

**ELITE SEMICONDUCTOR
MICROELECTRONICS TECHNOLOGY INC.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS'
REPORT
DECEMBER 31, 2023 AND 2022**

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying parent company only balance sheets of Elite Semiconductor Microelectronics Technology Inc. as at December 31, 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

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		December 31, 2022		
		AMOUNT	%	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		<u>12,574,796</u>	<u>69</u>	<u>13,779,567</u>	<u>70</u>
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		<u>5,569,429</u>	<u>31</u>	<u>5,914,276</u>	<u>30</u>
1XXX	Total assets		<u>\$ 18,144,225</u>	<u>100</u>	<u>\$ 19,693,843</u>	<u>100</u>

(Continued)

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

Liabilities and Equity		Notes	December 31, 2023		December 31, 2022	
			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		<u>6,135,811</u>	<u>34</u>	<u>7,384,000</u>	<u>38</u>
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		<u>1,986,676</u>	<u>11</u>	<u>795,513</u>	<u>4</u>
2XXX	Total Liabilities		<u>8,122,487</u>	<u>45</u>	<u>8,179,513</u>	<u>42</u>
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		<u>10,021,738</u>	<u>55</u>	<u>11,514,330</u>	<u>58</u>
Significant contingent liabilities and unrecognised contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	Total liabilities and equity		<u>\$ 18,144,225</u>	<u>100</u>	<u>\$ 19,693,843</u>	<u>100</u>

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

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Items	Notes	Year ended December 31			
			2023		2022	
			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		<u>275,379</u>	<u>2</u>	<u>2,917,561</u>	<u>18</u>
	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)	<u>58,656</u>	<u>1</u>	<u>35,216</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>449,283</u>	<u>4</u>	<u>514,246</u>	<u>3</u>
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		<u>(\$ 1,222,845)</u>	<u>(10)</u>	<u>\$ 1,042,193</u>	<u>6</u>
	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		<u>4,965</u>	<u>-</u>	<u>(11,202)</u>	<u>-</u>
8300	Other comprehensive (loss) income for the year-net		<u>\$ 10,031</u>	<u>-</u>	<u>(\$ 23,726)</u>	<u>-</u>
8500	Total comprehensive (loss) income for the year		<u>(\$ 1,212,814)</u>	<u>(10)</u>	<u>\$ 1,018,467</u>	<u>6</u>
	(Losses) earnings per share (in dollars)	6(29)				
9750	Basic (losses) earnings per share		<u>(\$ 4.36)</u>	<u>\$ 3.71</u>		
9850	Diluted (losses) earnings per share		<u>(\$ 4.36)</u>	<u>\$ 3.71</u>		

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

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

	Notes	Retained Earnings				Unappropriated retained earnings	Unrealised gains (losses) from financial assets at fair value through other comprehensive income	Treasury shares	Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve				
<u>2022</u>									
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 appropriated		-	-	-	23,906	(23,906)	-	-	-
Acquisition of the Company's share by subsidiary recognised as treasury share		-	-	-	-	-	-	(10,284)	(10,284)
Recognition of changes in ownership interests in subsidiaries - cash dividends distributed by subsidiaries	6(19)	-	989	-	-	-	-	-	989
Adjustment of capital surplus due to cash dividends that subsidiaries received from parent	6(19)	-	44,720	-	-	-	-	-	44,720
Recognition of changes in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	6(19)	-	(29)	-	-	-	-	-	(29)
Change in 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
<u>2023</u>									
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 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
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
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
(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		<u>171,131</u>	<u>(3,580,229)</u>

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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
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
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)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(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. HISTORY AND ORGANISATION

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

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

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

These parent company only financial statements were authorised for issuance by the Board of Directors on February 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board (“IASB”)</u>
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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, '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 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’.

(4) Classification of current and non-current items

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

(5) Cash equivalents

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

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

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

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

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

(8) Financial assets at amortised cost

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

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

(12) Operating leases(lessor)

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

(13) Inventories

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

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

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

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

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

(15) Property, plant and equipment

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

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

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

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

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

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

(17) Investment property

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

(18) Intangible assets

- A. Patents, professional technology, and customer relationship

Separately acquired patent is stated at historical cost. Patents, professional technology, and customer relationship acquired in a business combination are recognised at fair value at the acquisition date, and amortised on a straight-line basis over their estimated useful lives of 3 years.

