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, 2023, the carrying amount of the provision for onerous contract was $533,499.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash on hand and revolving funds | $ 115 | $ 115 |
| Checking accounts and demand deposits | 1,289,770 | 711,798 |
| Time deposits | 2,423,319 | 2,994,084 |
| | $ 3,713,204 | $ 3,705,997 |

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 $15,000 and $10,000 as at December 31, 2023 and 2022, respectively.

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

| Items | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Listed stocks | $ - | $ 286 |
| Emerging stocks | 7,767 | 7,767 |
| Beneficiary certificates | 45,465 | 45,465 |
| Corporate bonds | - | 31,226 |
| Call options of convertible bonds | 1,300 | - |
| Subtotal | 54,532 | 84,744 |
| Valuation adjustment | 8,908 | 10,069 |
| Total | $ 63,440 | $ 94,813 |

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, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Equity instruments | $ 15,396 | ($ 3,554) |
| Debit instruments | ( 426) | ( 6,939) |
| Beneficiary certificates | ( 599) | ( 1,311) |
| Call options of convertible bonds | 800 | - |
| Total | $ 15,171 | ($ 11,804) |

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, 2023 | December 31, 2022 |
|---|---|---|
| Non-current items: | | |
| Equity instruments | | |
| Unlisted stocks | $ 29,650 | $ 29,650 |
| Valuation adjustment | ( 18,190) | ( 23,155) |
| | $ 11,460 | $ 6,495 |

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 $11,460 and $6,495 as at December 31, 2023, and 2022, respectively.

(4) Accounts receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts receivable - general customers | $ 1,132,044 | $ 886,551 |
| Accounts receivable - related parties | - | 1,482 |
| | 1,132,044 | 888,033 |
| Less: Allowance for uncollectible accounts | - | - |
| | $ 1,132,044 | $ 888,033 |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Not past due | $ 1,125,533 | $ 878,807 |
| Up to 30 days | 6,511 | 9,226 |
| 31 to 90 days | - | - |
| 91 to 180 days | - | - |
| Over 181 days | - | - |
| | $ 1,132,044 | $ 888,033 |

The above aging analysis is based on past due date.

B. As at December 31, 2023 and 2022, 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 $1,132,044 and $888,033, respectively.

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Bank guarantee | $ 37,211 | $ 42,284 |
| Pledged certificates of deposit | 21,033 | 39,923 |
| Guarantee deposits received (shown as "other non-current liabilities") | 5,620 | 5,621 |
| Letters of credit | 730,029 | 812,396 |
| Company promissory notes/checks | 432,156 | 507,813 |
| | $ 1,226,049 | $ 1,408,037 |

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

E. As at December 31, 2023 and 2022, accounts receivable were all from contracts with customers. As at January 1, 2022, the balance of receivables from contracts with customers amounted to $1,910,845.

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

## (5) Inventories

| | December 31, 2023 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 74,177 | ($ 1,232) | $ 72,945 |
| Work in process | 6,091,559 | ( 243,709) | 5,847,850 |
| Finished goods | 1,172,084 | ( 221,247) | 950,837 |
| Inventory in transit | 4,645 | - | 4,645 |
| | $ 7,342,465 | ($ 466,188) | $ 6,876,277 |

| | 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 |
| | $ 9,212,355 | ($ 865,439) | $ 8,346,916 |

The cost of inventories recognised as expense for the years:

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Cost of goods sold | $ 12,007,993 | $ 12,449,784 |
| (Gain on reversal of) loss on market value decline and obsolete and slow-moving inventories | ( 399,251) | 840,553 |
| | $ 11,608,742 | $ 13,290,337 |

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 year ended December 31, 2023.

## (6) Investments accounted for using equity method

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Subsidiaries: | | |
| Charng Feng Investment Ltd. | $ 585,575 | $ 549,356 |
| Elite Investment Services Ltd. | 483,183 | 667,546 |
| Jie Yong Investment Ltd. | 160,817 | 178,955 |
| Elite Semiconductor Memory Technology Inc. | 20,517 | 29,725 |
| Eon Silicon Solution Inc. USA | ( 1,557) | ( 1,650) |
| | $ 1,248,535 | $ 1,423,932 |

Information about the subsidiaries is provided in Note 4(3) in the 2023 consolidated financial statements.

(7)Property, plant and equipment

| | Land | Buildings and structures | Machinery equipment | Test equipment | Others | Total |
|---|---|---|---|---|---|---|
| At January 1, 2023 | | | | | | |
| 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) |
| | $ 562,898 | $ 548,377 | $ 286,089 | $ 149,176 | $ 444,807 | $ 1,991,347 |
| 2023 | | | | | | |
| At January 1 | $ 562,898 | $ 548,377 | $ 286,089 | $ 149,176 | $ 444,807 | $ 1,991,347 |
| Additions | - | 3,730 | 9,369 | 151,702 | 237,288 | 402,089 |
| Transfers (Note) | - | 435 | 14,958 | 2,549 | 400 | 18,342 |
| Depreciation charge | - | ( 41,662) | ( 57,833) | ( 43,504) | ( 374,389) | ( 517,388) |
| At December 31 | $ 562,898 | $ 510,880 | $ 252,583 | $ 259,923 | $ 308,106 | $ 1,894,390 |
| At December 31, 2023 | | | | | | |
| Cost | $ 562,898 | $ 1,023,474 | $ 498,819 | $ 529,459 | $ 2,557,158 | $ 5,171,808 |
| Accumulated depreciation and impairment | - | ( 512,594) | ( 246,236) | ( 269,536) | ( 2,249,052) | ( 3,277,418) |
| | $ 562,898 | $ 510,880 | $ 252,583 | $ 259,923 | $ 308,106 | $ 1,894,390 |

| | 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) |
| | $ 168,768 | $ 233,474 | $ 286,954 | $ 135,687 | $ 412,653 | $ 1,237,536 |
| 2022 | | | | | | |
| 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 | $ 562,898 | $ 548,377 | $ 286,089 | $ 149,176 | $ 444,807 | $ 1,991,347 |
| 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) |
| | $ 562,898 | $ 548,377 | $ 286,089 | $ 149,176 | $ 444,807 | $ 1,991,347 |

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

A. For the years ended December 31, 2023 and 2022, 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:

| | Carrying amount | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Land | $ 54,338 | $ 57,912 |
| Buildings and structures | 2,350 | 3,662 |
| Business vehicles | 3,997 | 7,204 |
| Printers | 1,871 | 2,494 |
| | $ 62,556 | $ 71,272 |

| | Depreciation charge | |
|---|---|---|
| | Years ended December 31, | |
| | 2023 | 2022 |
| Land | $ 3,574 | $ 3,574 |
| Buildings and structures | 1,441 | 1,417 |
| Business vehicles | 3,984 | 2,938 |
| Printers | 623 | 623 |
| | $ 9,622 | $ 8,552 |

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were $777 and $7,576, respectively.

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

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Items affecting profit or loss | | |
| Interest expense on lease liabilities | $ 866 | $ 815 |
| Expense on short-term lease contracts | $ 2,228 | $ 558 |

E. For the years ended December 31, 2023 and 2022, the Company’s total cash outflow for leases were $12,367 and $9,614, respectively.

(9) Investment property

| | Buildings and structures |
| --- | --- |
| At January 1, 2023 | |
| Cost | $ 20,369 |
| Accumulated depreciation and impairment | ( 4,608) |
| | $ 15,761 |
| 2023 | |
| At January 1 | $ 15,761 |
| Depreciation charge | ( 970) |
| At December 31 | $ 14,791 |
| At December 31, 2023 | |
| Cost | $ 20,369 |
| Accumulated depreciation and impairment | ( 5,578) |
| | $ 14,791 |

| | | Buildings and structures |
|---|---|---|
| At January 1, 2022 | | |
| Cost | $ | 20,369 |
| Accumulated depreciation and impairment | ( | 3,638) |
| | $ | 16,731 |
| 2022 | | |
| At January 1 | $ | 16,731 |
| Depreciation charge | ( | 970) |
| At December 31 | $ | 15,761 |
| At December 31, 2022 | | |
| Cost | $ | 20,369 |
| Accumulated depreciation and impairment | ( | 4,608) |
| | $ | 15,761 |

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

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| Rental income from investment property | $ | 2,562 | $ | 2,562 |
| Direct operating expenses arising from the investment property that generated rental income during the period | $ | 970 | $ | 970 |

B. The fair value of the investment property held by the Company as at December 31, 2023 and 2022 was $8,707 and $8,314, respectively, which was valued by income approach. Key assumptions are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Rate of net return on capital (Note) | 17.45% | 17.37% |

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

C. For the years ended December 31, 2023 and 2022, 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 | Computer software | Total |
|---|---|---|---|---|---|
| At January 1, 2023 | | | | | |
| 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) |
| | $ - | $ - | $ - | $ 51,410 | $ 51,410 |
| 2023 | | | | | |
| At January 1 | $ - | $ - | $ - | $ 51,410 | $ 51,410 |
| Additions | - | - | - | 233,262 | 233,262 |
| Amortisation charge | - | - | - | ( 167,417) | ( 167,417) |
| At December 31 | $ - | $ - | $ - | $ 117,255 | $ 117,255 |
| At December 31, 2023 | | | | | |
| Cost | $ 34,478 | $ 11,000 | $ 80,758 | $ 871,164 | $ 997,400 |
| Accumulated amortisation and impairment | ( 34,478) | ( 11,000) | ( 80,758) | ( 753,909) | ( 880,145) |
| | $ - | $ - | $ - | $ 117,255 | $ 117,255 |

| | Patents and professional technology | Customer relationship | Goodwill | Computer software | Total |
|---|---|---|---|---|---|
| At January 1, 2022 | | | | | |
| 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) |
| | $ - | $ - | $ - | $ 83,825 | $ 83,825 |
| 2022 | | | | | |
| At January 1 | $ - | $ - | $ - | $ 83,825 | $ 83,825 |
| Additions | - | - | - | 89,454 | 89,454 |
| Transfer (Note) | - | - | - | 216 | 216 |
| Amortisation charge | - | - | - | ( 122,085) | ( 122,085) |
| At December 31 | $ - | $ - | $ - | $ 51,410 | $ 51,410 |
| At December 31, 2022 | | | | | |
| 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) |
| | $ - | $ - | $ - | $ 51,410 | $ 51,410 |

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, 2023 | | Years ended December 31, 2022 | |
|---|---|---|---|---|
| Operating costs | $ | 16 | $ | - |
| Selling expenses | | 155 | | 313 |
| General and administrative expenses | | 3,114 | | 3,261 |
| Research and development expenses | | 164,132 | | 118,511 |
| | $ | 167,417 | $ | 122,085 |

B. For the years ended December 31, 2023 and 2022, there was no capitalisation of borrowing costs attributable to the intangible assets.

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

(11) Other non-current assets

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Prepayments for purchases | $ | 987,329 | $ | 1,182,950 |
| Refundable deposits (Note 1) | | 926,795 | | 927,380 |
| Prepayments for equipment | | 46,273 | | 26,568 |
| Pledged time deposits | | 3,969 | | 3,969 |
| | $ | 1,964,366 | $ | 2,140,867 |

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 (shown as “provisions for liabilities”) for the year ended December 31, 2022.

