AP Memory Technology Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2023, and 2022 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF ASSOCIATES

The entities that are required to be included in the combined financial statements of AP Memory Technology Corporation as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements of associates is included in the consolidated financial statements of parent and subsidiary companies. Consequently, AP Memory Technology Corporation and its subsidiaries do not prepare a separate set of combined financial statements of associates.

Company: AP Memory Technology Corporation
Person in charge: Chen Wen-liang
Date: March 1, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
AP Memory Technology Corporation

Opinion

We have audited the accompanying financial statements of AP Memory Technology Corporation and its subsidiaries, which comprise the Consolidated Statement of Financial Position as of December 31, 2023 and December 31, 2022, the Consolidated Statement of Comprehensive Income from January 1 to December 31, 2023 and from January 1 to December 31, 2022, Consolidated Statement of Change in Equity, Consolidated Statement of Cash Flows, and Notes to Consolidated Financial Statement (including a summary of significant accounting policies).

In our opinion, the accompanying consolidated financial statements are properly drawn up in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standing Interpretations Committee (SIC) (hereinafter referred to as IFRSs) recognized and announced effectiveness by Financial Supervisory Commission (hereinafter referred to as FSC) so as to give a true and fair view of the consolidated financial position of AP Memory Technology Corporation and its subsidiaries as of December 2023 and 2022 and of the financial performance, changes in equity and cash flows of AP Memory Technology Corporation and its subsidiaries from January 1 to December 31, 2023 and 2022.

Basis for Opinion

We were commissioned to conduct our audit in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the 'Accountant's responsibilities for the audit of the financial statements' section of our report. We are independent of AP Memory Technology Corporation and its subsidiaries in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities, 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

The key audit matter is which that, in our professional judgment, is most significant to our review of the Consolidated Financial Statements of AP Memory Technology Corporation and its subsidiaries for 2023. Such matter has been considered in the process of examining the consolidated financial statements taken as a whole and forming an opinion thereon, and we do not express an opinion on the matter individually.

The following is the description of the key audit matter in the Consolidated Financial Statements of AP Memory Technology Corporation and its subsidiaries for 2023:

Authenticity of Sales Revenue from Specific Customers

In the fiscal year 2023, AP Memory Technology Corporation and its subsidiaries reported sales revenue amounting to NT$4,226,907 thousand. The sales revenue from certain customers has shown significant growth compared to the fiscal year 2022, constituting a substantial portion of the total sales revenue. Therefore, the authenticity of the related sales revenue has been identified as one of the key audit matters.

During the audit, our accountants performed the following audit procedures in response to this key audit matter:

1. Understand and evaluate the internal control system related to revenue recognition, and test the design and execution of such controls.
2. Sample confirmation requests were sent for the entire year's sales revenue from the specific customers, and alternative procedures were conducted for those from whom confirmation was not timely received. This includes verifying transaction evidence and subsequent collections.
3. Perform audit sampling on the sales revenue details of the specific customers, review related transaction documents, including customer orders, shipping documents, and receipts, to confirm the authenticity of the revenue recognized.
4. Audit the occurrences of sales returns and allowances after the reporting period and subsequent collections to confirm the reasonableness of the sales revenue recognized.

Others

AP Memory Technology Corporation has prepared parent company only financial statements for the years 2023 and 2022, and the accountant has issued unqualified audit reports for reference.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management's responsibility is to prepare the consolidated financial statements present fairly, in all material respects, according to Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as the International Financial Reporting Standards, International Accounting Standards, Interpretation, and Interpretation Announcement recognized and announced the effectiveness by Financial Supervisory Commission as well as maintain necessary internal control related to the preparation of the consolidated financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

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

The responsibilities of the governing body (including the audit committee) include overseeing the financial reporting process of AP Memory Technology Corporation and its subsidiaries.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with GAAS 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 in the basis of these consolidated financial statements.

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for audit opinions. Because fraud may be related to conspiracy, forgery, deliberate omission, false statement or breach of internal control, the risk of a material misstatement caused by fraud which is not identified is higher than the risk of a material misstatement caused by any error.
2. Obtain an understanding of internal controls 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 internal control effectiveness of AP Memory Technology Corporation and its subsidiaries.
3. Assess the appropriateness of management's use of accounting policies and the reasonability of the accounting estimate and relevant disclosure.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of AP Memory Technology Corporation and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause AP Memory Technology Corporation and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the relevant notes), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. We have obtained sufficient and appropriate evidence to audit the consolidated financial information of AP Memory Technology Corporation and its subsidiaries to express an opinion on the Consolidated Financial Statements. We are responsible for the guidance, supervision and execution of the audit and for forming an audit opinion on AP Memory Technology Corporation and its subsidiaries.

We communicate with the governing body regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiency in internal controls that we identify during our audit).

We have also provided the governing body with a statement that the independence-regulated personnel of the firm to which we are affiliated have complied with the Code of Ethics for Professional Accountants with respect to independence and communicate with the governing body about all relationships and other matters (including related protective measures) that may be considered to affect the accountant's independence.

We have determined the key audit matter for the audit of the Consolidated Financial Statements of AP Memory Technology Corporation and its subsidiaries for the year ended December 31, 2023 from the communications we have had with the governing body. We identified such matter in our auditor's report, except for those matters that are not permitted by law to be disclosed publicly or, in the rarest of circumstances, we decided not to communicate those matters in our auditor's report because we reasonably could expect the negative effect of such communication to outweigh the public interest.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 1, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China. For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

AP Memory Technology Corporation and Subsidiaries

Consolidated Balance Sheets

For the Years Ended December 31, 2023, and December 31, 2022

(In Thousands of New Taiwan Dollars)

	Dec. 31, 2023		Dec. 31, 2022	
Assets	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (Notes 4 and 6)	$ 8,864,216	71	$ 8,182,432	70
Financial assets measured at amortized cost - current (Notes 4, 8 and 29)	2,819	-	2,782	-
Accounts receivable (Notes 4, 9 and 21)	567,535	5	638,597	5
Other receivables (Notes 4 and 9)	47,800	-	31,879	-
Current income tax assets (Note 4)	1,144	-	80	-
Inventories (Notes 4 and 10)	851,330	7	1,528,392	13
Other current assets (Note 16)	55,803	-	62,456	1
Total current assets	10,390,647	83	10,446,618	89
Non-current assets				
Financial assets measured at FVTPL - non-current (Notes 4, 5, 7 and 27)	1,139,267	9	256,007	2
Financial assets measured at amortized cost - non-current (Notes 4 and 8)	6,622	-	6,522	-
Investments accounted for using the equity method (Notes 4 and 12)	106,011	1	114,991	1
Property, plant and equipment (Notes 4 and 13)	76,438	1	80,634	1
Right-of-use assets (Notes 4 and 14)	53,091	-	80,018	1
Other intangible assets (Notes 4 and 15)	76,363	1	21,711	-
Deferred income tax assets (Notes 4 and 23)	58,489	-	31,163	-
Refundable deposits (Note 30)	459,525	4	464,452	4
Other non-current assets (Note 16)	147,138	1	189,195	2
Total non-current assets	2,122,944	17	1,244,693	11
Total assets	$ 12,513,591	100	$ 11,691,311	100
Liabilities and Equity				
Current liabilities				
Short-term loans (Note 17)	$ 300,000	2	$ -	-
Contract liabilities (Notes 4 and 21)	68,828	1	23,043	-
Accounts payable	255,186	2	149,961	1
Other payables (Note 18)	189,766	2	146,564	1
Income tax payable (Note4)	238,365	2	295,101	3
Lease liabilities - current (Note 4 and 14)	25,917	-	54,559	1
Other current liabilities (Note 18)	10,217	-	3,262	-
Total current liabilities	1,088,279	9	672,490	6
Non-current liabilities				
Deferred income tax liabilities (Note 4 and 23)	77,578	1	45,132	-
Lease liabilities - non-current (Notes 4 and 14)	9,940	-	9,122	-
Deposits received	16,000	-	14,000	-
Total non-current liabilities	103,518	1	68,254	-
Total liabilities	1,191,797	10	740,744	6
Equity (Notes 4, 20 and 25)				
Share capital				
Share capital of common stock	810,020	6	807,786	7
Share capital collected in advance	1,739	-	848	-
Total share capital	811,759	6	808,634	7
Capital surplus	6,234,430	50	6,178,947	53
Retained earnings				
Legal reserve	760,879	6	566,709	5
Special reserve	450	-	-	-
Undistributed earnings	3,514,619	28	3,396,727	29
Total retained earnings	4,275,948	34	3,963,436	34
Other equity	(343)	-	(450)	-
Total equity	11,321,794	90	10,950,567	94
Total liabilities and equity	$ 12,513,591	100	$ 11,691,311	100