- B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

- C. Other intangible assets, mainly computer software, are stated at cost and amortised on a straight-line basis over their estimated useful lives of 1 ~ 3 years.

(19) Impairment of non-financial assets

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

(20) Borrowings

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

(21) Notes and accounts payable

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

(22) 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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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
	<u>\$ 3,713,204</u>	<u>\$ 3,705,997</u>

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

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

C. To achieve its goal of sustainable development for the environment, the Company's time deposits include the green deposits amounting to \$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	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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable - general customers	\$ 1,132,044	\$ 886,551
Accounts receivable - related parties	-	1,482
	<u>1,132,044</u>	<u>888,033</u>
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 1,132,044</u>	<u>\$ 888,033</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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	-	-
	<u>\$ 1,132,044</u>	<u>\$ 888,033</u>

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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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
	<u>\$ 1,226,049</u>	<u>\$ 1,408,037</u>

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
	<u>\$ 7,342,465</u>	<u>(\$ 466,188)</u>	<u>\$ 6,876,277</u>
	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 459,626	(\$ 1,314)	\$ 458,312
Work in process	6,467,614	(519,747)	5,947,867
Finished goods	2,280,691	(344,378)	1,936,313
Inventory in transit	4,424	-	4,424
	<u>\$ 9,212,355</u>	<u>(\$ 865,439)</u>	<u>\$ 8,346,916</u>

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
	<u>\$ 11,608,742</u>	<u>\$ 13,290,337</u>

As the Company sold some inventory which were previously provided with allowance for decline in market value, the Company recognised gain on reversal of decline in market value for the 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)
	<u>\$ 1,248,535</u>	<u>\$ 1,423,932</u>

Information about the subsidiaries is provided in Note 4(3) in the 2023 consolidated financial statements.

(7) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery equipment</u>	<u>Test equipment</u>	<u>Others</u>	<u>Total</u>
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)
	<u>\$ 562,898</u>	<u>\$ 548,377</u>	<u>\$ 286,089</u>	<u>\$ 149,176</u>	<u>\$ 444,807</u>	<u>\$ 1,991,347</u>
<u>2023</u>						
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	<u>\$ 562,898</u>	<u>\$ 510,880</u>	<u>\$ 252,583</u>	<u>\$ 259,923</u>	<u>\$ 308,106</u>	<u>\$ 1,894,390</u>
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)
	<u>\$ 562,898</u>	<u>\$ 510,880</u>	<u>\$ 252,583</u>	<u>\$ 259,923</u>	<u>\$ 308,106</u>	<u>\$ 1,894,390</u>

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

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:

	<u>Carrying amount</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	\$ 54,338	\$ 57,912
Buildings and structures	2,350	3,662
Business vehicles	3,997	7,204
Printers	1,871	2,494
	<u>\$ 62,556</u>	<u>\$ 71,272</u>

	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
	<u>\$ 9,622</u>	<u>\$ 8,552</u>

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
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 866	\$ 815
Expense on short-term lease contracts	<u>\$ 2,228</u>	<u>\$ 558</u>

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

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

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

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

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Rental income from investment property	<u>\$ 2,562</u>	<u>\$ 2,562</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 970</u>	<u>\$ 970</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Rate of net return on capital (Note)	<u>17.45%</u>	<u>17.37%</u>

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
<u>At January 1, 2023</u>					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 637,902	\$ 764,138
Accumulated amortisation and impairment	(34,478)	(11,000)	(80,758)	(586,492)	(712,728)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,410</u>	<u>\$ 51,410</u>
<u>2023</u>					
At January 1	\$ -	\$ -	\$ -	\$ 51,410	\$ 51,410
Additions	-	-	-	233,262	233,262
Amortisation charge	-	-	-	(167,417)	(167,417)
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,255</u>	<u>\$ 117,255</u>
<u>At December 31, 2023</u>					
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)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,255</u>	<u>\$ 117,255</u>
<u>At January 1, 2022</u>					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 642,413	\$ 768,649
Accumulated amortisation and impairment	(34,478)	(11,000)	(80,758)	(558,588)	(684,824)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,825</u>	<u>\$ 83,825</u>
<u>2022</u>					
At January 1	\$ -	\$ -	\$ -	\$ 83,825	\$ 83,825
Additions	-	-	-	89,454	89,454
Transfer (Note)	-	-	-	216	216
Amortisation charge	-	-	-	(122,085)	(122,085)
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,410</u>	<u>\$ 51,410</u>
<u>At December 31, 2022</u>					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 637,902	\$ 764,138
Accumulated amortisation and impairment	(34,478)	(11,000)	(80,758)	(586,492)	(712,728)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,410</u>	<u>\$ 51,410</u>