(12) Short-term borrowings

| Type of borrowings | December 31, 2023 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Credit borrowings | $ 2,620,000 | 1.65%~1.87% | None |

| Type of borrowings | December 31, 2022 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Credit borrowings | $ 3,175,000 | 1.56%~2.275% | None |

Interest expense recognised in profit or loss amounted to $64,681 and $28,408 for the years ended December 31, 2023 and 2022, respectively.

(13) Bonds payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Convertible bonds payable | $ 1,000,000 | $ - |
| Less: Discount on bonds payable | ( 57,077) | - |
| | $ 942,923 | $ - |

A. The issuance of domestic convertible bonds by the Company:

(a) The terms of the first domestic unsecured convertible bonds issued by the Company are as follows:

i. The regulatory authority has approved the first domestic unsecured convertible bonds issued by the Company. The total issuance amount is $1,000,000 at 115.42% of the bond's face value with coupon rate of 0%, covering a 3-year period of issuance and a circulation period from October 27, 2023 to October 27, 2026. The convertible bonds will be settled by cash with principal value at maturity. The bonds were listed on the Taipei Exchange on October 27, 2023.

ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from three months after the bonds issuance date to the maturity date, except for the suspended transfer period as specified in the terms of the bonds or the regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

iii. The conversion price of convertible bonds was set at NT$85.6 (in dollars) per share. However, the conversion price is adjusted according to the formula set out in the indenture if any of the following events occurs after the issuance of the Company's convertible bonds:

(i) Increase in outstanding (or private placement) common shares.

(ii) The conversion price should be reduced on the effective date of ex-dividend for distributing cash dividends of ordinary shares.

(iii) Reissuance (or private placement) of various securities with conversion options or stock options to common shares at a conversion or an exercise price lower than the market price per share.

(iv) Reduction in ordinary share capital that is not caused by the retirement of treasury shares.

iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time during the period from the date after three months of the bonds issue to 40 days before the maturity date if the following events occur: (i) the closing price of the Company's common shares is above the conversion price by 30% (including 30%) for 30 consecutive trading days, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount.

v. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be sold or re-issued; the conversion options attached to the bonds are also extinguished.

(b) As of December 31, 2023, the conversion of the Company's first domestic unsecured convertible bonds has not yet been exercised.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to $210,822 were separated from the liability component and were recognised in 'capital surplus—share options' in accordance with IAS 32. The call options embedded in bonds payable were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts.

(14) Other payables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accrued salaries and bonuses | $ 577,388 | $ 1,153,979 |
| Accrued employees' compensation and directors' remuneration | - | 25,302 |
| Payables on equipment | 13,722 | 90,089 |
| Others | 139,839 | 163,134 |
| | $ 730,949 | $ 1,432,504 |

(15) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2023 | |
|---|---|---|---|---|---|
| Long-term bank borrowings | | | | | |
| Secured borrowings | Note | 1.55%~1.675% | Land, buildings and structures | $ | 643,400 |
| Less:Current portion | | | | | - |
| | | | | $ | 643,400 |

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

Interest expense recognised in profit or loss amounted to $10,584 and $2,180 for the years ended December 31, 2023 and 2022, respectively.

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 month.

(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:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Present value of defined benefit obligations | ($ 9,235) | ($ 8,817) |
| Fair value of plan assets | 812 | 435 |
| Net defined benefit liability | ($ 8,423) | ($ 8,382) |

(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 |
|---|---|---|---|
| 2023 | | | |
| At January 1 | ($ 8,817) | $ 435 | ($ 8,382) |
| Current servise cost | ( 178) | - | ( 178) |
| Interest (expense) income | ( 115) | 6 | ( 109) |
| | ( 9,110) | 441 | ( 8,669) |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 226 | 226 |
| Change in financial assumptions | ( 79) | - | ( 79) |
| Experience adjustments | ( 46) | - | ( 46) |
| | ( 125) | 226 | 101 |
| Pension fund contribution | - | 145 | 145 |
| At December 31 | ($ 9,235) | $ 812 | ($ 8,423) |

| | 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 servise cost | ( 176) | - | ( 176) |
| Interest (expense) income | ( 59) | 1 | ( 58) |
| | ( 8,709) | 118 | ( 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) | - | ( 636) |
| | ( 108) | 178 | 70 |
| Pension fund contribution | - | 139 | 139 |
| At December 31 | ($ 8,817) | $ 435 | ($ 8,382) |

(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 has 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, 2023 and 2022 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, | |
|---|---|---|
| | 2023 | 2022 |
| Discount rate | 1.20% | 1.30% |
| 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, 2023 and 2022.

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, 2023 | | | | |
| Effect on present value of defined benefit obligation | ($ 197) | $ 202 | $ 176 | ($ 172) |
| December 31, 2022 | | | | |
| Effect on present value of defined benefit obligation | ($ 209) | $ 215 | $ 189 | ($ 185) |

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, 2024 amount to $146.

(g) As at December 31, 2023, the weighted average duration of the retirement plan is 9 years. The analysis of timing of the future pension payment was as follows:

| | |
|---|---|
| Within 1 year | $ - |
| 1-2 years | 509 |
| 2-5 years | 642 |
| Over 5 years | 9,109 |
| | $ 10,260 |

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, 2023 and 2022 were $40,379 and $37,013, respectively.

(17) Share-based payment

A. For the years ended December 31, 2023 and 2022, the Company’s share-based payment arrangements were as follows:

| Type of arrangement | Grant date | Quantity granted | Contract period | Vesting conditions |
|---|---|---|---|---|
| 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 2013 employee stock option plans was 688 thousand shares.

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:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | No. of options | Weighted-average exercise price (in dollars) | No. of options | Weighted-average exercise price (in dollars) |
| Options outstanding at January 1 | 14 | $ 53.3 | 14 | $ 57.6 |
| Options exercised | ( 14) | 53.3 | - | - |
| Options outstanding at December 31 | - | $ - | 14 | $ 53.3 |
| Option exercisable at December 31 | - | | 14 | |

C. The weighted average share price of the stock options executed from January 1 to December 31, 2023 was NT$85.65 on the execution date. No stock options were exercised for the year ended December 31, 2022.

D. As at December 31, 2023, no stock options were outstanding. As at December 31, 2022, the range of exercise prices of stock options outstanding were NT$53.3 (in dollars), the weighted-average remaining contractual period was 0.64 years.

E. There was no expenses incurred on share-based payment transactions for the years ended December 31, 2023 and 2022.

(18) Share capital

A. As at December 31, 2023, 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 $2,861,711 with a par value of $10 (in dollars) per share.

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

Unit：Thousands of shares

| | 2023 | 2022 |
|---|---|---|
| Outstanding ordinary shares at January 1 | 272,448 | 272,803 |
| Employee stock options exercised | 14 | - |
| 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 | 300 | - |
| Outstanding ordinary shares at December 31 | 272,762 | 272,448 |
| Treasury shares at the end of the year | 13,409 | 13,709 |
| Issued ordinary shares at December 31 | 286,171 | 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, 2023 and 2022, were 13,409 thousand shares and 13,709 thousand shares with carrying amounts of $345,123 and $352,845, respectively; the average book value per share was $25.74, and the fair values per share were $98.0 and $65.0, 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.

| | 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share premium | Treasury share transactions | Changes in ownership interests in subsidiaries | Employee stock options | Stock options | Others | Total |
| At January 1 | $20,162 | $ 41,750 | $ 186,631 | $ 2,697 | $ - | $4,077 | $255,317 |
| Disposal of company's share by subsidiary recognised as treasury share | - | 8,540 | - | - | - | - | 8,540 |
| 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 | - | - | 10,329 | - | - | - | 10,329 |
| Change in associates and joint ventures accounted for using equity mothod | - | - | 621 | - | - | - | 621 |
| Issuance of new shares due to employee stock options exercised | 3,308 | - | - | ( 2,697) | - | - | 611 |
| Expired cash dividends transferred to capital surplus | - | - | - | - | - | 45 | 45 |
| Issuance of convertible bonds | - | - | - | - | 210,822 | - | 210,822 |
| At December 31 | $23,470 | $ 50,290 | $ 198,570 | $ - | $210,822 | $4,122 | $487,274 |

| | 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 change 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 change in ownership interests in subsidiaries - subsidiary acquired non-controlling interests | - | - | ( 29) | - | - | ( 29) |
| Change in associates and joint ventures accounted for using equity mothod | - | - | 28,165 | - | - | 28,165 |
| Expired cash dividends transferred to capital surplus | - | - | - | - | 143 | 143 |
| At December 31 | $ 20,162 | $ 41,750 | $ 186,631 | $ 2,697 | $ 4,077 | $ 255,317 |

(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 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.

F. 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 $515,108, constituting $1.8 (in dollars) per share. The aforementioned appropriations had been resolved in the shareholders' meeting on May 30, 2023, and distributed on July 31, 2023.

G. As approved by the Board of Directors on February 27, 2024, the appropriations of 2023 earnings would be reversed special reserve of $9,929 and cash dividend of $171,703, constituting of $0.6 (in dollars) per share. The aforementioned appropriations had not yet been approved at the shareholders' meeting.

(21) Operating revenue

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Revenue from contracts with customers | $ 11,884,121 | $ 16,207,898 |

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, 2023 | Domestic area | Asia | Others | Total |
|---|---|---|---|---|
| Integrated circuits | $ 5,258,025 | $ 6,512,981 | $ 113,115 | $ 11,884,121 |

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

B. Contract liabilities

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

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|---|---|---|---|
| Contract liabilities- advance sales receipts | $ 4,665 | $ 6,096 | $ 21,399 |

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

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Contract liabilities – advance sales receipts | $ 5,752 | $ 23,459 |

(22)Interest income

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Interest income from bank deposits | $ 137,873 | $ 82,128 |
| Interest income from financial assets at amortised cost | 524 | 205 |
| Other interest income | 1,520 | 973 |
| | $ 139,917 | $ 83,306 |

(23)Other income

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Rent income | $ 6,616 | $ 5,926 |
| Dividend income | 513 | 771 |
| Other income, others | 54,796 | 62,371 |
| | $ 61,925 | $ 69,068 |

(24)Other gains and losses

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Gains arising from lease modifications | $ 51 | $ 1,213 |
| Net foreign exchange gains | 17,322 | 949,763 |
| Gains (losses) on financial assets at fair value through profit or loss | 15,171 | ( 11,804) |
| Gains on disposals of property, plant and equipment | 281,765 | - |
| Onerous contracts losses | - | ( 530,888) |
| Miscellaneous disbursements | ( 42,912) | ( 48,140) |
| | $ 271,397 | $ 360,144 |

(25) Finance costs

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Interest expense: | | |
| Bank borrowings | $ 75,265 | $ 30,588 |
| Provisions for liabilities- amortisation of discount | 1,205 | 1,810 |
| Lease liabilities | 866 | 815 |
| Amortisation of discount on bonds payable | 3,544 | - |
| Total interest expense | 80,880 | 33,213 |
| Others | 1,732 | 275 |
| | $ 82,612 | $ 33,488 |

(26) Expenses by nature

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Employee benefit expenses | $ 1,272,967 | $ 1,466,873 |
| Depreciation charges on property, plant and equipment | $ 517,388 | $ 496,345 |
| Depreciation charges on right-of-use assets | $ 9,622 | $ 8,552 |
| Depreciation charges on investment property | $ 970 | $ 970 |
| Amortisation charges on intangible assets | $ 167,417 | $ 122,085 |

(27) Employee benefit expenses

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Wages and salaries | $ 1,126,801 | $ 1,320,781 |
| Labor and health insurance fees | 78,912 | 71,598 |
| Pension costs | 40,666 | 37,247 |
| Directors' remuneration | 7,605 | 20,195 |
| Other personnel expenses | 18,983 | 17,052 |
| | $ 1,272,967 | $ 1,466,873 |

A. In accordance with the Articles of Incorporation of the Company, 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, 2023 and 2022, employees’ compensation was accrued at $0 and $12,651, respectively; directors’ remuneration was accrued at $0 and $12,651, respectively. The aforementioned amounts were recognised in wages and salaries expenses.