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

AP Memory Technology Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2023, and December 31, 2022

(In Thousands of New Taiwan Dollars, except earnings (losses) per share)

	2023		2022	
	Amount	%	Amount	%
Revenue (Notes 4, 21 and 28)	$ 4,226,907	100	$ 5,094,775	100
Cost of revenue (Notes 10 and 22)	2,471,901	58	2,873,381	56
Gross profit	1,755,006	42	2,221,394	44
Operating expenses (Notes 4, 9 and 22)				
Marketing	124,811	3	126,823	3
General and administrative	164,854	4	132,623	3
R&D expenses	583,627	14	462,066	9
Expected credit losses (gain on reversal)	28,933	1	(638)	-
Total operating expenses	902,225	22	720,874	15
Income from operations	852,781	20	1,500,520	29
Non-operating income and expense				
Other income	3,987	-	9,008	-
Shares of the profit or loss of associates recognized for using the equity method (Notes 4 and 12)	(543)	-	5,964	-
Interest income (Note 4)	367,260	9	106,839	2
Gain from disposal of property, plant and equipment (Note 4)	-	-	54	-
Gain from disposal of investments (Note 4)	-	-	13,443	1
Gain on lease modifications (Note 4)	-	-	25	-
Gain on financial assets measured at FVTPL (Notes 4 and 27)	388,140	9	114,018	2
Interest expenses (Note 4)	(1,744)	-	(1,570)	-
Gain on foreign exchange - net value (Notes 4, 22 and 31)	9,100	-	700,982	14
Total non-operating income and expenses	766,200	18	948,763	19

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	2023		2022	
	Amount	%	Amount	%
Net income before tax	$ 1,618,981	38	$ 2,449,283	48
Income tax expense (Notes 4 and 23)	(174,011)	(4)	(507,587)	(10)
Net income	1,444,970	34	1,941,696	38
Other comprehensive income (Notes 4 and 20)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	107	-	4,265	-
Other comprehensive income (net of income tax)	107	-	4,265	-
Total comprehensive income	$ 1,445,077	34	$ 1,945,961	38
Earnings per share (Note 24)				
Basic earnings per share	$ 8.93		$ 12.09	
Diluted earnings per share	$ 8.85		$ 11.96	

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

AP Memory Technology Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2023, and December 31, 2022

(In Thousands of New Taiwan Dollars)

	Share Capital (Notes 4, 20 and 25)				Retained Earnings (Notes 4 and 20)				Other Equity (Note 4 and 20)		
	Capital Stock - Common Stock	Share Capital Collected in Advance	Total Share Capital	Capital Surplus (Notes 4, 20 and 25)	Legal Reserve	Special Reserve	Undistributed Earnings	Total	Exchange differences arising on translation of foreign operations	Treasury stock (Notes 4 and 20)	Total Equity
Balance, Jan. 1, 2022	$ 744,136	$ 2,861	$ 746,997	$ 1,054,788	$ 364,163	$ -	$ 2,631,525	$ 2,995,688	$ 8,728	($ 11,246)	$ 4,794,955
Appropriation and distribution of earnings, 2021											
Recognition of legal reserve	-	-	-	-	202,546	-	(202,546)	-	-	-	-
Cash dividends for the company's shareholders	-	-	-	-	-	-	(968,275)	(968,275)	-	-	(968,275)
Cost for recognizing stock options as compensation	-	-	-	26,099	-	-	-	-	-	-	26,099
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	-	-	(13,443)	-	(13,443)
Capital increase by cash	64,000	-	64,000	5,087,283	-	-	-	-	-	-	5,151,283
Write-down of treasury stock	(2,580)	-	(2,580)	(2,993)	-	-	(5,673)	(5,673)	-	11,246	-
Net income, 2022	-	-	-	-	-	-	1,941,696	1,941,696	-	-	1,941,696
Other comprehensive income, net of income tax, 2022	-	-	-	-	-	-	-	-	4,265	-	4,265
Total comprehensive income, 2022	-	-	-	-	-	-	1,941,696	1,941,696	4,265	-	1,945,961
Common shares issued under the employee stock option plan	2,230	(2,013)	217	13,770	-	-	-	-	-	-	13,987
Balance, Dec. 31, 2022	807,786	848	808,634	6,178,947	566,709	-	3,396,727	3,963,436	(450)	-	10,950,567
Appropriation and distribution of earnings, 2022											
Recognition of legal reserve	-	-	-	-	194,170	-	(194,170)	-	-	-	-
Recognition as special reserve	-	-	-	-	-	450	(450)	-	-	-	-
Cash dividends for the company's shareholders	-	-	-	-	-	-	(1,132,458)	(1,132,458)	-	-	(1,132,458)
Changes in the associates and ventures recognized for using the equity method	-	-	-	688	-	-	-	-	-	-	688
Cost for recognizing stock options as compensation	-	-	-	31,554	-	-	-	-	-	-	31,554
Net income, 2023	-	-	-	-	-	-	1,444,970	1,444,970	-	-	1,444,970
Other comprehensive income, net of income tax, 2023	-	-	-	-	-	-	-	-	107	-	107
Total comprehensive income, 2023	-	-	-	-	-	-	1,444,970	1,444,970	107	-	1,445,077
Common shares issued under the employee stock option plan	2,234	891	3,125	23,241	-	-	-	-	-	-	26,366
Balance, Dec. 31, 2023	$ 810,020	$ 1,739	$ 811,759	$ 6,234,430	$ 760,879	$ 450	$ 3,514,619	$ 4,275,948	($ 343)	$ -	$ 11,321,794

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

AP Memory Technology Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2023, and December 31, 2022

(In Thousands of New Taiwan Dollars)

	2023	2022
Cash flow from operating activities		
Net income before tax	$ 1,618,981	$ 2,449,283
Adjustments		
Depreciation expense	63,097	58,876
Amortization expense	18,341	15,799
Expected credit losses (gain on reversal)	28,933	(638)
Gain on financial assets measured at FVTPL	(388,628)	(114,018)
Interest expenses	1,744	1,570
Interest income	(367,260)	(106,839)
Dividend income	(51)	(322)
Cost of share-based payment awards	31,554	26,099
Share of gain or loss from associates recognized for using the equity method	543	(5,964)
Loss (gain) on disposal or retirement of property, plant and equipment	-	(54)
Gain on lease modifications	-	(25)
Gain from disposal of investments	-	(13,443)
Losses on market price decline and obsolete and slow-moving inventories	61,551	25,675
Unrealized gain on foreign exchange	9,332	(4,839)
Net changes in operating assets and liabilities		
Accounts receivable	25,935	223,233
Other receivables	350	17,654
Inventories	615,511	142,554
Other current assets	(12,090)	(4,666)
Refundable deposits	4,927	519
Contract liabilities	45,785	(150,559)
Accounts payable	111,845	(452,124)
Other payables	43,208	(45,483)
Other current liabilities	6,955	(996)
Cash generated from operations	1,920,563	2,061,292
Interest received	350,882	95,178
Dividends received	51	322
Interest paid	(1,507)	(1,570)
Income tax paid	(226,688)	(580,588)
Net cash generated by operating activities	2,043,301	1,574,634