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	155	313
General and administrative expenses	3,114	3,261
Research and development expenses	164,132	118,511
	<u>\$ 167,417</u>	<u>\$ 122,085</u>

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
	<u>\$ 1,964,366</u>	<u>\$ 2,140,867</u>

Note 1: A portion of refundable deposits of the Company is a capacity reservation agreement with the supplier. According to the agreement, the Company promises to purchase wafer production capacity within the agreed period and quantities after the Company has paid the guaranty fund in advance, the supplier will then provide the agreed production capacity to the Company. If the Company's actual purchased quantities does not meet the agreed requirements, the prepaid guaranty fund will be forfeited based on the agreement, and the agreement cannot be terminated. In response to the recent fluctuations in the overall market economic environment affecting market demand, the Company has made provision for onerous contracts liabilities (shown as "provisions for liabilities") for the year ended December 31, 2022.

(12) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	<u>\$ 2,620,000</u>	1.65%~1.87%	None
<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	<u>\$ 3,175,000</u>	1.56%~2.275%	None

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Convertible bonds payable	\$ 1,000,000	\$ -
Less: Discount on bonds payable	<u>(57,077)</u>	<u>-</u>
	<u>\$ 942,923</u>	<u>\$ -</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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
	<u>\$ 730,949</u>	<u>\$ 1,432,504</u>

(15) Long-term borrowings

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

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

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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	(\$ 9,235)	(\$ 8,817)
Fair value of plan assets	<u>812</u>	<u>435</u>
Net defined benefit liability	<u>(\$ 8,423)</u>	<u>(\$ 8,382)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
2023			
At January 1	(\$ 8,817)	\$ 435	(\$ 8,382)
Current service cost	(178)	-	(178)
Interest (expense) income	(115)	<u>6</u>	(109)
	<u>(9,110)</u>	<u>441</u>	<u>(8,669)</u>
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)
	<u>(125)</u>	<u>226</u>	<u>101</u>
Pension fund contribution	-	<u>145</u>	<u>145</u>
At December 31	<u>(\$ 9,235)</u>	<u>\$ 812</u>	<u>(\$ 8,423)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2022			
At January 1	(\$ 8,474)	\$ 117	(\$ 8,357)
Current service cost	(176)	-	(176)
Interest (expense) income	(59)	1	(58)
	<u>(8,709)</u>	<u>118</u>	<u>(8,591)</u>
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)
	<u>(108)</u>	<u>178</u>	<u>70</u>
Pension fund contribution	-	139	139
At December 31	<u><u>(\$ 8,817)</u></u>	<u><u>\$ 435</u></u>	<u><u>(\$ 8,382)</u></u>

(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
	\$	<u>10,260</u>

- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the above pension plans of the Company for the years ended December 31, 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	<u>-</u>	\$ -	<u>14</u>	\$ 53.3
Option exercisable at December 31	<u>-</u>		<u>14</u>	

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:

	2023	2022
		Unit : Thousands of shares
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 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	<u>\$23,470</u>	<u>\$ 50,290</u>	<u>\$ 198,570</u>	<u>\$ -</u>	<u>\$210,822</u>	<u>\$4,122</u>	<u>\$487,274</u>

	2022					
	Share	Treasury	Changes in	Employee		
	premium	share	ownership interests	stock	Others	Total
		transactions	in subsidiaries	options		
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 method	-	-	28,165	-	-	28,165
Expired cash dividends transferred to capital surplus	-	-	-	-	143	143
At December 31	<u>\$ 20,162</u>	<u>\$ 41,750</u>	<u>\$ 186,631</u>	<u>\$ 2,697</u>	<u>\$ 4,077</u>	<u>\$ 255,317</u>