C. The employees’ compensation and directors’ remuneration of 2022 as resolved by the

Board of Directors were in agreement with those amounts recognised in the 2022 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 (benefit) expense

(a) Components of income tax (benefit) expense:

| | Years ended December 31, 2023 | 2022 |
|---|---|---|
| Current tax: | | |
| Current tax on profit for the year | $ - | $ 306,915 |
| Tax on undistributed earnings | - | 60,944 |
| Prior year income tax underestimation | 21,753 | 63 |
| Total current tax | 21,753 | 367,922 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | ( 43,431) | ( 170,323) |
| Income tax (benefit) expense | ($ 21,678) | $ 197,599 |

(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 (benefit) expense and accounting profit:

| | Years ended December 31, 2023 | 2022 |
|---|---|---|
| Tax calculated based on (loss) profit before tax and statutory tax rate | ($ 248,905) | $ 247,958 |
| Tax exempt income by tax regulation | 29,255 | ( 15,841) |
| Prior year income tax underestimation | 21,753 | 63 |
| Change in assessment of realisation of deferred tax assets | 92,797 | 70,121 |
| Taxable loss not recognized as deferred tax assets | 181,504 | - |
| Assessment of realisation of investment tax credits | ( 98,082) | - |
| Effect from investment tax credits | - | ( 165,646) |
| Tax on undistributed earnings | - | 60,944 |
| Income tax (benefit) expense | ($ 21,678) | $ 197,599 |

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

| | 2023 | | | |
|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| Deferred tax assets: | | | | |
| - Temporary differences: | | | | |
| Unrealised exchange loss | $ 116 | $ 952 | $ - | $ 1,068 |
| Loss on market value decline and obsolete and slow-moving inventories | 103,853 | ( 47,910) | - | 55,943 |
| Pension liability | 71 | ( 68) | - | 3 |
| Onerous contract losses | 106,178 | ( 106,178) | - | - |
| Loss carryforward | - | 97,733 | - | 97,733 |
| Investment tax credits | - | 98,082 | - | 98,082 |
| Others | 2,974 | 273 | - | 3,247 |
| Subtotal | 213,192 | 42,884 | - | 256,076 |
| -Deferred tax liabilities: | | | | |
| Unrealised exchange gain | ( 55,208) | 3,581 | - | ( 51,627) |
| Others | - | ( 3,034) | - | ( 3,034) |
| Subtotal | ( 55,208) | 547 | - | ( 54,661) |
| Total | $ 157,984 | $ 43,431 | $ - | $ 201,415 |

| | 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 | 2,222 | 752 | - | 2,974 |
| Subtotal | 3,116 | 210,076 | - | 213,192 |
| -Deferred tax liabilities: | | | | |
| Unrealised exchange gain | ( 5,054) | ( 50,154) | - | ( 55,208) |
| Others | ( 10,401) | 10,401 | - | - |
| Subtotal | ( 15,455) | ( 39,753) | - | ( 55,208) |
| Total | ($ 12,339) | $ 170,323 | $ - | $ 157,984 |

D. Details of the amount the Company is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

| | December 31, 2023 | | |
|---|---|---|---|
| Qualifying items | Unused tax credits | Unrecognised deferred tax assets tax amount | Expiry year |
| Expenditure of research and development | $ 122,603 | $ 24,521 | 2025 |

Year ended December 31, 2022: None.

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

| December 31, 2023 | | | | |
|---|---|---|---|---|
| Year incurred | Amount estimated | Unused amount | Unrecognised deferred tax assets amount | Expiry year |
| 2023 | $ 1,396,187 | $ 1,396,187 | $ 907,522 | 2033 |

Year ended December 31, 2022: None.

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Deductible temporary differences | $ 596,717 | $ 646,589 |

G. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(29) (Losses) earnings per share

| | Year ended December 31, 2023 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Losses per share (in dollars) |
| Basic and diluted losses per share (note) | | | |
| Loss attributable to ordinary shareholders of the parent company | ($ 1,222,845) | 280,432 | ($ 4.36) |

| | Year ended December 31, 2022 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent company | $ 1,042,193 | 280,542 | $ 3.71 |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employee stock options | | 7 | |
| Employees' compensation | | 535 | |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent company plus assumed conversion of all dilutive potential ordinary shares | $ 1,042,193 | 281,084 | $ 3.71 |

Note: As the convertible bonds payable in 2023 has an anti-dilutive effect, it is not included in the calculation of diluted losses per share.

## (30) Supplemental cash flow information

### A. Investing activities with partial cash payments:

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Purchase of property, plant and equipment (including transferred amount) | $ 420,431 | $ 1,250,156 |
| Add: Ending balance of prepayment for equipment | 46,273 | 26,568 |
| Add: Opening balance of prepayment for equipment being transferred to intangible assets | - | 216 |
| Less: Opening balance of prepayment for equipment | ( 26,568) | ( 12,302) |
| Add: Opening balance of payable on equipment | 90,089 | 94,831 |
| Less: Ending balance of payable on equipment | ( 13,722) | ( 90,089) |
| Cash paid during the year | $ 516,503 | $ 1,269,380 |

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Purchase of intangible assets (including transferred amount) | $ 233,262 | $ 89,670 |
| Less: Opening balance of prepayment for equipment being transferred to intangible assets | - | ( 216) |
| Cash paid during the year | $ 233,262 | $ 89,454 |

### B. Changes in liabilities from financing activities:

| | Short-term borrowings | Short-term notes and bills payable | Bonds payable | Long-term borrowings | Lease liabilities | Guarantee deposits received | Liabilities from financing activities-gross |
|---|---|---|---|---|---|---|---|
| At January 1, 2023 | $ 3,175,000 | $ - | $ - | $ 643,400 | $ 71,645 | $ 6,253 | $ 3,896,298 |
| Changes in cash flow from financing activities | ( 555,000) | 1,723 | 1,148,901 | - | ( 9,273) | ( 1) | 586,350 |
| Interest paid | - | - | - | - | ( 866) | - | ( 866) |
| Interest expense | - | - | - | - | 866 | - | 866 |
| Changes in other non-cash items | - | ( 1,723) | ( 205,978) | - | 805 | - | ( 206,896) |
| Change from lease modifications | - | - | - | - | 51 | - | 51 |
| At December 31, 2023 | $ 2,620,000 | $ - | $ 942,923 | $ 643,400 | $ 63,228 | $ 6,252 | $ 4,275,803 |

| | 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 |
| Changes from lease modifications | - | - | - | 1,473 | - | 1,473 |
| At December 31, 2022 | $ 3,175,000 | $ - | $ 643,400 | $ 71,645 | $ 6,253 | $ 3,896,298 |

## 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. | " |
| Eon Silicon Solutions Inc. USA | " |
| Elite Memory Technology Inc. | Sub-subsidiary |
| Elite Silicon Technology Inc. (Note 1) | " |
| Elite Innovation Japan Ltd. | " |
| Elite Semiconductor Microelectronics Technology (shenzhen) Inc. | " |
| Elite Semiconductor Microelectronics (Shanghai) Technology Inc. | " |
| CHI Microelectronics Limited | " |
| HHHtech Co., Ltd. (Note 2) | " |
| Arima Lasers Corporation | Associate |
| Canyon Semiconductor Inc. | Associate |
| ESMT Education Foundation | Substantive related party |

Note 1: Merged with Elite Semiconductor Memory Technology Inc. in June 2022, Elite Silicon Technology Inc. was the dissolved company.

Note 2: HHHtech Co., Ltd. was liquidated in March 2022.

B. Significant transactions and balances with related parties

(a) Operating revenue

| | Years ended December 31, 2023 | 2022 |
|---|---|---|
| Sales of goods: | | |
| Associates | $ 1,662 | $ 7,442 |

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, 2023 | 2022 |
|---|---|---|
| Purchases of goods: | | |
| Subsidiaries | $ 471,866 | $ 1,071,031 |

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

(c) Receivables from related parties:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts receivable: | | |
| Other related parties | $ - | $ 1,482 |
| Other receivable-supporting services: | | |
| Subsidiaries | 25,200 | 100 |
| Total | $ 25,200 | $ 1,582 |

(d) Payables to related parties:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts payable: | | |
| Subsidiaries | $ 39,981 | $ 88,172 |
| Other payables-supporting services: | | |
| Subsidiaries | $ 22,442 | $ 12,138 |

(e) Others:

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Other income-supporting services: | | |
| Subsidiaries | $ 46,500 | $ 45,000 |
| Associates | $ 343 | $ - |
| Research and development expenses: | | |
| Subsidiaries | $ 55,500 | $ 60,988 |
| Selling expenses: | | |
| Subsidiaries | $ 80,422 | $ 81,530 |
| Donation expense: | | |
| Substantive related party | $ 1,000 | $ - |

C. Key management compensation

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Salaries and other short-term employee benefits | $ 29,077 | $ 63,473 |
| Post-employment benefits | 594 | 522 |
| | $ 29,671 | $ 63,995 |

## 8. PLEDGED ASSETS

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

| | Book value | | |
|---|---|---|---|
| Assets item | December 31, 2023 | December 31, 2022 | Purposes |
| Land, buildings and structures | $ 738,052 | $ 744,954 | Long-term borrowings |
| Time deposits (shown as "other non-current assets") | 3,969 | 3,969 | Guarantee deposits for land leasing |
| | $ 742,021 | $ 748,923 | |

## 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 made by the Company.

(2) Unused letters of credit issued

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Unused letters of credit issued | $ - | $ 120,035 |

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriations of 2023 earnings had been approved by the Board of Directors on February 27, 2024 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, 2023 and 2022 were as follows:

| | December 31, 2023 | December 31, 2021 |
|---|---|---|
| Total assets | $ 18,144,225 | $ 19,693,843 |
| Total liabilities | ( 8,122,487) | ( 8,179,513) |
| Total equity | $ 10,021,738 | $ 11,514,330 |
| Equity to assets ratio | 55% | 58% |