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	2023	2022
Cash flows from investing activities		
Acquisition of financial assets at fair value through profit or loss	($ 494,632)	$ -
Acquisition of long-term equity investments accounted for using the equity method	-	(33,771)
Purchase of property, plant and equipment	(10,527)	(26,030)
Disposal of property, plant and equipment	-	548
Acquisition of intangible assets	(12,149)	(19,194)
Dividends received from associates	11,160	11,160
Net cash used in investing activities	(506,148)	(67,287)
Cash flows from financing activities		
Increase in short-term loans	300,000	-
Increase in deposits received	2,000	-
Repayment of lease principal	(49,051)	(42,307)
Issuance of cash dividends	(1,132,442)	(968,275)
Capital increase by cash	-	5,151,283
Stock options exercised by employees	26,366	13,987
Net cash used in financing activities	(853,127)	4,154,688
Effect of exchange rate changes on cash and cash equivalents	(2,242)	2,950
Net increase in cash and cash equivalents	681,784	5,664,985
Cash and cash equivalents, beginning of year	8,182,432	2,517,447
Cash and cash equivalents, end of year	$ 8,864,216	$ 8,182,432

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

AP Memory Technology Corporation and Subsidiaries

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Unless otherwise specified, the basic unit for any amount shall be in thousands of New Taiwan Dollars.)

1. General

AP Memory Technology Corporation (hereinafter referred to as the "Company") was incorporated on August 4, 2011, upon approval of the Ministry of Economic Affairs. The Company mainly engages in the research, development, production and sale of various integrated circuit (IC) products, and provides technical services related to the product design, research and development.

Upon approval of Taipei Exchange (TPEx) in June 2015, the Company started trading on Emerging Stock Board of TPEx and then trading on Taiwan Stock Exchange (TWSE) on May 31, 2016. In January 2022, the Company will make an initial public offering of global depositary receipts (GDRs) by way of a capital raising issue of new shares and will be listed on the Bourse de Luxembourg.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. The Authorization of Financial Statements

The consolidated financial statements were approved by the board of directors on March 1, 2024.

3. Application of New and Revised International Financial Reporting Standards

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the accounting policies of the Company and entities controlled by the Company (collectively, the "Consolidated Company").

(2) FSC-approved IFRSs applicable in 2024

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 16 - “Lease Liability in a Sale and Leaseback”	Jan. 1, 2024 (Note 2)
Amendments to IAS 1 - “Classification of Liabilities as Current or Non-current”	Jan. 1, 2024
Amendments to IAS 1 - “Non-current Liabilities with Covenants”	Jan. 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	Jan. 1, 2024 (Note 3)

Note 1: Unless otherwise stated, the above new/amended/revised standards or interpretations are effective for annual reporting periods beginning after the respective dates.

Note 2: The seller and lessee should retrospectively apply the amendments to IFRS 16 to sale and leaseback transactions entered into after the initial application of IFRS 16.

Note 3: Upon the first application of this amendment, certain disclosure requirements are exempted.

As of the approval date of these consolidated financial statements, the Consolidated Company has assessed that the amendments to the standards and interpretations will not have a significant impact on the financial position and performance.

(3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 - “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined.
IFRS 17 “Insurance Contracts”	Jan. 1, 2023
Amendments to IFRS 17	Jan. 1, 2023
Amendments to IFRS 17 - “Initial Application of IFRS 17 and IFRS 9 — Comparative Information”	Jan. 1, 2023
Amendments to IAS 21 - “Lack of Exchangeability”	Jan. 1, 2025 (Note 2)

Note 1: Unless otherwise stated, the above new/amended/revised standards or interpretations are effective for annual reporting periods beginning after the respective dates.

Note 2: Applies to fiscal years beginning on or after January 1, 2025. Upon first applying the amendment, the effects will be recognized in retained earnings on the date of initial application. When the Consolidated Company uses a non-functional currency as its presentation currency, the effects are adjusted in the equity item of foreign operations exchange differences on the date of initial application.

As of the approval date of these consolidated financial statements, the Consolidated Company continues to assess the impact of the amendments to the standards and interpretations on the financial position and performance, and the related impacts will be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved and issued by the FSC.

(2) Basis of Preparation

Apart from financial instruments measured at fair value, these consolidated financial statements are prepared on a historical cost basis.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
3. Level 3 inputs are unobservable inputs for the asset or liability.

(3) Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. assets held mainly for transaction purposes;
2. assets to be realized within 12 months of the asset balance sheet; and
3. cash and cash equivalents (but not including cash used to exchange or clear liability within 12 months of the asset balance sheet).

Current liabilities include:

1. liabilities held mainly for transaction purposes;
2. liabilities due for payment within 12 months after the balance sheet date; and
3. the business entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Assets or liabilities not classified within the above definitions will be classified as non-current assets and liabilities.

(4) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries), and the consolidated statement of comprehensive income includes the operating income or loss of the acquired or disposed subsidiaries for the period from the date of acquisition or up to the date of disposal. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

When changes in the Consolidated Company's ownership interests in a subsidiary do not result in the loss of control, they are treated as equity transactions. The carrying amounts of the Consolidated Company and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the adjustment to non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Upon the loss of control of a subsidiary, the gain or loss on disposal is the difference between (1) the fair value of the consideration received and the fair value of any remaining investment in the former subsidiary at the date control is lost, and (2) the aggregate of the carrying amounts of the assets (including goodwill), liabilities, and non-controlling interests of the former subsidiary at the date control is lost. The accounting treatment for all amounts previously recognized in other comprehensive income relating to that subsidiary is the same as if the Consolidated Company had directly disposed of the related assets or liabilities.

The remaining investment in the former subsidiary is initially recognized at fair value on the date control is lost.

See Note 11, Table 6 and Table 7 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

(5) Foreign Currencies

When preparing financial statements, each entity translates transactions in currencies other than the functional currency of the entity (foreign currencies) into the functional currency at the exchange rates prevailing on the transaction dates.

Monetary items denominated in foreign currencies are translated at the closing rate at each balance sheet date. Exchange differences arising from the settlement of monetary items or the translation of monetary items are recognized in profit or loss in the period in which they occur.

Foreign currency non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined. The resulting exchange differences are recognized in profit or loss; however, for those fair value changes recognized in other comprehensive income, the resulting exchange differences are also recognized in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rates ruling at the dates of transactions and are not retranslated.

For the purpose of preparing consolidated financial statements, assets and liabilities of foreign operations (including subsidiaries that operate in countries or currencies different from those of the Company) are translated into New Taiwan Dollars at the exchange rates prevailing on each balance sheet date. Income and expense items are translated at the average exchange rate for the period and the resulting exchange differences are included in other comprehensive income.

If the Consolidated Company disposes of its entire interest in a foreign operation, all related cumulative exchange differences are reclassified to profit or loss.

(6) Inventories

Inventories include raw materials, finished goods, and work in progress. Inventories are measured at the lower of cost and net realizable value. When comparing cost and net realizable value, items are assessed individually, except for inventories of similar categories. Net realizable 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. The cost of inventories is calculated using the weighted average method.

(7) Investments in Associates

Associates are entities over which the Consolidated Company has significant influence but which are not subsidiaries.

The Consolidated Company accounts for investments in associates using the equity method.

Under the equity method, investments in associates are initially recognized at cost, and the carrying amount is increased or decreased to recognize the Consolidated Company's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. Furthermore, changes in the Consolidated Company's share of the equity of associates are recognized in proportion to the shareholding.

The excess of the cost of acquisition over the Consolidated Company's share of the net fair value of the identifiable assets and liabilities of the associate at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized. If the Consolidated Company's share of the net fair value of the identifiable assets and liabilities of the associate at the date of acquisition exceeds the cost of acquisition, this excess is recognized in profit or loss.