(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

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	<u>\$ 11,884,121</u>	<u>\$ 16,207,898</u>

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,

<u>2023</u>	<u>Domestic area</u>	<u>Asia</u>	<u>Others</u>	<u>Total</u>
Integrated circuits	<u>\$ 5,258,025</u>	<u>\$ 6,512,981</u>	<u>\$ 113,115</u>	<u>\$ 11,884,121</u>

Year ended December 31,

<u>2022</u>	<u>Domestic area</u>	<u>Asia</u>	<u>Others</u>	<u>Total</u>
Integrated circuits	<u>\$ 7,244,896</u>	<u>\$ 8,841,579</u>	<u>\$ 121,423</u>	<u>\$ 16,207,898</u>

B. Contract liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
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:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Contract liabilities – advance sales receipts	\$ 5,752	\$ 23,459

(22) Interest income

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
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
	<u>\$ 139,917</u>	<u>\$ 83,306</u>

(23) Other income

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Rent income	\$ 6,616	\$ 5,926
Dividend income	513	771
Other income, others	54,796	62,371
	<u>\$ 61,925</u>	<u>\$ 69,068</u>

(24) Other gains and losses

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
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)
	<u>\$ 271,397</u>	<u>\$ 360,144</u>

(25) Finance costs

	Years ended December 31,	
	2023	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
	<u>\$ 82,612</u>	<u>\$ 33,488</u>

(26) Expenses by nature

	Years ended December 31,	
	2023	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	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
	<u>\$ 1,272,967</u>	<u>\$ 1,466,873</u>

- 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	<u>21,753</u>	<u>367,922</u>
Deferred tax:		
Origination and reversal of temporary differences	(43,431)	(170,323)
Income tax (benefit) expense	<u>(\$ 21,678)</u>	<u>\$ 197,599</u>

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

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

B. Reconciliation between income tax (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	<u>(\$ 21,678)</u>	<u>\$ 197,599</u>

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	<u>2,974</u>	<u>273</u>	-	<u>3,247</u>
Subtotal	<u>213,192</u>	<u>42,884</u>	-	<u>256,076</u>
-Deferred tax liabilities:				
Unrealised exchange gain	(55,208)	3,581	-	(51,627)
Others	-	(3,034)	-	(3,034)
Subtotal	<u>(55,208)</u>	<u>547</u>	-	<u>(54,661)</u>
Total	<u>\$ 157,984</u>	<u>\$ 43,431</u>	<u>\$ -</u>	<u>\$ 201,415</u>

	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	<u>3,116</u>	<u>210,076</u>	<u>-</u>	<u>213,192</u>
-Deferred tax liabilities:				
Unrealised exchange gain	(5,054)	(50,154)	-	(55,208)
Others	(10,401)	10,401	-	-
Subtotal	<u>(15,455)</u>	<u>(39,753)</u>	<u>-</u>	<u>(55,208)</u>
Total	<u>(\$ 12,339)</u>	<u>\$ 170,323</u>	<u>\$ -</u>	<u>\$ 157,984</u>

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

Qualifying items	December 31, 2023		
	Unused tax credits	Unrecognised deferred tax assets tax amount	Expiry year
Expenditure of research and development	\$ <u>122,603</u>	\$ <u>24,521</u>	2025

Year ended December 31, 2022: None.

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

Year incurred	December 31, 2023			
	Amount estimated	Unused amount	Unrecognised deferred tax assets amount	Expiry year
2023	\$ <u>1,396,187</u>	\$ <u>1,396,187</u>	\$ <u>907,522</u>	2033

Year ended December 31, 2022: None.