(2) Financial instruments

A. Financial instruments by category

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Financial assets mandatorily measured at fair value through profit or loss | $ | 63,440 | $ | 94,813 |
| Financial assets at fair value through other comprehensive income | | | | |
| Designation of equity instrument | $ | 11,460 | $ | 6,495 |
| Financial assets at amortised cost | | | | |
| Cash and cash equivalents | $ | 3,713,204 | $ | 3,705,997 |
| Financial assets at amortised cost-current | | 31,791 | | - |
| Notes receivable | | - | | 9 |
| Accounts receivable | | 1,132,044 | | 886,551 |
| Accounts receivable - related parties | | - | | 1,482 |
| Other receivables | | 102,852 | | 81,556 |
| Other receivables - related parties | | 25,200 | | 100 |
| Time deposits (shown as "Other non-current assets") | | 3,969 | | 3,969 |
| Refundable deposits (shown as "Other non-current assets") | | 926,795 | | 927,380 |
| | $ | 5,935,855 | $ | 5,607,044 |
| Financial liabilities | | | | |
| Financial liabilities at amortised cost | | | | |
| Short-term borrowings | $ | 2,620,000 | $ | 3,175,000 |
| Notes payable | | 2,178 | | 2,399 |
| Accounts payable | | 2,187,588 | | 2,132,751 |
| Accounts payable - related parties | | 39,981 | | 88,172 |
| Other payables | | 730,949 | | 1,432,504 |
| Bonds payable (including current portion) | | 942,923 | | - |
| Long-term borrowings (including current portion) | | 643,400 | | 643,400 |
| Guarantee deposits received (shown as "Other non-current liabilities") | | 6,252 | | 6,253 |
| | $ | 7,173,271 | $ | 7,480,479 |
| Lease liabilities | $ | 63,228 | $ | 71,645 |

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 natural hedge 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, 2023 | | |
|---|---|---|---|
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 206,185 | 30.705 | $ 6,330,910 |
| RMB:NTD | 95,664 | 4.327 | 413,938 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | $ 47,657 | 30.705 | $ 1,463,308 |
| RMB:NTD | 4,830 | 4.327 | 20,899 |

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

4. The total exchange gains, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022, amounted to $17,322 and $949,763, respectively.
5. Analysis of foreign currency market risk arising from significant foreign exchange variation:

| | Year ended December 31, 2023 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| **(Foreign currency: functional currency)** | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 63,309 | $ - |
| RMB:NTD | 1% | 4,139 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1% | ($ 14,633) | $ - |
| RMB:NTD | 1% | ( 209) | - |

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

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, 2023 and 2022 would have increased/decreased by $6,134 and $6,316, 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 $1,146 and $650, 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, 2023 and 2022, 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, 2023 and 2022 would have increased/decreased by $1,829 and $2,309, 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, 2023 and 2022.

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

| | 2023 | 2022 |
|---|---|---|
| At January 1 | $ - | $ - |
| Provision for impairment | 682 | - |
| Reversal of impairment loss | ( 682) | - |
| At December 31 | $ - | $ - |

(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 non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

| Non-derivative financial liabilities: December 31, 2023 | Less than 1 year | Between 1 and 5 years | Over 5 years |
|---|---|---|---|
| Short-term borrowings | $ 2,620,000 | $ - | $ - |
| Notes payable | 2,178 | - | - |
| Accounts payable | 2,187,588 | - | - |
| Accounts payable - related parties | 39,981 | - | - |
| Other payables | 730,949 | - | - |
| Lease liabilities | 9,789 | 18,502 | 40,907 |
| Bonds payable (including current portion) | 19,895 | 980,105 | - |
| Long-term borrowings (including current portion) | 10,777 | 201,409 | 520,023 |
| Guarantee deposits received | - | - | 6,252 |

Derivative financial liabilities: None.

| Non-derivative financial liabilities: December 31, 2022 | Less than 1 year | Between 1 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 |

Derivative financial liabilities: 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, Financial assets at amortized cost, notes receivable, accounts receivable, other receivables, refundable deposits, short-term borrowings, long-term borrowings, notes payable, accounts payable, other payables, lease liabilities and guarantee deposits received. Their carrying amounts approximate to their fair values.

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial liabilities: | | | | |
| Bonds payable (including current portion) | $ 942,923 | $ - | $ 946,900 | $ - |

December 31, 2022：None.

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, 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | $ 5,930 | $ - | $ - | $ 5,930 |
| Beneficiary certificates | 55,410 | - | - | 55,410 |
| Call options of convertible bonds | - | - | 2,100 | 2,100 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 11,460 | 11,460 |
| Total | $ 61,340 | $ - | $ 13,560 | $ 74,900 |

Financial liabilities: None.

| December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| 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 | $ 94,813 | $ - | $ 6,495 | $ 101,308 |

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:

| | Listed and emerging stocks | Open-end fund |
|---|---|---|
| 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 parent company only balance sheet date.

E. For the years ended December 31, 2023 and 2022, 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, 2023 and 2022:

| | 2023 | | 2022 |
|---|---|---|---|
| | Equity instrument | Call options of convertible bonds | Equity instrument |
| At January 1 | $ 6,495 | $ - | $ 17,697 |
| Convertible bonds issued during the year | - | 1,300 | - |
| Valuation adjustment | 4,965 | 800 | ( 11,202) |
| At December 31 | $ 11,460 | $ 2,100 | $ 6,495 |

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, 2023 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity | | | | | |
| Unlisted shares | $ 11,460 | Market - comparable companies | Discount for lack of marketability | 45.00% | The higher the discount of lack of marketability, the lower the fair value |
| Financial assets at fair value through profit or loss - call options of convertible bonds | 2,100 | Binary tree convertible evaluation model | Stock price volatility | 40.36% | The higher the volatility, the lower the fair value |

| | 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 |

I. 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, 2023 | | | |
|---|---|---|---|---|---|---|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instrument | Discount for lack of marketability | ± 10% | $ - | $ - | $ 938 | ($ 938) |
| Financial assets at fair value through profit or loss - call options of convertible bonds | Volatility | ± 1% | $ 400 | ($ 100) | $ - | $ - |

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

## 13. SUPPLEMENTARY DISCLOSURES

### (1) Significant transactions information

K. Loans to others: None.

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

M. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

N. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

O. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

P. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

Q. 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 2.

R. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

S. Trading in derivative instruments undertaken during the reporting period: None.

T. Significant inter-company transactions during the reporting period: Please refer to table 3.

(2) Information on investees

Names, locations, and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

C. Basic information: Please refer to table 5.

D. 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, 2023, the Company had no shareholders who hold over 5% (including 5%) of the Company’s shares.

VI. The Impact of the Financial Difficulties of the Company and its Affiliated Companies for the Most Recent Year and as of the Publication Date of the Annual Report on the Company's Financial Condition：None

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.

Holding of marketable securities at the end of the period

December 31, 2023

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, 2023 Number of shares | Book value (Note 1) | Ownership (%) | Fair value (Note 1) | Footnote |
|---|---|---|---|---|---|---|---|---|
| Elite Semiconductor Microelectronics Technology Inc. | Arima Lasers Corporation stock | Note 2 | Financial assets at fair value through profit or loss | 256,700 | $ 5,930 | 0.83 | $ 5,930 | |
| Elite Semiconductor Microelectronics Technology Inc. | BGF RENMINBI BOND FUND | None | Financial assets at fair value through profit or loss | 127,986 | 55,410 | Not applicable | 55,410 | |
| Elite Semiconductor Microelectronics Technology Inc. | Turning Point Lasers Ltd, preferred stock | None | Financial assets at fair value through other comprehensive income | 1,000,000 | 11,460 | 6.29 | 11,460 | |
| Elite Investment Services Ltd. | HSBC ALL CHINA BOND FUND - AC (2802) | None | Financial assets at fair value through profit or loss | 600,000 | 31,975 | Not applicable | 31,975 | |
| Charng Feng Investment Ltd. | Arima Lasers Corporation stock | Note 3 | Financial assets at fair value through profit or loss | 997,700 | 23,047 | 3.22 | 23,047 | |
| Charng Feng Investment Ltd. | M2 Communication Inc. stock | None | Financial assets at fair value through profit or loss | 100,542 | 817 | 0.99 | 817 | |
| Charng Feng Investment Ltd. | Powership Semiconductor Manufacturing Corporation | None | Financial assets at fair value through profit or loss | 1,630,426 | 48,016 | 0.04 | 48,016 | |
| Charng Feng Investment Ltd. | Turning Point Lasers Ltd, preferred stock | None | Financial assets at fair value through other comprehensive income | 1,000,000 | 11,460 | 6.29 | 11,460 | |
| Jie Yong Investment Ltd. | Elite Semiconductor Microelectronics Technology Inc. stock | Parent Company | Financial assets at fair value through other comprehensive income | 13,409,000 | 1,314,082 | 4.69 | 1,314,082 | |

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.

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, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable(payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchase/seller | Counterparty | Relationship with the counterparty | Purchase (sales) | Amount | Percentage of total purchase (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote |
| CHI Microelectronics Limited | Elite Semiconductor Microelectronics Technology Inc. | Ultimate parent company | Sales | $ 467,087 | 3.93% | monthly payment in 15 days | $ - | - | $ 39,981 | 3.32% | |

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
Significant inter-company transactions during the reporting period
Year ended December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction: General ledger account | Transaction: Amount | Transaction: Transaction terms | Transaction: Percentage of consolidated total operating revenues or total assets (Note 3) |
|---|---|---|---|---|---|---|---|
| 1 | CHI Microelectronics Limited | Elite Semiconductor Microelectronics Technology Inc. | (2) | Sales | $ 467,087 | Note 4 | 3.93% |

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.

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.

Information on investees (exclude investees in Mainland China)

Year ended December 31, 2023

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | | Initial investment amount | | Shares held as at December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investor | Investee | Location | Main business activities | Balance as at December 31, 2023 | Balance as at December 31, 2022 | Number of shares | Ownership (%) | Book value | Net profit (loss) of the investee for the year ended December 31, 2023 | Investment income (loss) recognised by the Company for the year ended December 31, 2023 | Footnote |
| 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 | $ 20,517 | $ 3,144 | $ 3,144 | |
| Elite Semiconductor Microelectronics Technology Inc. | Charng Feng Investment Ltd. | Taiwan | General investment | 500,000 | 500,000 | 50,000,000 | 100 | 585,575 | 30,634 | 30,634 | |
| Elite Semiconductor Microelectronics Technology Inc. | Elite Investment Services Ltd. | British Virgin Islands | General investment | 460,575 | 460,575 | 15 | 100 | 483,183 | 25,118 | 25,118 | |
| Elite Semiconductor Microelectronics Technology Inc. | Jie Yong Investment Ltd. | Taiwan | General investment | 270,000 | 270,000 | 3,600,000 | 41.86 | 160,817 | 23,880 | ( 333) | |
| 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 | ( 1,557) | 93 | 93 | |
| 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 | 21,561 | 113 | 113 | |
| 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 | 135,110 | 82,166 | 30,632 | |
| 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 | 1,303 | 482 | 482 | |
| Charng Feng Investment Ltd. | CHI Microelectronics Limited | Hong Kong | General trading | 786 | 393 | 20,000 | 100 | 1,018 | 183 | 183 | |

Note 1: The foreign investment amount was translated at the exchange rate as at December 31, 2023

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.

Information on investments in Mainland China

Year ended December 31, 2023

Table 5

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, 2023 | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2023 Remitted to Mainland China | Remitted back to Taiwan | Accumulated amount of remittance from Taiwan to Mainland China as at December 31, 2023 | Net income (loss) of investee for the year ended December 31, 2023 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2) | Book value of investment in Mainland China as at December 31, 2023 | Accumulated amount of investment income remitted back to Taiwan as at December 31, 2023 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | $ 93,327 | (1) | $ 93,327 | $ - | $ - | $ 93,327 | ($ 1,222) | 100 | ($ 1,222) | $ 90,813 | $ - | Note 5 |
| Elite Semiconductor Microelectronics Technology (Shanghai) Inc. | Product design, wholesale and retail of electronic materials, software design services and international trade | 6,141 | (1) | 6,141 | - | - | 6,141 | 1,048 | 100 | 1,048 | 9,632 | - | Note 6 |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as at December 31, 2023 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 5 and 6) | Ceiling of investments in Mainland China imposed by the Investment Commission of MOEA |
|---|---|---|---|
| Charng Feng Investment Ltd. | $ 99,468 | $ 99,468 | $ 351,345 |

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, 2023.