For impairment assessment, the entire carrying amount of the investment (including goodwill) is considered as a single asset to compare the recoverable amount with the carrying amount for impairment testing. Any impairment loss recognized is not allocated to any assets that make up the carrying amount of the investment, including goodwill. Any reversal of impairment losses is recognized to the extent that the recoverable amount of the investment increases subsequently.

The Consolidated Company ceases using the equity method from the date its investment is no longer an associate. The retained interest in the former associate is measured at fair value, and the difference between the fair value and the carrying amount of the investment at the date when the equity method is ceased is immediately recognized in profit or loss.

Gains and losses from upstream, downstream, and lateral transactions between the Consolidated Company and an associate are recognized in the consolidated financial statements only to the extent that they are unrelated to the Consolidated Company's equity interest in the associate.

(8) Property, plant and equipment

Property, plant, and equipment are recognized by cost, and then measured by cost less accumulated depreciation.

Property, plant and equipment are depreciated separately over their useful lives on a straight-line basis for each significant component. The Consolidated Company reviews the estimated useful lives, residual values and depreciation methods at least at the end of each year and defers the effect of changes in applicable accounting estimates.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss when property, plant, and equipment are derecognized.

(9) Goodwill

Goodwill acquired in a business combination is recognized at its amount on the acquisition date as a cost and is subsequently measured at cost less accumulated impairment losses.

For impairment testing purposes, goodwill is allocated to the cash-generating units or groups of cash-generating units (referred to as "cash-generating units") of the combined entity that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually (and whenever there is an indication that the unit may be impaired) by comparing the carrying amount of the unit, including goodwill, with its recoverable amount. If the goodwill allocated to a cash-generating unit was acquired in a business combination during the year, the unit should be tested for impairment before the end of that year. If the recoverable amount of the cash-generating unit to which goodwill has been allocated is less than its carrying amount, an impairment loss is first applied to reduce the carrying amount of the allocated goodwill, and then to reduce the carrying amounts of the other assets in the unit based on their respective proportions. Any impairment loss is recognized directly as a current-period loss. Goodwill impairment losses cannot be reversed in subsequent periods.

When disposing of an operation within a cash-generating unit to which goodwill has been allocated, the amount of goodwill related to the disposed operation is included in the carrying amount of the operation to determine the gain or loss on disposal.

(10) Intangible Assets

1. Separately acquired

   Separately acquired intangible assets with finite useful lives are initially measured at cost and are subsequently measured at cost less accumulated amortization.

   Intangible assets are amortized on a straight-line basis over their useful lives. The Consolidated Company reviews the estimated useful lives, residual values, and amortization methods of the intangible assets at least at each financial year-end and defers the effect of any changes in accounting estimates.

2. Acquired in a merger

   Intangible assets acquired in a merger are recognized at their fair value on the acquisition date and are accounted for separately from goodwill. The subsequent measurement of these intangible assets is the same as that of separately acquired intangible assets.

3. Derecognition

   When an intangible asset is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized as a gain or loss in the current year's profit or loss.

(11) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets (Excluding Goodwill)

At each balance sheet date, the Consolidated Company assesses whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets may be impaired. If there is any indication of impairment, the recoverable amount of the asset is estimated, and if the recoverable amount of an individual asset cannot be estimated, the Consolidated Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Shared assets are allocated to the smallest cash-generating unit groups on a reasonable and consistent basis.

The recoverable amount is the higher fair value less selling cost and use value. If the recoverable amount of an individual asset or cash generating unit is less than its carrying amount, the carrying amount of the asset or cash generating unit shall be reduced to its recoverable amount, with the impairment loss recognized in profit or loss.

When the following recoverable amount increases, the carrying amount of the asset or cash generating unit increases to the amount that can be recovered after the revision. However, the increased carrying amount shall not exceed that (minus amortization or depreciation) determined by the asset or cash generating unit where the impairment loss was not recognized in the previous year. The reversal of impairment loss is recognized in profit or loss.

(12) Financial Instruments

Financial assets and financial liabilities are recognized in the Consolidated Statement of Financial Position when the Consolidated Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial assets and financial liabilities that are not measured at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial Assets

The transaction practice of the financial assets adopts accounting recognition and de-recognition on the transaction day.

(1) Measurement Types

The types of financial assets held by the Consolidated Company are financial assets measured at fair value through profit or loss and financial assets measured at amortized cost.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments which are not designated by the Consolidated Company as measured at FVTOCI, and investments in debt instruments that do not qualify for classification as measured at amortized cost or measured at FVTOCI.

Financial assets at fair value through profit or loss are measured at fair value, with dividends, interest generated and gains or losses from remeasurement recognized in profit or loss. For the method of determining fair value, please refer to Note 27.

B. Financial assets measured at amortized cost

The Consolidated Company's investments in financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

a. they are held within an operating model whose objective is to hold the financial assets to collect the contractual cash flows; and
b. the contractual terms give rise to cash flows at a specific date, which are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, investments in debt instruments measured at amortized cost, accounts receivable, other receivables and refundable deposits) are measured at amortized cost using the effective interest method to determine the total carrying amount less any impairment loss after initial recognition, with any foreign currency exchange gain or loss recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets except in the following situations.

a. For financial assets impaired at acquisition or origination, interest income is calculated using the effective interest rate adjusted for credit losses on the amortized cost of the financial asset.
b. For financial assets not impaired at acquisition or origination but subsequently became impaired, interest income is calculated from the period after the impairment using the effective interest rate on the amortized cost of the financial asset.

A credit-impaired financial asset is one for which the issuer or the debtor has experienced significant financial difficulties, defaulted, it is probable that the debtor will declare bankruptcy or other financial reorganization, or an active market for the financial asset has disappeared due to financial difficulties.

Cash equivalents include highly liquid deposits that are readily convertible to known amounts of cash with insignificant risk of changes in value and are within three months of maturity from the date of acquisition, used to meet short-term cash commitments.

(2) Impairment of Financial Assets

The Consolidated Company assesses impairment losses on financial assets measured at amortized cost (including accounts receivable) at each balance sheet date based on expected credit losses.

Accounts receivable are recognized as an allowance for loss based on expected credit losses during the period of duration. Other financial assets are first evaluated to determine whether there is a significant increase in credit risk since initial recognition. If not, they are recognized as an allowance for loss based on expected credit losses over 12 months, and if so, based on expected credit losses over the duration period.

Expected credit losses represent the weighted-average credit losses based on the risk of default. 12-month expected credit losses represent the expected credit losses arising from possible defaults of financial instruments within 12 months after the reporting date. The 12-month expected credit losses represent the expected credit losses arising from all possible defaults of the financial instruments during the 12-month period after the reporting date.

For internal credit risk management purposes, without considering the collateral held, the Consolidated Company considers a financial asset defaulted when internal or external information indicates the debtor is unlikely to pay its debts.

All impairment losses on financial assets are reduced through an allowance account against their carrying amount.

(3) Derecognition of Financial Assets

The Consolidated Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets have lapsed or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other enterprises.

When a financial asset measured at amortized cost is derecognized in its entirety, the difference between its carrying amount and the consideration received is recognized in profit or loss.

2. Equity Instruments

Debts and equity instruments issued by the Consolidated Company are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the Consolidated Company are recognized at the amount of the acquisition price less direct issuance costs.

Repurchases of the Company's own equity instruments are recognized and deducted under equity. Transactions involving the purchase, sale, issuance, or cancellation of the Company's own equity instruments are not recognized in profit or loss.

3. Financial Liabilities

(1) Subsequent Measurement

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

(2) Derecognition of Financial Liabilities

Any difference between the carrying amount of a financial liability at the time of derecognition and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(13) Income Recognition

The Consolidated Company allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes revenue when each performance obligation is satisfied.