(30) 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)	\$ 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	<u>\$ 516,503</u>	<u>\$ 1,269,380</u>

	Years ended December 31,	
	2023	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	<u>\$ 233,262</u>	<u>\$ 89,454</u>

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	<u>\$ 2,620,000</u>	<u>\$ -</u>	<u>\$ 942,923</u>	<u>\$ 643,400</u>	<u>\$ 63,228</u>	<u>\$ 6,252</u>	<u>\$ 4,275,803</u>

	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	<u>\$ 3,175,000</u>	<u>\$ -</u>	<u>\$ 643,400</u>	<u>\$ 71,645</u>	<u>\$ 6,253</u>	<u>\$ 3,896,298</u>

7. RELATED PARTY TRANSACTIONS

A. Names of related parties and relationship

Names of related parties	Relationship with the Company
Elite Semiconductor Memory Technology Inc.	Subsidiary
Charng Feng Investment Ltd.	"
Jie Yong Investment Ltd.	"
Elite Investment Services Ltd.	"
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

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Sales of goods:		
Associates	<u>\$ 1,662</u>	<u>\$ 7,442</u>

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

B. Purchases

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Purchases of goods:		
Subsidiaries	<u>\$ 471,866</u>	<u>\$ 1,071,031</u>

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

C. Receivables from related parties:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable:		
Other related parties	<u>\$ -</u>	<u>\$ 1,482</u>
Other receivable-supporting services:		
Subsidiaries	<u>25,200</u>	<u>100</u>
Total	<u>\$ 25,200</u>	<u>\$ 1,582</u>

D. Payables to related parties:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable:		
Subsidiaries	<u>\$ 39,981</u>	<u>\$ 88,172</u>
Other payables-supporting services:		
Subsidiaries	<u>\$ 22,442</u>	<u>\$ 12,138</u>

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:

Assets item	Book value		Purposes
	December 31, 2023	December 31, 2022	
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

- 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:

	<u>December 31, 2023</u>	<u>December 31, 2021</u>
Total assets	\$ 18,144,225	\$ 19,693,843
Total liabilities	(8,122,487)	(8,179,513)
Total equity	<u>\$ 10,021,738</u>	<u>\$ 11,514,330</u>
Equity to assets ratio	<u>55%</u>	<u>58%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
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
<u>Financial assets at amortised cost</u>		
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
	<u>\$ 5,935,855</u>	<u>\$ 5,607,044</u>
<u>Financial liabilities</u>		
<u>Financial liabilities at amortised cost</u>		
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
	<u>\$ 7,173,271</u>	<u>\$ 7,480,479</u>
Lease liabilities	<u>\$ 63,228</u>	<u>\$ 71,645</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

1. The Company operates internationally and is exposed to foreign exchange risk arising from the various currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
2. Management has set up a policy to require the Company to manage their foreign exchange risk against their functional currency. The Company is required to hedge its entire foreign exchange risk exposure with the Company's finance team. The Company adopts 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)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 206,185	30.705	\$ 6,330,910
RMB:NTD	95,664	4.327	413,938
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 47,657	30.705	\$ 1,463,308
RMB:NTD	4,830	4.327	20,899

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

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)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 63,309	-
RMB:NTD	1%	4,139	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
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)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 62,408	\$ -
RMB:NTD	1%	5,177	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 17,681)	\$ -

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	<u>\$ -</u>	<u>\$ -</u>

(c) Liquidity risk

- I. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the Company's finance team. The Company's finance team monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- II. Surplus cash held by the operating entities over and above balance required for working capital management should be invested in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- III. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for 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.

<u>Non-derivative financial liabilities:</u>	Less than 1	Between 1	
December 31, 2023	<u>year</u>	<u>and 5 years</u>	<u>Over 5 years</u>
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.

<u>Non-derivative financial liabilities:</u>	Less than 1	Between 1	
December 31, 2022	<u>year</u>	<u>and 5 years</u>	<u>Over 5 years</u>
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			
	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>\$ 61,340</u>	<u>\$ -</u>	<u>\$ 13,560</u>	<u>\$ 74,900</u>

Financial liabilities: None.

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>\$ 94,813</u>	<u>\$ -</u>	<u>\$ 6,495</u>	<u>\$ 101,308</u>

Financial liabilities: None.

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

	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		
		Favourable	Unfavourable	Favourable	Unfavourable			
Input	Change	change	change	change	change	change	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		
		Favourable	Unfavourable	Favourable	Unfavourable			
Input	Change	change	change	change	change	change	change	
Financial assets								
Equity instrument	Discount for lack of marketability	± 10%	\$ -	\$ -	\$ 531	(\$ 531)		

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.