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.

# Review and Analysis of Financial Position and Financial Performance, and Risk Assessment

I. Financial Position

Major reasons for changes in assets, liabilities, and shareholders' equity, as well as related effects in the most recent two fiscal years. If such effects are material, response measures should be elaborated:

Comparative Analysis of Financial Position

Unit: NT$1,000

| Item \ Year | 2023 | 2022 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Current assets | 13,552,324 | 15,052,131 | (1,499,807) | (9.96) |
| Financial assets at fair value through comprehensive other income - non-current | 22,920 | 12,990 | 9,930 | 76.44 |
| Investment accounted for using equity method | 135,110 | 103,857 | 31,253 | 30.09 |
| Property, plant and equipment | 1,957,077 | 2,052,992 | (95,915) | (4.67) |
| Right-of-use assets | 75,942 | 74,924 | 1,018 | 1.36 |
| Investment property-net | 14,791 | 15,761 | (970) | (6.15) |
| Intangible assets | 117,255 | 51,410 | 65,845 | 128.08 |
| Other assets | 2,221,791 | 2,361,664 | (139,873) | (5.92) |
| Total assets | 18,097,210 | 19,725,729 | (1,628,519) | (8.26) |
| Current liabilities | 6,181,882 | 7,492,375 | (1,310,493) | (17.49) |
| Non-current liabilities | 1,995,236 | 795,478 | 1,199,758 | 150.82 |
| Total liabilities | 8,177,118 | 8,287,853 | (110,735) | (1.34) |
| Equity attributable to owners of the parent | 10,021,738 | 11,514,330 | (1,492,592) | (12.96) |
| Share capital | 2,861,711 | 2,861,570 | 141 | 0.00 |
| Capital surplus | 487,274 | 255,317 | 231,957 | 90.85 |
| Retained earnings | 6,853,601 | 8,591,453 | (1,737,852) | (20.23) |
| Other equity interest | (36,380) | (46,310) | 9,930 | 21.44 |
| Treasury shares | (144,468) | (147,700) | 3,232 | 2.19 |
| Non-controlling interests | (101,646) | (76,454) | (25,192) | (32.95) |
| Total equity | 9,920,092 | 11,437,876 | (1,517,784) | (13.27) |

Explanation:

1. Financial assets at fair value through other comprehensive income - non-current: The significant increase is primarily attributed to the substantial increase in the year-end evaluation benefits of financial assets at fair value through other comprehensive income.

2. Investments accounted for using equity method: Primarily arise from an increase in the earnings of the investee company.
3. Intangible assets: Mainly due to the increase in software purchases.
4. Non-current liabilities: Mainly caused by the issuance of first domestic unsecured convertible bonds this year.
5. Capital surplus: Mainly due to the issuance of first domestic unsecured convertible bonds and the recognition of capital surplus - an increase in stock options.
6. Retained earnings: Main due to the decrease in profits for the current year and the distribution of cash dividends.
7. Other equity: Mainly due to the significant increase in the period-end evaluation benefits of financial assets at fair value through other comprehensive income.
8. Non-controlling interests: Primarily arise from the recognition of cash dividends distributed by subsidiaries in the current year.
9. Future response plans for items with a significant impact: As mentioned in points 1 to 8 above, the reasons for the differences do not have a significant impact on the Company.

II. Financial Performance

The main reasons for the significant changes in operating revenue, operating profit(loss) and profit before income tax for the most recent two financial years, and the expected sales volume and its basis, and the possible impact on the Company's financial operations, and the response plans thereof:

Comparative Analysis of Financial Performance

Unit: NT$1,000

| Item | 2023 | 2022 | Increased (Decreased) Amount | Percentage Change |
|---|---|---|---|---|
| Operating Revenue | 11,884,121 | 16,207,898 | ( 4,323,777) | ( 26.68) |
| Gross profit | 324,741 | 2,978,958 | ( 2,654,217) | ( 89.10) |
| Operating Profit (Loss) | ( 1,638,552) | 792,710 | ( 2,431,262) | ( 306.70) |
| Non-operating income and expenses | 410,291 | 512,506 | ( 102,215) | ( 19.94) |
| Profit(Loss) before income tax | ( 1,228,261) | 1,305,216 | ( 2,533,477) | ( 194.10) |
| Profit (loss) from continuing operations in the current period | ( 1,208,961) | 1,103,715 | ( 2,312,676) | ( 209.54) |
| Loss from discontinued operations | - | - | - | - |
| Profit (Loss) for the period | ( 1,208,961) | 1,103,715 | ( 2,312,676) | ( 209.54) |
| Other comprehensive income (net after tax) for the period | 10,031 | ( 23,726) | 33,757 | 142.28 |
| Total comprehensive income(Loss) for the period | ( 1,198,930) | 1,079,989 | ( 2,278,919) | ( 211.01) |
| Profit (Loss) attributable to owners of the parent | ( 1,222,845) | 1,042,193 | ( 2,265,038) | ( 217.33) |
| Total comprehensive income(Loss) attributable to owners of the parent | ( 1,212,814) | 1,018,467 | ( 2,231,281) | ( 219.08) |

Explanation:

1. Operating revenue and gross profit:Please refer to the table ( analysis table for the change of gross profit) below for a detailed explanation.
2. Operating profit (loss):Mainly due to the fact that the overall market for the Company's electronic products in 2023 continued to be affected by war, rising inflation and interest rates, and the demand for end products was weak. Therefore, the overall market demand for memory declined, and the Company's operating revenue also showed a significant decline. As a result, the Company's operating profit decreased significantly compared with the previous year.
3. Profit(Loss) before income tax: Considering the impact of the first two aforementioned factors, the Profit(Loss) before income tax decreased by approximately 194.10%.
4. Other comprehensive income (Loss) for the period: Mainly due to the significant increase in the period-end evaluation benefits of financial assets at fair value through other comprehensive income.
5. Total comprehensive income (Loss) and net profit for the current period(Loss) attributable to the owners of the parent company and the total comprehensive income (Loss) attributable to

| |
|---|
| the owners of the parent: Mainly due to the fact that the overall market for the Company's electronic products in 2023 continued to be affected by war, rising inflation and interest rates, and the demand for end products was weak. Therefore, the overall market demand for memory declined, and the Company's operating revenue also showed a significant decline. As a result, the Company's profits decreased significantly compared with the previous year.<br>6. Expected sales quantity and its basis, and its possible impact on the Company's future financial operations and corresponding plans: For the former, please see page 3, "Expected Sales Quantity and Its Basis." For the latter, please refer to page 4, "Future Company Development Strategy." |

Analysis table for the change of gross profit

Unit: NT$1,000

| Product Type | The variable of the most current 2 fiscal years | Price difference | Cost price difference | Sales mix difference | Quantity difference |
|---|---|---|---|---|---|
| Integrated circuit | ( 2,654,217) | ( 4,209,128) | ( 1,889,572) | ( 326,615) | ( 8,046) |
| Total | ( 2,654,217) | ( 4,209,128) | ( 1,889,572) | ( 326,615) | ( 8,046) |
| Description: Mainly due to the fact that the overall market for the Company's electronic products in 2023 continued to be affected by war, rising inflation and interest rates, and the demand for end products was weak. As a result, the company's operating revenue and profits decreased compared with 2022. | | | | | |

III. Cash flow

(I) Analysis of changes in cash flow in the most recent fiscal year

Unit: NT$1,000

| Cash at beginning balance of the period | Net cash flow from operating activities of the year | Cash outflow of the year | Cash Balance (Deficit) | Remedial measures for cash deficit | |
|---|---|---|---|---|---|
| | | | | Investment plan | Financial plan |
| 4,764,681 | 186,925 | ( 431,292) | 4,520,314 | — | — |

(II) Liquidity analysis for the most recent fiscal year

| Item \ Year | 2023 | 2022 | Percentage Increase (Decrease) |
|---|---|---|---|
| Cash Flow Ratio (%) | 3.02 | - | 100.00% |
| Cash flow Adequacy Ratio (%) | 63.07 | 47.70 | 32.22% |
| Cash Reinvestment Ratio (%) | - | - | - |
| Description:<br>1.The increase in the cash flow ratio is primarily attributed to destocking result in cash inflows from operating activities.<br>2. The increase in the cash flow adequacy ratio is primarily attributed to the decrease in inventory accumulation resulting from the destocking during the current year. | | | |

(III) Analysis of the cash liquidity for the coming year:

Unit: NT$1,000

| Cash at beginning balance of the period | Net cash flow from operating activities of the year | Cash outflow of the year | Cash Balance (deficit) | Remedial measures for cash deficit | |
|---|---|---|---|---|---|
| | | | | Investment plan | Financial plan |
| 4,520,314 | 291,107 | ( 271,703) | 4,539,718 | － | － |

1: Analysis of cash flow change in 2024:

(1) Operating activities: Due to the expected recovery in business conditions, net cash flow from operating activities is net inflow this year.

(2) Investment activities: Mainly due to the increase in new investment and to purchase R&D equipment and mask which is needed by new products.

(3) Financing activities: Mainly, due to the issuance of cash dividends.

2. Remedial measures for cash deficit and liquidity analysis: None.

IV. The Impact of Material Capital Expenditures in fiscal Operations during the Most Recent Fiscal Year: none

V. Reinvestment Policy for the Most Recent Fiscal Year, the Main Reasons for the Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year: None.

VI. Analysis and the Evaluation of Risk Management

(I) The impact of interest rate, exchange rate fluctuations and inflation on corporate profits and losses and future countermeasures:

(1) Impact on the Company's profit/loss:

Unit: NT$1,000

| Item | 2023 | 2022 |
|---|---|---|
| Net interest income or expense | 87,753 | 63,850 |
| Exchange Gain (Loss) | 12,043 | 999,034 |

In terms of inflation, with the increase in oil prices and the recovery of natural resource prices, the global economy is facing high inflation, which will inevitably affect the cost of purchasing raw materials needed for production. However, the production of the Company is outsourced, and the cost of raw materials and processing costs are mainly determined by the capacity allocation of outsourced processing plants based on the business cycle and market supply and demand. Therefore, it is expected that inflation will have a limited impact on the Company's profit and loss.

(2) Future countermeasures:

1. Fluctuation of interest rates

The Company maintains close contact with banks and pays attention to changes in the market in order to obtain more favorable borrowing rates from banks. Major capital expenditure will raise funds by issuing corporate bonds to obtain lower capital costs.

2. Fluctuation of exchange rates

The Company's products are mainly priced in US dollars. Recently, the exchange rate of the New Taiwan dollar against the US dollar has fluctuated volatilely, resulting in gain on exchange. In view of this, the Company will strengthen its ability to manage foreign exchange risks. In addition to continuously collecting exchange rate information and fully grasping the exchange rate trends, the bank will be invited to provide professional advice and suggestions to decide when to convert the New Taiwan dollar or keep it in the foreign exchange account. In addition, in terms of the management of foreign exchange positions, funds are dispatched and used to meet foreign exchange expenditures with own foreign exchange income to effectively reduce exchange risk.