1. Revenue from Sales of Goods

   Revenue from sales of goods arises from the sale of integrated circuit products. Since customers have determined prices and rights to use the goods with the primary responsibility for resale and bear the risks of obsolescence once trade terms are met, the Consolidated Company recognizes revenue and accounts receivable at that point. Advance payments received for product sales are recognized as contract liabilities until the product is shipped.

   When providing processing services, revenue is not recognized as control of the processed products does not transfer upon processing.

2. Service Revenue

   Service revenue arises from providing design and research and development technical services as per contract, recognized based on the completion stage of the contract.

   For services of purchasing wafers on behalf of customers, the Consolidated Company does not take control of the wafers nor is responsible for their acceptance by customers. Moreover, the Consolidated Company does not commit to purchasing wafers before customer orders, hence bearing no inventory risk. The Consolidated Company acts as an agent in providing wafer purchasing services and recognizes revenue and accounts receivable at net amount when control of the wafers is transferred to the customer and no further obligations remain, with the remaining payments classified as other receivables and other payables for wafer purchasing.

   Revenue from design and research and development services provided by the Consolidated Company is recognized based on the completion stage of the contract.

3. Licensing Revenue

   For technology licensing transactions, as there is no commitment to engage in activities that change the functionality of the silicon intellectual property, and such technology can operate without updates or technical support, licensing fees are recognized as licensing revenue at the time the right to use the silicon intellectual property is transferred.

(14) Lease

The Consolidated Company assesses on the inception date of a contract whether the contract is (or contains) a lease.

The Consolidated Company as a lessee

The lease payments for leases of low-value assets and short-term leases that qualify for recognition exemptions are recognized as expenses on a straight-line basis over the lease term. For all other leases, the right-of-use assets and lease liabilities are recognized at the lease commencement date.

The right-of-use assets are initially measured at cost (including the original measurement of lease liabilities) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the adjustment of lease liability remeasurements. The right-of-use assets are presented separately in the consolidated balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life or the lease term.

Lease liabilities are measured initially at the present value of the lease payments (including fixed payments). If the implied interest rate of the lease is readily determinable, the lease payments are discounted using that rate. If the rate is not readily determinable, the lessee’s incremental borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expense is amortized over the lease term. If there is a change in future lease payments due to changes in the lease period, the Consolidated Company remeasures the lease liability and adjusts the right-of-use asset accordingly, but if the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented separately in the balance sheet.

(15) Employee Benefits

1. Short-term employee benefits

   The liability related to short-term employee benefits is measured as the non-discounted amount expected to be paid in exchange for employee services.

2. Retirement benefits

   Defined benefit pension plans are recognized as expenses over the period of service of the employees.

(16) Share-based Payment Arrangements

Employee stock options are recognized at the fair value of the equity instruments granted and the best estimate of the number expected to vest, expensed over the vesting period on a straight-line basis, with a simultaneous adjustment to capital surplus - employee stock options. If they vest immediately at the grant date, the expense is fully recognized on the grant date.

The Consolidated Company revises its estimate of the number of employee stock options expected to vest at each balance sheet date. If there is an adjustment to the original estimated number, the impact is recognized in profit or loss to reflect the revised estimate, with a corresponding adjustment to capital surplus - employee stock options.

(17) Income Tax

Income tax expense is the sum of current income taxes and deferred income taxes.

1. Current income tax

   The Consolidated Company determines the current income (loss) in accordance with the regulations of each jurisdiction in which it files income tax returns and calculates the income tax payable (recoverable) accordingly.

   The income tax on undistributed earnings under the Income Tax Act of the ROC is recognized in the year of the resolution of the shareholders' meeting.

   The adjustment of income tax payable in the previous year shall be included in the current income tax.

2. Deferred income tax

   Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities on the books and the basis for the calculation of taxable income.

   Deferred income tax liabilities are generally recognized for all taxable temporary differences, while deferred income tax assets are recognized when it is probable that there will be taxable income available to offset the temporary differences and loss carryforwards.

   Deferred tax liabilities are recognized for all taxable temporary differences associated with investments in subsidiaries and associates, except where the Consolidated Company can control the timing of the reversal of the temporary differences and it is probable that these differences will not reverse in the foreseeable future. Deferred tax assets for deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profit available to utilize the temporary difference and it is expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced for those where it is no longer probable that there will be sufficient taxable income to allow all or part of the assets to be recovered. Deferred income tax assets not previously recognized as such are also reviewed at each balance sheet date and the carrying amount is increased for those where it is probable that taxable income will be available to recover all or part of the assets.

Deferred income tax assets and liabilities are measured by the tax rate of the expected liabilities settlement or assets realization in the current period, according to the tax rate and the tax law which have been legalized or substantively legalized on the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences of the way in which the Consolidated Company is expected to recover or pay off the carrying amount of its assets and liabilities on the balance sheet date.

3. Current and deferred income taxes

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

5. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

When the Consolidated Company adopts an accounting policy, management must make relevant judgments, estimates, and assumptions of relevant information that is difficult to obtain from other sources based on historical experience and other relevant factors.

The management will continuously review the estimates and underlying assumptions. If the revisions to estimates only affect the current period, they are recognized in the current period; if the adjustments to accounting estimates affect both the current and future periods, they are recognized in both the current and future periods.

Fair Value Measurement and Valuation Techniques

When assets and liabilities measured at fair value are not traded in active markets and no market quotations are available, the Consolidated Company determines whether to use an external valuer and decides on the appropriate fair value valuation technique based on applicable laws or judgment.

If Level 1 inputs are not available for estimating fair value, the Consolidated Company or its appointed valuer refers to analyses of the financial position and operating results of the investee, recent transaction prices, quotations for similar equity instruments in inactive markets, quotations for similar instruments in active markets, and valuation multiples of comparable companies to determine the inputs. If actual future changes in inputs differ from expectations, fair value adjustments may occur.

The Consolidated Company updates the inputs quarterly based on market conditions to monitor whether the fair value measurement is appropriate.

For a description of fair value valuation techniques and inputs, refer to Notes 7 and 27.

6. Cash and cash dividends

	Dec. 31, 2023	Dec. 31, 2022
Petty cash and cash on hand	$ 40	$ 30
Bank checks and demand deposits	368,667	1,112,475
Cash equivalents (with investments which matures within three months)		
Time deposits	8,495,509	7,069,927
	$ 8,864,216	$ 8,182,432

The interest rate range for bank deposits as of the balance sheet date is as follows:

	Dec. 31, 2023	Dec. 31, 2022
Bank deposits	0.001%~3.35%	0.001%~1.55%
Time deposits	0.625%~5.4%	0.31%~4.31%

7. Financial Instruments at Fair Value Through Profit or Loss

	Dec. 31, 2023	Dec. 31, 2022
Financial assets - non-current		
Non-derivative financial assets		
－Stocks of unlisted foreign companies		
Hai Ning Chang Meng Technology Partnership (limited partnership) (1)	$ 373,267	$ 248,619
－Stocks of listed domestic companies		
M3 Technology Inc. (2)	766,000	-
Powerchip Semiconductor Manufacturing Corporation (3)	-	5,368
－Stocks of unlisted domestic companies		
GeneASIC Technologies Corporation (4)	-	2,020
	$ 1,139,267	$ 256,007

(1) In August 2019, the Consolidated Company signed an investment agreement with Hai Ning Chang Meng Technology Partnership (limited partnership) (referred to as "Hai Ning Chang Meng"), subscribing and paying RMB 6,900 thousand, which accounted for 24.64% of the total contribution. The Consolidated Company does not have the ability to influence relevant activities, hence it does not have significant influence. As of December 31, 2023, the paid contribution of the Consolidated Company accounted for 24.64% of the paid-in capital.