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				Footnote
				Number of shares	Book value (Note 1)	Ownership (%)	Fair value (Note 1)	
Elite Semiconductor Microelectronics Technology Inc.	Arima Lasers Corporation stock	Note 2	Financial assets at fair value through profit or loss	256,700	\$ 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)

Purchase/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable/payable		Footnote
			Purchase (sales)	Amount	Percentage of total purchase (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
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			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
1	CHI Microelectronics Limited	Elite Semiconductor Microelectronics Technology Inc.	(2)	Sales	\$ 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)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			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
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
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 components, 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		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
					Remitted to Mainland China	Remitted back to Taiwan							
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.

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amount
Petty cash		\$ 115
Bank deposits		
Demand deposits -New Taiwan Dollar		383,032
-Foreign currency		
USD 29,380 exchange rate 30.705		902,113
EUR 0.604 exchange rate 33.980		21
RMB 1,062 exchange rate 4.327		4,597
Checking accounts deposits - New Taiwan Dollar		7
Time deposits - New Taiwan Dollar		15,000
Time deposits - Foreign currency		
USD 65,187 exchange rate 30.705		2,001,581
RMB 94,000 exchange rate 4.327		406,738
		<u>406,738</u>
Total		<u>\$ 3,713,204</u>

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 2

Customer Name	Description	Amount	Note
General customer			
AA company		\$ 337,478	
BB company		230,906	
Others		<u>563,660</u>	The balance of each customer has not exceeded 5% of the accounts receivable.
		<u>1,132,044</u>	The accounts receivable past due over one year amounted to \$0.
Less: Allowance for bad debt		<u>-</u>	
		<u>\$ 1,132,044</u>	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF INVENTORIES
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Statement 3

Item	Description	Amount		Note
		Cost	Net realisable value	
Raw materials		\$ 74,177	\$ 79,564	The net realisable value is net market value.
Work in progress		6,091,559	6,034,452	"
Finished goods		1,172,084	1,064,155	"
Inventory in transit		<u>4,645</u>	<u>4,645</u>	The replacement cost is net market value.
		\$ 7,342,465	\$ <u>7,182,816</u>	
Less: Allowance on market value decline and obsolete and slow-moving inventories		(<u>466,188</u>)		
		\$ <u>6,876,277</u>		

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 4

Name	Beginning Balance		Increase(note 1)		Decrease(note 1)		Ending Balance			Market Value or Net Equity Value		Basis of valuation	Collateral or pledge	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Ownership	Amount	Unit Price	Total Amount			
Elite Semiconductor Memory Technology Inc.	100,000	\$ 29,725	-	\$ -	-	(\$ 9,208)	100,000	100%	\$ 20,517	205	\$ 20,517	Equity method	None	
Charng Feng Investment Ltd.	50,000,000	549,356	-	36,219	-	-	50,000,000	100%	585,575	12	585,575	"	"	
Elite Investment Services Ltd.	15	667,546	-	-	-	(184,363)	15	100%	483,183	32,212,167	483,183	"	"	
Jie Yong Investment Ltd.	3,600,000	178,955	-	-	-	(18,138)	3,600,000	41.86%	160,817	45	160,817	"	"	
Eon Silicon Solutions Inc. USA	200,000	(1,650)	-	93	-	-	200,000	100%	(1,557)	8	(1,557)	"	"	
		<u>\$ 1,423,932</u>		<u>\$ 36,312</u>		<u>(\$ 211,709)</u>			<u>\$ 1,248,535</u>		<u>\$ 1,248,535</u>			

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

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 5

Item	Beginning Balance	Increase	Decrease	Transfer	Ending Balance	Collateral or pledge	Note
Land	\$ 562,898	\$ -	\$ -	\$ -	\$ 562,898	Long-term borrowings	
Buildings and structures	1,019,309	3,730	-	435	1,023,474	Long-term borrowings	
Machinery equipment	756,256	9,369	(281,765)	14,958	498,818	None	
Testing equipment	375,208	151,702	-	2,549	529,459	None	
Other equipment	2,319,650	237,288	(179)	400	2,557,159	None	
	<u>\$ 5,033,321</u>	<u>\$ 402,089</u>	<u>(\$ 281,944)</u>	<u>\$ 18,342</u>	<u>\$ 5,171,808</u>		