3. Inflation

The Company established a good cooperative relationship with the wafer foundry and back-end packaging and testing plants to ensure that the production capacity can be obtained and obtain stable processing prices, and through the provision of technical services for product design, actively develop cooperation with other domestic and foreign foundries. Besides, the Company obtained more diversified resources of wafer foundry manufacturers, thereby reducing the impact of inflation.

(II) Policies of engaging in high-risk, high-leverage investments, loans to others, providing endorsements/guarantees and derivatives transactions, main reasons for the profits and losses generated thereby and future countermeasures to be undertaken:

The Company has not engaged in high-risk, high-leveraged investment and derivative financial commodity transactions in the most recent fiscal year and up to the date of publication of the prospectus. The object of loan and endorsement guarantee of funds is limited to the subsidiaries, and it is handled in accordance with the provisions of the "Operational Procedures for Loaning Funds to Others" and "Procedures of Provision of Endorsements/Guarantees". As of the date of publication of the public statement in 2022 and 2023 of the Company, there was no loan or endorsement guarantees to others.

(III) Future R&D plans and expected investments in R&D:

(1) The products operated by the Company are in highly changing industries. Therefore, it is necessary to catch on market opportunities, launch new products,

and develop new processes to reduce costs.

(2) The competitiveness of the Company is sustained by its research and development capabilities. The Company will continue to invest in research and development expenditures, and continue to recruit and train outstanding talents to achieve this goal and create a good business performance for the Company.

(3) Expected investments in R&D

| Main R&D projects / new products | Key success factors for R&D projects |
|---|---|
| xMB SDRAM 2Xnm product development project | Existing experience in SDRAM technology |
| xMB DDR2 SDRAM 2Xnm product development project | Existing experience in DDR SDRAM technology |
| xGB DDR3 SDRAM 2Xnm product development project | Existing experience in DDR2 SDRAM technology |
| xGB DDR4 SDRAM 2Xnm product development project | Existing experience in DDR3 SDRAM technology |
| xMB FLASH 5Xnm product development project | Existing experience in Flash technology |
| Power IC, analog IC product development project | Existing experience in Power IC, analog IC technology |
| Development of new products | Strong R&D performance and experience |

The estimated R&D expenditure for 2024 is approximately NT$ 1.4 billion.

(IV) The impact of changes in important domestic and foreign policies and laws adopted on the Company's financial operations, and the countermeasures thereof:

(1) The Company's management team has been paying close attention to any policies and laws that may affect the Company's finances and business. In addition, the Company has also cooperated with professional institutions to continue to pay close attention to the development of relevant laws and regulations and to adjust immediately to meet the needs of operations.

(2) Countermeasures

The Company's current operations are in compliance with the relevant existing laws and regulations of domestic and foreign reinvestment countries. The management team will also continue to pay close attention to any changes in policies and laws that may affect the Company's finances and business, as a reference for operations. In addition, the Company also cooperates with professional organizations to pays close attention to the development of relevant laws and regulations, and immediately adjusts its strategy to meet the needs of operations. Therefore, the Company can timely manage and respond to important domestic and foreign policy and legal changes.

(V) Impact of technological (Including information security risks )and industrial changes on the Company’s finances and business, and the countermeasures:

(1) Impact on the Company's finance and business due to technological and industrial changes

The company is one of the leading manufacturers in its industry. Technology R&D and innovation are the indispensable elements of the Company's operations, and it is also the Company's main competitive niche. Therefore, technological changes have a positive effect on the Company's financials. In response to the increasingly severe internal and external cybersecurity threats and protect the confidentiality, integrity, availability, and resilience of the Company’s information, as well as to achieve continuous operation and ensure information security activities and services.

(2) Countermeasures

The Company will continue to strengthen its research and development capabilities, pay attention to domestic and foreign technology and market development directions at all times, and strengthen cash flow management and maintain a stable financial structure in order to diversify operating risks in response to the Company's operational needs. In order to enhance the information system, the Company will invest in various aspects of information and communication security products to avoid any impact or influence on the Company.

(VI) The impacts of the change of corporate image on the enterprise crisis management, and the countermeasures:

The Company focuses on its business operation and has achieved outstanding performance, and it is committed to distributing the business results back to the shareholders. The corporate image has always been good, and the Company publishes all messages through a spokesperson or deputy spokesperson, who can provide timely explanations in regards to reports and news that could affect the Company's image, so there is no threat to the corporate image. In the future, while pursuing the maximization of shareholders’ interests, the Company will continue to fulfill its corporate social responsibilities and improve the corporate image.

(VII) The expected benefits, possible risks and the countermeasures associated with in mergers and acquisitions (M&A): None.

(VIII) Expected benefits, possible risks and countermeasures for the expansion of plants: The Company currently has no plans to expand the plants.

(IX) Risks associated with over-concentration in procurement and sales, and the countermeasures:

(1) Risk of concentrated procurement

The Company is a professional IC design company. The main raw materials in the production process are wafers and lead frames. The wafers are produced by wafer foundries. Since Taiwan is the world's largest wafer foundry production area, meanwhiles there are only few wafer foundries in domestic industry. Therefore, domestic IC design companies generally tends to have their purchasing concentrated in a certain wafer foundry. In addition to keep to establishing good cooperative relations with wafer foundries to ensure production capacity, the Company actively develops cooperative relations with other domestic and foreign wafer foundries by providing technical services for product design to diversify the risk of concentrated procurement.

(2) Risk of concentrated sales

Based on the consideration of professional division of labor and emphasis on efficiency, most products are mainly sold through agents. In recent years, sales of goods have gradually deviated from focusing on the few particular customers. In response to the growing trend of the company and industry in the future, the Company will further diversify appropriately and diversify its future sales customers to maintain a more balanced and stable operating result, which is the goal of the Company's continuous efforts.

(X) Impact and risks resulted from major equity transfer or replacement from the Directors, Supervisors, or major shareholders holding more than 10% of the Company's shares, and the countermeasures:

(XI) The effect and risk to the Company associated with any change in governance personnel or top management and countermeasures: None.

(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.

(XIII) Other material risks and countermeasures: None.

VII. Other Important Matters:

## (1)Intelligent Property Management Plan

With the continuous advancement of technology, the Company has been increasing R&D costs year by year. To strengthen the competitiveness of the Company's business operations and maintain the state-of-the-art technologies obtained through the hard work of the R&D staff, the Company's intellectual property management combines the Company's operational objectives and R&D resources to establish an operation model that creates corporate value and intangible assets through intellectual property rights. The business management model that combines corporate product strategy, R&D strategy and intellectual property strategy bolsters the utilization of the Company's intellectual property, not only to protect the Company's freedom of operation and strengthen its competitiveness, but also to help the Company make profits.

1. Patent Protection Measures

To enhance the competitiveness of intellectual property, the Company's patent application strategy includes not only patent placement for existing and future products, but also patent placement for specific technologies in a strategic or walled mode. The Company has dedicated staff for intellectual property management, from relevant literature search, technical discussion and patent map preparation for specific technologies before product development to the maintenance of the patent after application, to keep the quality of patent technologies under strict control. In the meantime, the Company monitors the patent application profiles of its competitors to learn the development trend of their products and technologies and whether there are any concerns about patent infringement.

The Company also pays attention to the patent transfer and patent trading market. Whenever various trading platforms (such as ITRI, AS, TWTM, etc.) hold patent transfer or matchmaking activities, the Company will select and evaluate whether there are opportunities for such technologies to be transferred or matched, so as to revitalize the value of the Company's patents. The Company has a patent evaluation committee consisting of senior executives, experienced technical executives who are familiar with the technology field, and expert consultants to enhance the quality of patents through a graded review process. The Company has also established an appropriate patent incentive system to encourage employees to actively file patent applications, and through unscheduled education and training related to patent technology to raise employees' awareness of professional technology and patent protection.

2. Protection of Trade Secrets

The protection of trade secrets is crucial to the Company's competitive advantages, such as technological leadership, manufacturing excellence and customer trust, and is even more crucial to the Company as an IC design company with its own product development and design.

The Company has formulated internal rules and regulations for the management of trade secrets. The Company regularly conducts training courses for new recruits on the protection of trade secrets, and from time to time, makes internal announcements to inform employees of its policy on trade secrets protection. All employees are required to sign a written non-disclosure agreement upon their arrival at and departure from the Company, which is to ensure that they fulfill their duties and obligations of confidentiality to the Company's confidential information. The Company has established a document control system and has set up a Document Control Center (DCC) dedicated to managing and maintaining important technical information of the Company. The Company also attaches great importance to information security, and has established information security management regulations and implemented relevant measures to prevent improper leakage of company information that could harm the interests of the Company. The Company also organizes training on trade secrets from time to time to raise employees' professional awareness of the protection of company secrets and related laws and regulations.

3. Management of Trademark Rights

Since its establishment, the Company has been actively engaged in trademark placement in countries where the Company's products are mainly sold to obtain protection of trademark rights. The Company has designated personnel to handle pre-application trademark searches, management of trademark cases and trademark databases, as well as trademark rights enforcement matters, so that the Company can market its products worldwide under its own brand name.

4. Copyright Management

To protect the Company's confidential information and patent technology rights, if the Company's product technology needs to be published or made public through journals, papers, seminars, etc., the Company will first review and manage it, and establish control and review methods to ensure the implementation of internal review mechanisms to prevent the improper disclosure of important technical information.

**Implementation Status**

The Company submitted a report on matters related to intellectual property to the Board of Directors at the tenth meeting of the eighth Board (Dec. 23, 2020) and proposed improvement measures in response to the Directors' recommendations.

Since its establishment, the Company has been committed to building a sound intellectual property management system step by step. In the recent years, the Company has implemented the following:

1. Since 2006, the Company has invited renowned scholars and the head of the Legal and Intellectual Property Division of the Company to give lectures to our employees on the protection of trade secrets and the basic concepts related to the acquisition of patent technologies and patent rights.
2. Since 2011, the Company has participated in the Intellectual Property Office's corporate intellectual property promotion activities and invited renowned lawyers and scholars to the Company to provide education and training for its employees on topics and practical discussions related to patents, trademarks, copyrights and trade secrets.
3. In 2013, the Company updated its patent application procedures and implemented a tiered patent examination system.
4. In 2014, the Company established a mechanism for request for and review of public disclosure of the Company's information.
5. In 2015, the Company established and implemented patent technology placement and analysis strategy for new products to match the technology areas in which the development of new products is involved.
6. In 2017, the Company updated and established a complete intellectual property information management system to enhance the management of various applications and data maintenance, and further updated the intellectual property protection strategy and patent evaluation system to support new business development and operation.

7. In 2018, the Company invited professor of the Law Department of Soochow University and Director of the Intellectual Property Law Research Center to give lectures on copyright protection and fair use. In addition, the head of the Company's patent department organized special educational training for the R&D staff to analyze patent technical issues.

8. In 2019, the Company investigated the classification standards for important information and evaluated patent licensing companies and patent insurance.

9. In 2020, the Company evaluated the feasibility of introducing the Taiwan Intellectual Property Management System (TIPS).

10. In 2021, the Company invited the professor of the Law Department of Soochow University, who is also the director of the Technology and Intellectual Property Right Law Research Center, to talk about the protection of business secrets, copyright protection, and software copyright.