(2) In November 2023, the Consolidated Company acquired 4,000 thousand common shares of M3 Technology Inc. (referred to as "M3 Technology") on the centralized trading market for NT$500,000 thousand, mainly to enhance the efficiency of capital utilization of the Consolidated Company and to seek cooperation opportunities to establish an advanced packaging ecosystem. As of December 31, 2023, the Consolidated Company held a 9.40% share of the issued shares of M3 Technology. The Company was elected as a director at the extraordinary shareholders' meeting held by M3 Technology on January 31, 2024, and was subsequently appointed as chairman at the emergency board meeting on the same day.

(3) In August 2019, the Consolidated Company acquired common shares of Powerchip Semiconductor Manufacturing Corporation (referred to as "Powerchip), accounting for 0.048% of Powerchip's issued shares. The Consolidated Company made additional purchases of shares in June and August 2021, and June 2020, and participated in Powerchip's capital increase by cash in 2021. In November 2023, the Consolidated Company sold its shares in Powerchip for NT$4,637 thousand, realizing a profit of NT$856 thousand.

(4) In August 2020, the Consolidated Company acquired 500 thousand common shares of GeneASIC Technologies Corporation (referred to as "GeneASIC Technologies") for NT$500 thousand. The Consolidated Company did not participate in GeneASIC Technologies' capital increase by cash in April 2023, resulting in a decrease in its shareholding ratio to 13.12%. As of December 31, 2023, the Consolidated Company held a 13.12% share of the issued shares of GeneASIC Technologies.

8. Financial assets measured at amortized cost

	Dec. 31, 2023	Dec. 31, 2022
Current		
Time deposits which mature in more than 3 months	$ 2,819	$ 2,782
Non-current		
Time deposits which mature in more than 1 year	$ 6,622	$ 6,522

For the information of pledged financial assets measured at amortized cost, please see Note 29.

9. Accounts receivable and other receivables

	Dec. 31, 2023	Dec. 31, 2022
Accounts receivable		
Measure at amortized cost		
Total carrying amount	$ 596,163	$ 638,601
Less: Provision for loss	(28,628)	(4)
	$ 567,535	$ 638,597
Other receivables		
Interest receivable	$ 28,576	$ 12,556
Tax refunds	15,906	16,947
Others	3,318	2,376
	$ 47,800	$ 31,879

Accounts receivable

To mitigate credit risk, the Consolidated Company's management assigns a dedicated team to determine credit limits, approve credit facilities and other monitoring procedures to ensure that appropriate actions have been taken to collect overdue receivables. In addition, the Consolidated Company reviews the recoverable amounts of receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been recorded for uncollectible receivables. Accordingly, the Consolidated Company's management believes that the credit risk of the Consolidated Company has been significantly reduced.

The Consolidated Company recognizes a provision for loss on accounts receivable based on the expected credit losses over the lifetime of the receivables. The lifetime expected credit losses are calculated considering the customer's past default history, current financial condition, and the economic conditions of the industry. The Consolidated Company segments its customer base based on the historical experience of credit losses and establishes expected credit loss rates based on the overdue days of accounts receivable for different customer groups.

If there is evidence indicating that a counterparty is experiencing significant financial difficulty and the Consolidated Company cannot reasonably expect to recover the amount due, the related accounts receivable are directly written off, though recovery efforts continue. Any amounts recovered through such efforts are recognized in profit or loss.

The Consolidated Company measures the provision for loss on accounts receivable using a provision matrix as follows:

Dec. 31, 2023

	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	181-360 days past due	Over 360 days past due	Total
Total carrying amount	$544,876	$ 22,659	$ -	$ -	$ -	$ -	$ 28,628	$596,163
Provision for loss (expected credit loss in the duration)	-	-	-	-	-	-	(28,628)	(28,628)
Amortized cost	$544,876	$ 22,659	$ -	$ -	$ -	$ -	$ -	$567,535

Dec. 31, 2022

	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	181-360 days past due	Over 360 days past due	Total
Total carrying amount	$305,585	$ 60,262	$ 15,355	$ 24,568	$232,831	$ -	$ -	$638,601
Provision for loss (expected credit loss in the duration)	-	-	-	-	(4)	-	-	(4)
Amortized cost	$305,585	$ 60,262	$ 15,355	$ 24,568	$232,827	$ -	$ -	$638,597

Changes in loss provision of accounts receivable are as follows:

	2023	2022
Beginning balance	$ 4	$ 1,484
Provision (reversal) for impairment losses	28,933	(638)
Actual write-off	-	(842)
Net exchange differences	(309)	-
Ending balance	$ 28,628	$ 4

10. Inventories

	Dec. 31, 2023	Dec. 31, 2022
Final good	$ 184,212	$ 340,443
Work-in-progress	232,607	219,087
Raw materials	434,511	968,862
	$ 851,330	$ 1,528,392

The nature of the operating cost is as follows:

	2023	2022
Cost of goods sold	$ 2,410,350	$ 2,847,706
Inventory write-down	61,551	25,675
	$ 2,471,901	$ 2,873,381

11. Subsidiaries

Subsidiaries listed in the consolidated financial statements

The consolidated financial statements were prepared based on the information of the following companies:

			Percentage of shareholdings		
Name of the Investment Company	Name of Subsidiary	Nature of Business	Dec. 31, 2023	Dec. 31, 2022	Remark
The Company	AP Memory Corp, USA (hereinafter referred to as "AP-USA")	Integrated Circuit Research and Development Services	100%	100%	(1)
The Company	Powerchip Semiconductor Manufacturing Corporation	Design, Development, and Sale of Integrated Circuits	-	-	(2)
The Company	AP Memory Technology (Hangzhou) Limited Co. (hereinafter referred to as "AP Memory Technology (Hangzhou)")	Design, Development, and Sale of Integrated Circuits	100%	100%	(3)
The Company	APware Technology Corp. (hereinafter referred to as "APware")	Design, Development, and Sale of Integrated Circuits	100%	100%	(4)
The Company	VIVR Corporation (hereinafter referred to as "VIVR")	Design, Development, and Sale of Integrated Circuits	100%	100%	(5)
The Company	CascadeTeq Inc. (hereinafter referred to as "CascadeTeq")	Sale of Integrated Circuits	100%	100%	(6)
AP Memory Technology (Hangzhou)	AP Memory Technology (Hong Kong) Co. Limited (hereinafter referred to as "AP Memory Technology (Hong Kong)")	Sale of Integrated Circuits	100%	100%	(7)

(1) AP-USA was established in Oregon, USA, in February 2012, primarily engaging in the research and development services of integrated circuits. As of March 1, 2024, the Company has contributed capital of US$2,000 thousand.
(2) Powerchip Semiconductor is involved in the design, development, and sale of integrated circuit products. Considering the overall operational planning and resource allocation of the group, Powerchip Semiconductor was dissolved on June 30, 2022, with the liquidation process completed on January 12, 2023.
(3) AP Memory Technology (Hangzhou) was established in Hangzhou in December 2017, mainly engaged in the design, development, and sale of integrated circuits. As of March 1, 2024, the company's paid-in capital amount is US$2,000 thousand.
(4) To accommodate the growth scale of reinvested enterprises and future operational layout planning, the Company decided through a board resolution on October 15, 2021, to invest and establish a subsidiary, APware, in the Cayman Islands. APware was established in October 2021, mainly engaged in the design, development, and sale of integrated circuits. As of March 1, 2024, the Company has not yet actually contributed capital.
(5) In response to future product development and operational layout planning, the Company decided through a board resolution on August 30, 2022, to establish a subsidiary, VIVR, in the United States. VIVR was established in December 2022, mainly engaged in the design, development, and sale of integrated circuits and established its Taiwan branch on February 8, 2023. As of March 1, 2024, the company's paid-in capital amount is US$1,000 thousand.
(6) To accommodate future operational layout planning, the Company decided through a board resolution on October 28, 2022, to establish a subsidiary, CascadeTeq. CascadeTeq was established in December 2022, primarily engaged in the sale of integrated circuits. The Company made capital contributions of NT$5,000 thousand in December 2022 and January 2024, respectively. As of March 1, 2024, the company's paid-in capital amount is NT$10,000 thousand.
(7) AP Memory Technology (Hangzhou) established AP Memory Technology (Hong Kong) in Hong Kong in October 2019, primarily engaged in the sale of integrated circuits. AP Memory Technology (Hangzhou) contributed capital of US$10 thousand in June 2021. As of March 1, 2024, the company's paid-in capital amount is US$10 thousand.