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 6

Item	Beginning Balance	Increase	Decrease	Transfer	Ending Balance	Note
Buildings and structures	(\$ 470,932)	(\$ 41,662)	\$ -	\$ -	(\$ 512,594)	
Machinery equipment	(470,167)	(57,833)	281,765	-	(246,235)	
Testing equipment	(226,032)	(43,504)	-	-	(269,536)	
Other equipment	(1,874,843)	(374,389)	179	-	(2,249,053)	
	<u>(\$ 3,041,974)</u>	<u>(\$ 517,388)</u>	<u>\$ 281,944</u>	<u>\$ -</u>	<u>(\$ 3,277,418)</u>	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 7

Customer Name	Description	Amount	Note
General customer:			
A supplier		\$ 1,115,419	
B supplier		374,317	
E supplier		159,326	
F supplier		124,294	
Others		<u>414,232</u>	The balance of each supplier has not exceeded 5% of the accounts payable.
Related parties		<u>2,187,588</u>	
		<u>39,981</u>	
		<u>\$ 2,227,569</u>	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 8

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Contract Period</u>	<u>Interest Rate</u>	<u>Collateral or pledge</u>	<u>Note</u>
CHANG HWA COMMERCIAL BANK, LTD.	Long-term secured borrowings	\$ 643,400	2022.10.7~2037.10.7	1.55% ~ 1.67%	Land · building and structures	
Less:Current portion		<u>-</u>				
		<u>\$ 643,400</u>				

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 9

<u>Bonds Name</u>	<u>Trustee</u>	<u>Issuance Date</u>	<u>Interest Payment Date</u>	<u>Coupon Rate</u>	<u>Amount</u>					<u>Repayment Term</u>	<u>Collateral</u>	<u>Note</u>
					<u>Total Issuance Amount</u>	<u>Repayment Paid</u>	<u>Ending Balance</u>	<u>Unamortized Premiums (Discounts)</u>	<u>Carrying Amount</u>			
The first domestic unsecured convertible bonds	KGI Bank Co., Ltd.	2023.10.27	Not applicable	0%	<u>\$1,000,000</u>	<u>\$ -</u>	<u>\$1,000,000</u>	<u>(\$ 57,077)</u>	<u>\$943,923</u>	Repayable at maturity date	None	Note

Note: As of December 31, 2023, the Company's first domestic unsecured convertible bonds has not yet been covered.

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 10

<u>Item</u>	<u>Quantities</u>	<u>Amount</u>	<u>Note</u>
Sales revenue	1,217,573 thousands	\$ 11,907,516	
Less: sales returns and discounts	662 thousands	(23,395)	
Net sales revenue		<u>\$ 11,884,121</u>	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 11

Item	Amount
Direct material	
Beginning raw materials	\$ 459,626
Add: Material purchased	3,899,554
Less: Transferred to expenses	(84)
Ending raw material	(74,177)
Transferred to scrap	(81,164)
Raw material consumed	4,203,755
Direct labor	37,716
Manufacturing overhead	2,158,878
Manufacturing cost	6,400,349
Beginning Work in progress	6,467,614
Add: Work in progress purchased	3,992,488
Less: Transferred to expenses	(2,939)
Ending work in progress	(6,091,559)
Others	(485)
Cost of finished goods	10,765,468
Add: Beginning finished goods	2,280,691
Finished goods purchased	15,166
Transferred from expenses	43,949
Less: Transferred to expenses	(5,284)
Ending finished goods	(1,172,084)
Others	(1,077)
Total cost of goods sold	11,926,829
Scrapped raw material	81,164
Gain on reversal of market value decline and slow-moving inventories	(399,251)
Total operating costs	<u>\$ 11,608,742</u>

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF MANUFACTURING OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 12

Item	Description	Amount	Note
Processing fee		\$ 1,588,946	
Depreciation charge		322,997	
Other expenses		<u>246,935</u>	The balance of each accounts has not exceeded 5% of the manufacturing overhead.
Total		<u>\$ 2,158,878</u>	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 13

Item	Description	Amount	Note
Salaries and wages		\$ 105,672	
Professional service fees		88,225	
Import and export charges		25,383	
Other expenses		<u>59,006</u>	The balance of each accounts has not exceeded 5% of the selling expenses.
Total		<u>\$ 278,286</u>	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 14