    To enhance the efficiency of data management, and reinforce the maintenance and protection of legal documents and confidential information that is in the review process, the Company built an online review system to ensure the material information is only accessed by the relevant staff, creating higher protection for confidential documents.

    In response to the new product lines, the Company adjusted the composition of the Patent Assessment Committee for the new technology attributes, improving the patented technology of the new products.

11. In 2022, to effectively improve the recall ratio and precision ratio of patent searches, a comparative analysis was conducted on the search results of the currently used patent database and other patent databases.

    Re-evaluate the feasibility of adopting the Taiwan Intellectual Property Management System (TIPS) by organizing and analyzing information on the current status of the Company's R&D and intellectual property management. Conduct a self-assessment of inspection items and corresponding article numbers/categories of topics as required by TIPS first.

    Comply with the Company's pandemic prevention policies and assist in designing an online review process for the Company's Patent Evaluation Committee. Additionally, in response to courses taught online for new employees on trade secrets, revise relevant course materials and adjust the online interactive teaching model.

    Assist the Company's new product business unit in developing new products, devising each product's future application scope, and evaluating trademark placement around the world.

12. In 2023, we invited a distinguished expert from a reputable patent and trademark law firm to give lectures encompass various topics, including an introduction to the patent system, fundamental patent concepts, case studies, and the indispensable patent knowledge that our R&D personnel should acquire.

    To acknowledge the inventors who have obtained patents for the Company in recent years, a formal public commendation event will be organized. The Chairman and the top executives of each business unit will personally recognize and encourage the patent holders, with the goal of inspiring colleagues to unleash their creativity, submit patent applications, and strive for rewards. This event will also serve as an opportunity for the Company to showcase and safeguard its research and development capabilities through patents.

In light of the significant amendment to the Intellectual Property Case Adjudication Act, which strengthens the protection of trade secret litigation, we have made adjustments to the content of the employee trade secret course curriculum. Additionally, we have included the latest case studies.

To enhance colleagues' comprehension and facilitate work execution, a concise manual has been created to explain a complex set of regulations. The manual highlights the key points of the regulations and offers practical case explanations. It represents the collective knowledge and accomplishments of our Company's personnel, serving as a valuable intellectual asset. The manual is centrally stored in the document management system and can only be accessed online after obtaining permission. External disclosure of its contents is strictly prohibited.

13. The current list of intellectual property acquisition are as follows.

(1) Patents: By December 2023, the total number of patents granted worldwide had accumulated over 527, of which 36 domestic and foreign patents were granted in 2023 alone.

(2) Trademarks: By December 2023, the Company and subsidiaries had obtained a total of 37 registered trademarks in major target countries for its presence and operation.

## (2)Prevention of Insider Trading

1. The Company is a listed company. The disclosure of any material information that would impact shareholders' rights and share prices is strictly limited by law.
2. Material information is defined in Article 4 of Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.
3. Any disclosure of the Company's material internal information, except as otherwise provided by law or regulation, shall be made by spokesperson, or by a deputy spokesperson. Any personnel of the Company, unless otherwise authorized, is not allowed to disclose material information.
4. Personnel of the Company who have actual knowledge of material information are prohibited from dealing in the Company's securities/shares on their own or in the name of others, either before or within 18 hours after the information is not officially public or officially public. Persons who, not because of their position, are indirectly informed of material information that is not yet disclosed are also bound by relevant regulations.
5. Personnel is not allowed to inquire about or collect the Company's material information that is not related to individual duties.
6. The personnel of the Company are obligated to keep confidential to the business secrets and material undisclosed information of the Company. They shall perform their duties under the principles of honesty and integrity with the care of a good administrator, and shall not disclose to irrelevant personnel any material information concerning the business secrets and undisclosed information of the Company that is known to them due to their duties.
7. Any organization or person outside of the Company that is involved in any corporate

action of the Company relating to an investment, merger or acquisition, procurement, strategic alliance, or the signing of a major contract or legal document shall be required to sign a confidentiality agreement, and may not disclose to another party any business secret and undisclosed material information of the Company.

8. Any personnel of the Company shall not discuss any topic involving the Company in the investment or share related social media or online platforms.

9. If there is any doubt as to whether certain conduct has breached laws related to insider trading, or whether any business secrets or undisclosed material information is disclosed, please ask the Legal and Intellectual Property Right Department or the Audit Department for assistance.

10. The Company's director shall be prohibited from trading its shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports.

In the 18th meeting of the 8th term of the Board of Directors on February 25, 2022, the Company promoted the prevention of insider trading regulations and provided explanations of relevant issues regarding the aforementioned item 10 "The Company's director shall be prohibited from trading its shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports." Before the closed periods for the announcement of the various 2022 financial reports (including 30 days prior to the publication of the 2021 financial reports and 15 days prior to the publication of various 2022 quarterly financial reports), the Company shall notify the directors in advance the announcement dates of the financial reports to strengthen the promotion and remind the directors of the relevant regulations prohibiting them from trading stocks during the closed periods. There were no situations that directors traded their stocks during the closed period before the announcement of the financial statements in 2023.

According to the Regulations Governing Establishment of Internal Control Systems by Public Companies, the Company has formulated Prevention of Insider Trading Management Rules under the internal control system. Educational training is conducted every year as required. The Company completed the educational training featuring the prevention of insider trading through online learning in December 2023. A total of 550 people completed the training, with the achievement rate reaching 96.32%. For employees who haven't completed the training will be tracked closely in the education program in the following year.

## **(3)**Report of Unethical/Inappropriate Conduct

According to Ethical Corporate Management Principles, if the personnel of the Company has unethical or inappropriate conduct, a report can be made internally or externally. The reporting email is audit@esmt.com.tw.

The following information must be provided by the whistleblower:

1. The whistleblower's name, I.D. number, address, telephone number and e-mail address where he/she can be reached.
2. The informed party's name or other information sufficient to distinguish his/her identifying features.
3. Specific facts available for investigation.

A written statement shall be provided by the handling personnel to keep the whistleblower's information as well as the reporting event confidential. The Company shall promise that the whistleblower will not be mistreated due to the whistle-blowing.

The responsible unit of the Company shall observe the following procedure:

Data Collection and Reporting

⇩

Formation of Investigation Team and Case Investigation

⇩

Report, Adjudication, and Disciplinary Action

⇩

Improvement of Management Mechanisms

1.Data Collection and Reporting: Upon receiving a report, the responsible unit should gather relevant evidence. If the reported matter involves regular employees, it should be reported to the department supervisor. If the reported matter involves directors or senior executives, it should be reported to the independent directors.

2.Formation of Investigation Team and Case Investigation: The responsible department, along with the mentioned supervisors or personnel, should promptly establish an investigation team to determine the pertinent facts. If needed, regulatory compliance or other relevant departments can be approached for assistance.

3.Report, Adjudication, and Disciplinary Action: If it is proven that the accused has indeed violated relevant laws or the Company's policies and regulations on business ethics and integrity, immediate action should be taken to request the accused to cease the related behavior. The case should be referred to the Human Resources Department for disciplinary action in accordance with the work rules. If necessary, it should be reported to the supervisory authority and referred to the judicial authorities for investigation, or damages should be sought through legal procedures to safeguard the Company's reputation and rights.

4.Improvement of Management Mechanisms: After verifying reported incidents, the relevant departments of the Company should review the internal control system and operational procedures, and propose measures to prevent the recurrence of similar behaviors.

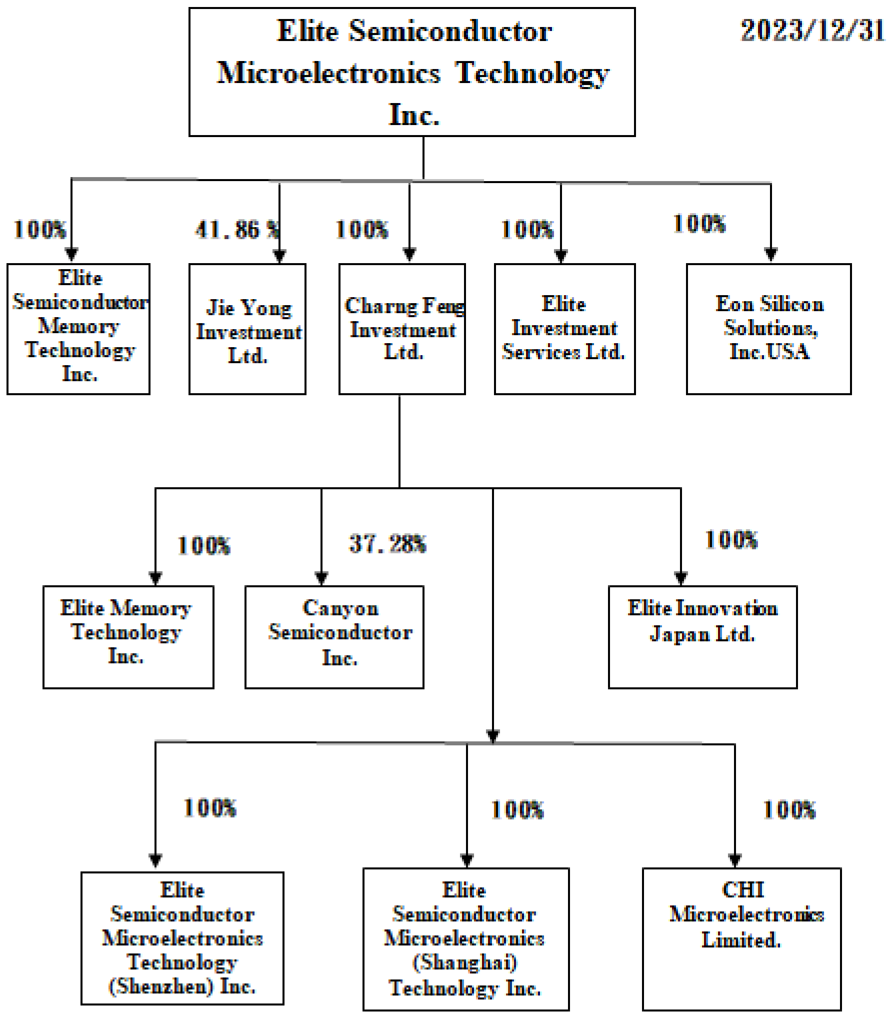
5. Documentation of case acceptance, investigation processes and investigation results shall be retained for 5 years and may be retained electronically. Before the expiration of the retention period, in the event of a lawsuit related to the whistleblowing content, the relevant information shall be retained until the conclusion of the litigation.

6.The responsible unit shall collate all complaints made, the countermeasures, and any subsequent proposed improvements, and report to the Board of Directors.