12. <u>Investments accounted for using the equity method</u>

	Dec. 31, 2023	Dec. 31, 2022
Investments in associates		
Non-significant associates		
Lyontek Inc. (hereinafter referred to as "Lyontek") (1)	$ 91,867	$ 88,690
ONECENT TECHNOLOGY LTD. (hereinafter referred to as "ONECENT") (2)	14,144	26,301
	$ 106,011	$ 114,991

Summary information regarding the Consolidated Company's associates is as follows:

	2023	2022
Shares owned by the Consolidated Company		
Net income (losses)	($ 543)	$ 5,964
Other comprehensive income	2,035	-
Total comprehensive income	$ 1,492	$ 5,964

(1) In October 2016, the Consolidated Company invested NT$75,060 thousand to acquire 3,600 thousand common shares of Lyontek, representing a 30% ownership interest. The goodwill generated from the acquisition of Lyontek amounting to NT$2,610 thousand was recognized in the cost of investment in associate.

(2) The Consolidated Company made investments of NT$238 thousand in May 2022 and NT$33,533 thousand in August 2022, cumulatively acquiring 3,600 thousand common shares of ONECENT, representing a 48% ownership interest. The management of the Company considers that it has significant influence over ONECENT, thus classifying it as an associate of the Consolidated Company. The goodwill and intangible assets arising from the acquisition of ONECENT were recognized in the related costs of investment in the associate.

The profit or loss and other comprehensive income shares of ONECENT, an associated company accounted for using the equity method, are calculated based on unaudited financial statements. however, the Company's management believes that the unaudited financial reports of the said investee company do not have a significant impact.

13. Property, plant and equipment

	Machinery	Computers and Communication Equipment	Office Equipment	Leasehold Improvements	Total
Cost					
Balance on Jan. 1, 2023	$ 168,238	$ 13,579	$ 4,952	$ 16,736	$ 203,505
Addition	6,172	3,441	-	1,170	10,783
Internal transfers	34,777	-	-	-	34,777
Net exchange differences	(25)	(23)	(37)	(31)	(116)
Balance, Dec. 31, 2023	209,162	16,997	4,915	17,875	248,949
Accumulated depreciation					
Balance on Jan. 1, 2023	97,558	9,750	4,420	11,143	122,871
Depreciation expense	22,422	2,431	270	3,747	28,870
Internal transfers	20,866	-	-	-	20,866
Net exchange differences	(24)	(8)	(37)	(27)	(96)
Balance, Dec. 31, 2023	140,822	12,173	4,653	14,863	172,511
Balance on Dec. 31, 2023, net of tax	$ 68,340	$ 4,824	$ 262	$ 3,012	$ 76,438
Cost					
Balance, Jan. 1, 2022	$ 146,711	$ 11,294	$ 4,259	$ 16,364	$ 178,628
Addition	22,046	2,364	657	353	25,420
Disposal	(539)	(178)	-	-	(717)
Net exchange differences	20	99	36	19	174
Balance, Dec. 31, 2022	168,238	13,579	4,952	16,736	203,505
Accumulated depreciation					
Balance, Jan. 1, 2022	77,546	8,361	3,971	7,351	97,229
Depreciation expense	20,049	1,482	417	3,772	25,720
Disposal	(45)	(178)	-	-	(223)
Net exchange differences	8	85	32	20	145
Balance, Dec. 31, 2022	97,558	9,750	4,420	11,143	122,871
Balance on Dec. 31, 2022, net of tax	$ 70,680	$ 3,829	$ 532	$ 5,593	$ 80,634

Depreciation expense is calculated on a straight-line basis over the following useful lives:

Machinery	2-5 years
Computers and Communication Equipment	3-7 years
Office Equipment	3-7 years
Leasehold Improvements	3 years

14. Lease Agreements

(1) Right-of-use assets

	Dec. 31, 2023	Dec. 31, 2022
Carrying amount of right-of-use assets		
Buildings	$ 24,690	$ 18,000
Machinery	28,401	62,018
	$ 53,091	$ 80,018
Addition of right-of-use assets	$ 21,282	$ 14,612
Depreciation expense of right-of-use assets		
Buildings	$ 14,520	$ 12,290
Machinery	19,707	20,866
	$ 34,227	$ 33,156

(2) Lease liabilities

	Dec. 31, 2023	Dec. 31, 2022
Carrying amount of lease liabilities		
Current	$ 25,917	$ 54,559
Non-current	$ 9,940	$ 9,122

The discount rate range for lease liabilities is as follows:

	Dec. 31, 2023	Dec. 31, 2022
Buildings	2%~4%	2%~4%
Machinery	1.8%	1.8%

(3) Other leasing information

	2023	2022
Short-term lease expenses	$ 5,272	$ 4,556
Total amount of cash (outflow) from lease	($ 55,332)	($ 48,390)

The Consolidated Company has elected to apply the recognition exemption for short-term leases related to offices, dormitories, and several parking spaces, not recognizing right-of-use assets and lease liabilities for these leases.

15. Other intangible assets

	Computer Software	Technical Authorization	Total
Cost			
Balance on Jan. 1, 2023	$ 125,005	$ -	$ 125,005
Addition	12,149	-	12,149
Decrease	(51,491)	-	(51,491)
Reclassification	-	60,800	60,800
Net exchange differences	564	-	564
Balance, Dec. 31, 2023	$ 86,227	$ 60,800	$ 147,027
Accumulated amortization			
Balance on Jan. 1, 2023	$ 103,294	$ -	$ 103,294
Amortization expense	16,652	1,689	18,341
Decrease	(51,491)	-	(51,491)
Net exchange differences	520	-	520
Balance, Dec. 31, 2023	$ 68,975	$ 1,689	$ 70,664
Balance on Dec. 31, 2023, net of tax	$ 17,252	$ 59,111	$ 76,363
Cost			
Balance, Jan. 1, 2022	$ 100,349	$ -	$ 100,349
Addition	19,194	-	19,194
Net exchange differences	5,462	-	5,462
Balance, Dec. 31, 2022	$ 125,005	$ -	$ 125,005
Accumulated amortization			
Balance, Jan. 1, 2022	$ 83,371	$ -	$ 83,371
Amortization expense	15,799	-	15,799
Net exchange differences	4,124	-	4,124
Balance, Dec. 31, 2022	$ 103,294	$ -	$ 103,294
Balance on Dec. 31, 2022, net of tax	$ 21,711	$ -	$ 21,711

Amortization expense is calculated on a straight-line basis over the following useful lives:

Computer software	1-3 years
Technical Authorization	3 years

16. Other assets

	Dec. 31, 2023	Dec. 31, 2022
Current		
Prepayments	$ 52,771	$ 48,751
Overpaid tax retained for offsetting the future tax payable	2,514	5,090
Others	518	8,615
	$ 55,803	$ 62,456
Non-current		
Photomasks and probe cards	$ 128,960	$ 116,676
Prepaid bonuses	18,178	11,719
Long-term prepayments	-	60,800
	$ 147,138	$ 189,195

17. Loans (As of Dec. 31, 2022: None.)

Short-term loans

	Dec. 31, 2023
Unsecured loans	
Loans using credit facilities	$ 300,000

The interest rate for loans using credit facilities as of December 31, 2023, was 1.60% to 1.98%.