Item	Description	Amount	Note
Salaries and wages		\$ 128,330	
Professional service fees		20,679	
Depreciation charge		15,326	
Other expenses		67,449	The balance of each accounts has not exceeded 5% of the administrative expenses.
Total		<u>\$ 231,784</u>	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 15

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salaries and wages		\$ 812,534	
Depreciation expense		182,894	
Amortisation expenses		164,132	
Other expenses		<u>299,555</u>	The balance of each accounts has not exceeded 5% of the research and development expenses.
Total		<u>\$ 1,459,115</u>	

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION
EXPENSES BY FUNCTION FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 16

Function Nature	Year ended December 31, 2023			Year ended December 31, 2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 87,870	\$ 1,038,931	\$ 1,126,801	\$ 104,054	\$ 1,216,727	\$ 1,320,781
Labor and health insurance fees	9,514	69,398	78,912	10,189	61,409	71,598
Pension costs	4,009	36,657	40,666	4,491	32,756	37,247
Directors' remuneration	-	7,605	7,605	-	20,195	20,195
Other employee benefit expenses	2,615	16,368	18,983	2,782	14,270	17,052
Depreciation expense	322,997	204,983	527,980	390,880	114,988	505,868
Amortisation expense	16	167,401	167,417	-	122,085	122,085

Note:

1. As at December 31, 2023 and 2022, the average number of the Company's employee were 556 and 516, respectively, including 7 and 6 directors, who didn't concurrently serve as employees.
2. For the entity that its shares are listed on Taiwan Stock Exchange or traded in the Taipei Exchange, the following additional disclosures are required:
 - (1) The average employee benefit expense for the current year was \$2,305.
("total employee benefit expense for the current year – total directors' remuneration"/ "the number of employees in the current year–the number of directors who didn't concurrently serve as employees.").

The average employee benefit expense for the previous year was \$2,837.
("total employee benefit expense for the previous year–total directors' remuneration"/ "the number of employees in the previous year–the number of directors who didn't concurrently serve as employees.").

ELITE SEMICONDUCTOR MICROELECTRONICS TECHNOLOGY INC.
SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION (Cont.)
EXPENSES BY FUNCTION FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 16

- (2) The average employee salaries and wages for the current year was \$2,052. (total salaries and wages for the current year/ "the number of employees in the current year– the number of directors who didn't concurrently serve as employees.”).

The average employee salaries and wages for the previous year was \$2,590.

(total salaries and wages for the previous year/ “the number of employees in the previous year – the number of directors who didn't concurrently serve as employees.”)

- (3) The variation in the adjustments of the average employee salaries and wages was (21%).

(“the average employee salaries and wages for the current year– the average employee salaries and wages for the previous year”/ the average employee salaries and wages for the previous year)

- (4) The Company’s compensation policies (including directors, supervisors, executive officers and employees).

According to the Company’s Articles of Incorporation, the Compensation Committee determine the salary for the directors, taking into account the extent and value of the services provided for the management of the Company and the standards of the industry within the R.O.C. then submitted to the Board of Directors for approval.

The Company could set different salaries between independent directors and general directors. According to the Company’s Articles of independent directors, the salary for the independent directors should on Articles of Incorporation or been approved by stockholders’ meeting, and could set reasonable salaries that different from general directors.

The Company’s compensation policies of executive officers and employees are based on fixed salary of salary structure, including base salary, meal allowance, variable salary (including overtime wage and delay meal allowance), and bonus (including year-end bonus, supplemental wage).

The salary of the position is accordance with the salary standards of the industry, responsibilities in the Company and the services provided for the operational objectives of the Company.

Besides operational performance, future business risk in industry and trend of development, the Company also take personal performance and services provided to the performance of the Company for reference to determine reasonable salary.

The performance assessment and rationality of performance about executive officers are reviewed by Compensation Committee and Board of Directors, and also adjust the system of salary through actual operating conditions and related laws.

In accordance with the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees’ compensation and directors’ remuneration. The ratio shall not be lower than 1% for employees’ compensation and shall not be higher than 1% for directors’ remuneration.