# Special Disclosures

I. Information on Affiliated Companies

1. Organization Structure of Affiliated Companies



2. Basic Information of Affiliated Companies

Unit: NT$

| Name | Date of Incorporation | Address | Actual Paid-in Capital(Note1) | Primary Business |
|---|---|---|---|---|
| Elite Semiconductor Memory Technology Inc. | 1992.11.05 | 1/F, No. 13, Lane 24, Minxiang 1st Street, East District, Hsinchu City | NT$ 1,000,000 | Research and development, production, sales and related consulting services of integrated circuit |
| Charng Feng Investment Ltd. | 2000.05.22 | 1/F, No. 13, Lane 24, Minxiang 1st Street, East District, Hsinchu City | NT$ 500,000,000 | General investment |
| Elite Investment Services Ltd. | 2006.07.04 | Citio Building P.O.Box 662,Road Town Tortola, British Virgin Islands | US$ 15,000,000 | General investment |
| Jie Yong Investment Ltd. | 2009.01.16 | 2/F, No. 13, Lane 24, Minxiang 1st Street, East District, Hsinchu City | NT$ 86,000,000 | General investment |
| Elite Memory Technology Inc. | 2004.11.22 | 1/F, No. 13, Lane 24, Minxiang 1st Street, East District, Hsinchu City | NT$ 100,000,000 | Product design, wholesale and retail of electronic materials, manufacturing of electronic compenents, information software services and international trade |
| Canyon Semiconductor Inc. | 2013.06.26 | 3/F, No. 19-1, Gongye East 4th Road, East District, Hsinchu City | NT$ 224,000,000 | Integrated circuit design and manufacturing of electronic components |
| Elite Innovation Japan Ltd. | 2011.12.16 | 4-8-11 Takanawa, Minato-ku, Tokyo | JPY 10,000,000 | Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade |
| Eon Silicon Solutions, Inc. USA | 2003.02.01 | 4699 Old Ironsides Drive, Suite 300 Santa Clara, CA95054 USA | US$ 100,000 | Product design, development and test |
| Elite Semiconductor Microelectronics Technology (shenzhen) Inc. | 2011.08.09 | Unit A, Tian'an Digital City I, Futian District, Shenzhen | US$ 3,200,000 | 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 |
| Elite Semiconductor Microelectronics (Shanghai) Technology Inc. | 2019.11.27 | Room 2515, No. 18 Xinjinqiao Road, China (Shanghai) Pilot Free Trade Zone | US$ 200,000 | Product design, wholesale and retail of electronic materials, software design services and international trade |
| CHI Microelectronics Limited. | 2020.08.31 | 15/F Boc Grouplife Assurance Tower 136 Des Voeux RD Central HK | HKD$ 200,000 | General trading |

Note 1: The foreign currency investment amount is converted based on the exchange rate on December 31, 2023.

3. Information on the same shareholders of companies that are considered to have a controlling and subordinate relation: None.

4. Industries covered by the business operations of the affiliated companies:
   The overall business operations of the Company's affiliated companies encompass research and development, marketing, after-sales service, and general investment in Flash IC and PowerIC. The division of labor among these companies is established through investment, allowing us to expand our business and promptly cater to our customers' diverse needs.

5. Information of Directors, Supervisors and Presidents in all affiliated companies:

December 31, 2023

| Name | Title | Name or Representative | Shareholding | | Remarks |
|---|---|---|---|---|---|
| | | | Number of Shares | Percentage of Shareholding | |
| Elite Semiconductor Memory Technology Inc. | Chairman of the Board | Hsing-Hai Chen | 100,000 | 100.00% | Representative of ESMT |
| Charng Feng Investment Ltd. | Chairman of the Board | Ming-Chien Chang | 50,000,000 | 100.00% | Representative of ESMT |
| Elite Investment Services Ltd. | Director | Hsing-Hai Chen | 15 | 100.00% | Representative of ESMT |
| | Director | Ming-Chien Chang | 15 | 100.00% | Representative of ESMT |
| Jie Yong Investment Ltd. | Chairman of the Board | Hsing-Hai Chen | 800,000 | 9.30% | |
| | Director | Ming-Chien Chang | 400,000 | 4.65% | |
| | Director | Kuan-Chun Chang | 500,000 | 5.81% | |
| | Director | Yeong-Wen Daih | 200,000 | 2.33% | |
| | Supervisor | Hsin-Jung Peng | 200,000 | 2.33% | |
| Elite Memory Technology Inc. | Chairman of the Board | Hsing-Hai Chen | 10,000,000 | 100.00% | Representative of Charng Feng Investment |
| Canyon Semiconductor Inc. | Chairman of the Board | Evan , Yu | 12,395,500 | 55.34% | Representative of Diodes Holding UK Limited |
| | Director | Xin-Huang Lin | 12,395,500 | 55.34% | Representative of Diodes Holding UK Limited |
| | Director | LIN,ERNEST SHYH-YUH | 12,395,500 | 55.34% | Representative of Diodes Holding UK Limited |
| | Director | Kuan-hsi Chen | 8,350,000 | 37.28% | Representative of Charng Feng Investment |
| | Director | Shiang-Ming Miaw | 8,350,000 | 37.28% | Representative of Charng Feng Investment |
| | Supervisor | Patricia Huang | 0 | 0% | |
| | Supervisor | Hong-Gee Wu | 0 | 0% | |
| Elite Innovation Japan Ltd. | Chairman of the Board | Jason Lei | 200 | 100.00% | Representative of Charng Feng Investment |
| Eon Silicon Solutions, Inc. USA | Director& CEO | Ming-Chien Chang | 200,000 | 100.00% | Representative of ESMT |
| | Director | Shu-Hui Feng | 200,000 | 100.00% | Representative of ESMT |
| | Director | Tung-Huang Lin | 200,000 | 100.00% | Representative of ESMT |

| Name | Title | Name or Representative | Shareholding | | Remarks |
|---|---|---|---|---|---|
| | | | Number of Shares | Percentage of Shareholding | |
| | Director | TAKAO AKAOGI | 200,000 | 100.00% | Representative of ESMT |
| Elite Semiconductor Microelectronics Technology (shenzhen) Inc. | Legal Representative & Executive Director | Jackie Hao | - | 100.00% | Representative of Charng Feng Investment |
| | Supervisor | Shu-Hui Feng | - | 100.00% | Representative of Charng Feng Investment |
| | President | Ming-Chou Liu | - | - | |
| Elite Semiconductor Microelectronics (Shanghai) Technology Inc. | Legal Representative & Executive Director | Jackie Hao | - | 100.00% | Representative of Charng Feng Investment |
| | Supervisor | Shu-Hui Feng | - | 100.00% | Representative of Charng Feng Investment |
| | President | Shuyu Zheng | - | - | |
| CHI Microelectronics Limited. | Legal Representative | Kun-Ren Chang | 20,000 | 100.00% | Representative of Charng Feng Investment |

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## 6. Operations Overview of Affiliated Companies

December 31, 2023 Unit: NT$1,000

| Name | Capital | Total Asset | Total liabilities | Net Value | Operating | Operating Profit (Loss) | Profit (Loss) for the year | Earnings Per Share (NT$) |
|---|---|---|---|---|---|---|---|---|
| Elite Semiconductor Memory Technology Inc. | 1,000 | 100,756 | 80,238 | 20,517 | 163,355 | 2,667 | 3,144 | 31.44 |
| Charng Feng Investment Ltd. | 500,000 | 585,656 | 81 | 585,575 | — | ( 142) | 30,634 | 0.61 |
| Elite Investment Services Ltd. | 460,575 | 483,183 | — | 483,183 | — | ( 111) | 25,118 | 1,674,533.33 |
| Jie Yong Investment Ltd. | 86,000 | 1,374,754 | 1,501 | 1,373,253 | — | ( 379) | 23,880 | 2.78 |
| Elite Memory Technology Inc. | 100,000 | 21,582 | 21 | 21,561 | — | ( 80) | 113 | 0.01 |
| Canyon Semiconductor Inc. | 224,000 | 426,181 | 63,763 | 362,417 | 314,079 | 69,020 | 82,166 | 3.67 |
| Elite Innovation Japan Ltd. | 2,276 | 2,665 | 1,362 | 1,303 | 8,018 | 752 | 482 | 2,410.00 |
| Eon Silicon Solutions, Inc. USA | 13,304 | 14,473 | 16,030 | ( 1,557) | 55,725 | 180 | 93 | 0.47 |
| Elite Semiconductor Microelectronics Technology (shenzhen) Inc. | 93,327 | 92,544 | 1,731 | 90,813 | 36,742 | 335 | ( 1,222) | — |
| Elite Semiconductor Microelectronics (Shanghai) Technology Inc. | 6,141 | 10,976 | 1,344 | 9,632 | 31,698 | 1,791 | 1,048 | — |
| CHI Microelectronics Limited. | 786 | 40,999 | 39,981 | 1,018 | 467,087 | ( 203) | 183 | 9.15 |

7. Declaration of Consolidated Financial Statements of Affiliated Companies

Elite Semiconductor Microelectronics Technology Inc

Declaration of Consolidated Financial Statements of Affiliated Companies

The entities that are required to be included in the consolidated financial statements of Elite Semiconductor Microelectronics Technology Inc. as at and for the year ended December 31, 2023, under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the consolidated financial statements of affiliated enterprises is included in the consolidated financial statements. Consequently, Elite Semiconductor Microelectronics Technology Inc. and its subsidiaries do not prepare a separate set of consolidated financial statements of affiliated enterprises.

Very truly yours,
Elite Semiconductor Microelectronics Technology Inc.

By
Chairman
Hsing-Hai Chen
February 27, 2024

II. Private Placement of Securities during the Most Recent Fiscal Year and as of the Publication Date of the annual report: None.

III. Holding or Disposal of the Company's Shares by the Company's Subsidiaries during the Most Recent Fiscal Year and as of the Date of Publication of the annual report:

Unit: NT$1,000; share; %

<table>
<tr><th>Name of Subsidiaries</th><th>Actual Paid-in Capital</th><th>Source of Funding</th><th>Shareholding Percentage of the Company</th><th>Date of Acquisition or Disposal</th><th>Number and Value of Shares Acquired</th><th>Number and Value of Shares Disposed</th><th>Gain (Loss) from Investment</th><th>Number and Value of Shares Held until the publication of the Annual Report</th><th>Condition of Setting the Pledges</th><th>Amount of Endorsement Made for the Subsidiaries</th><th>Amount Loaned to the Subsidiaries</th></tr>
<tr><td rowspan="4">Jie Yong Investment Ltd.</td><td rowspan="4">86,000</td><td rowspan="4">Internally Generated Funds</td><td rowspan="2">41.86%</td><td rowspan="2">112.11.30~ 112.12.18</td><td>-</td><td>300</td><td rowspan="2">-</td><td>13,409</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td></tr>
<tr><td>-</td><td>7,721</td><td>345,123</td></tr>
<tr><td rowspan="2">Current fiscal year up to the publication date of the annual report</td><td rowspan="2">113.1.21~ 113.3.8</td><td>-</td><td>385</td><td rowspan="2">-</td><td>13,024</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td></tr>
<tr><td>-</td><td>9,909</td><td>335,214</td></tr>
</table>

IV. Other Supplementary Information: None.

V. Events of Significant Influence on Shareholders’ Equity or Prices of Securities as stipulated in Subparagraph 2, Paragraph 2 of Article 36 of the Securities and Exchange Act during the Most Recent Fiscal Year and as of the Publication Date of the Annual Report: None.

# Elite Semiconductor Microelectronics Technology Inc.

Chairman of the Board: Hsing-Hai Chen

President: Ming-Chien Chang

ESMT 晶豪科技
Elite Semiconductor Microelectronics Technology Inc.
晶 豪 科 技 股 份 有 限 公 司
No.23, Industry E Rd. IV Hsinchu Science Park,
Hsinchu 30077, Taiwan, R.O.C.
03-5781970