18. Other liabilities

	Dec. 31, 2023	Dec. 31, 2022
Current		
Other payables		
Employee compensation payable	$ 56,502	$ 71,466
Salaries and bonuses payable	56,248	21,888
Validation fees payable	23,307	189
Photomasks and probe cards payable	8,319	13,759
Compensation for leaves payable	6,246	7,371
Director compensation payable	4,800	5,000
Commissioned research expenses payable	4,312	1,228
Labor and health insurance premiums payable	3,231	2,547
Pension payable	2,775	2,450
Service fees payable	2,488	2,583
Equipment expense payable	951	695
Repair and custodian fees payable	917	-
Others	19,670	17,388
	$ 189,766	$ 146,564
Other liabilities		
Accounts collected on behalf of others	$ 3,978	$ 2,387
Others	6,239	875
	$ 10,217	$ 3,262

19. Post-Employment Benefit Plans

Defined contribution plan

The retirement pension scheme applicable to the Company within the Consolidated Company, under the "Labor Pension Act", is a government-managed defined contribution plan. Contributions of 6% of monthly salaries are made to the individual accounts at the Bureau of Labor Insurance.

Employees of the Consolidated Company's subsidiaries in China, the United States, and Japan are members of the local government-operated retirement benefit plans. These subsidiaries are required to contribute a specific percentage of salary costs to the retirement benefit plans to fund these retirement benefit plans. The Consolidated Company's obligation to these government-operated retirement benefit plans is limited to making specified contributions.

20. Equity

(1) Share Capital

1. Common shares

	Dec. 31, 2023	Dec. 31, 2022
Authorized shares (1,000 shares)	200,000	200,000
Authorized share capital	$ 1,000,000	$ 1,000,000
Number of issued shares fully paid by shareholders (1,000 shares)	162,004	161,557
Capital for issued shares	$ 810,020	$ 807,786
Prepaid share capital	$ 1,739	$ 848

Changes in the Company's share capital resulted from the issuance of global depository receipts, employees exercising employee stock options, and the write-down of treasury stock.

As of December 31, 2023, and 2022, the Company had 8,500 and 10,500 units of exercised employee stock options not yet issued as new ordinary shares, respectively, with the exercise prices received amounting to NT$1,739 thousand and NT$848 thousand accounted for as advance share capital.

The number of shares issued for employee stock options that had not been approved by the company registration authority as of December 31, 2023, was 129,500 shares.

2. Issuance of Global Depositary Receipts

On December 6, 2021, the Company decided through an extraordinary shareholders' meeting to conduct a capital increase by cash for the issuance of ordinary shares to participate in the issuance of global depository receipts. On January 25, 2022, 6,400 thousand units of global depository receipts were issued on the Luxembourg Stock Exchange, priced at US$29.65 per unit, with each unit representing 2 shares of the Company, totaling 12,800 thousand shares, raising a total of US$189,760 thousand. The aforementioned global depository receipts were all redeemed in February 2022.

(2) Capital surplus

	Dec. 31, 2023	Dec. 31, 2022
May be used to make good losses, to make cash payments or to increase capital (1)		
Shares issued at premium	$ 5,755,217	$ 5,731,976
Exercised and invalid employee stock options	197,605	189,031
Differences between the gain on acquisition or disposal of subsidiaries’ shares and their carrying values	153,042	153,042
Acquired restricted shares for employees	47,595	47,595
Shares kept for employee stock options after capital increase by cash	467	467
	6,153,926	6,122,111
Only can be used to make good losses (2)		
Changes in the ownership of subsidiaries recognized for using the equity method	1,089	401
Cannot be used for any other purpose		
Employee stock options	79,415	56,435
	$ 6,234,430	$ 6,178,947

1. This type of capital surplus can be used to offset losses, or it can be used to issue cash dividends or increase share capital when the company has no losses. However, when increasing share capital, it is limited to a certain ratio of the paid-in share capital each year.

2. The capital surplus arising from the recognition of changes in ownership interests in subsidiaries, other than for covering deficits, shall not be used for any other purposes.

(3) Retained Earnings and Dividend Policy

According to the Company's articles of incorporation regarding the profit distribution policy, if there is a profit for the fiscal year, after legally paying taxes and compensating for accumulated losses, 10% of the profit is allocated to the legal reserve. The remainder is allocated or reversed to the special reserve as per legal requirements. If there is still a balance, along with the accumulated undistributed earnings, the board of directors shall draft a profit distribution proposal. When distributing by issuing new shares, it shall be resolved by the shareholders' meeting; when distributing in cash, it requires a resolution passed by more than two-thirds of directors present at the board meeting and more than half of the votes of the directors attending, and to be reported at the shareholders' meeting. The employee and director compensation distribution policy stipulated in the Company's articles of incorporation is referenced in Note 22(3) on “Compensation to employees and directors”.

Considering the Company's environment and growth stage, in response to future capital needs and long-term financial planning, dividends can be distributed in the form of cash dividends or stock dividends, where the ratio of cash dividends should not be less than 20% of the total dividend distribution to shareholders.

The aforementioned dividend distribution ratio can be adjusted by the shareholders' meeting based on the Company's actual profit and financial situation for the year.

The legal reserve must be allocated until its balance reaches the total amount of the Company's paid-in capital. The legal reserve can be used to offset losses. When the Company has no losses, the portion of the legal reserve exceeding 25% of the paid-in capital can be used for cash distribution besides capital increase.

The profit distribution proposals for the years 2022 and 2021 are as follows:

	2022	2021
Legal reserve	$ 194,170	$ 202,546
Special reserve recognition	$ 450	$ -
Cash dividends	$ 1,132,458	$ 968,275
Cash dividends per share (TWD)	$ 7.0	$ 6.0

The cash dividends mentioned above were resolved by the Board of Directors on February 24, 2023, and February 25, 2022, respectively, while the rest of the profit distribution items were also resolved in the regular meeting of shareholders on May 29, 2023, and May 27, 2022, respectively. Additionally, the cash dividends per share for 2021 have been adjusted to reflect the increase in the number of shares in circulation following the change in par value of stock.

Due to the execution of employee stock options, the actual cash dividends per share for 2022 and 2021 were adjusted to NT$6.99660505 and NT$5.99628435, respectively.

The profit distribution plan proposed by the Company's Board of Directors for the year 2023 on March 1, 2024 is as follows:

	2023
Legal reserve	$ 144,497
Reversal on special reserve	($ 107)
Cash dividends	$ 1,135,107
Cash dividends per share (TWD)	$ 7.0

The cash dividends have been resolved by the Board of Directors, with the remainder expected to be decided at the regular meeting of shareholders scheduled for May 27, 2024.

(4) Other equity items

Exchange differences arising on translation of foreign operations:

	2023	2022
Beginning balance	($ 450)	$ 8,728
Exchange differences arising on translation of foreign operations	107	4,265
Other comprehensive income	107	4,265
Adjustments for reclassified items		
Disposal of operations	-	(13,443)
Ending balance	($ 343)	($ 450)

(5) Treasury stock (2023: None.)

	Shares transferred to employees (1,000 shares)
2022	
Beginning number of shares	516
Decrease	(516)
Ending number of shares	-

To transfer shares to employees, the Company resolved through the Board of Directors on October 8, 2018, to repurchase treasury stocks during the period from October 9, 2018, to December 8, 2018, repurchasing 258 thousand shares at a total price of NT$11,246 thousand. Following the amendment of the Company's articles of incorporation approved in the regular meeting of shareholders in August 2021 to change the par value per share from NT$10 to NT$5, and the completion of the related conversion in October 2021, the number of repurchased treasury shares increased to 516 thousand. On February 25, 2022, the Company resolved through the Board of Directors to write down 516 thousand treasury shares and completed the related change registration.

Under the Securities and Exchange Act, the proportion of the Company's repurchased shares cannot exceed 10% of the total issued shares, and the total amount spent on the repurchase cannot exceed the amount of retained earnings plus the premium on issued shares and realized capital surplus. Shares repurchased for transfer to employees must be transferred within three years from the repurchase date; those not transferred within this period are considered unissued shares and must undergo change registration. Shares repurchased to protect the Company's credit and shareholder interests must be cancelled and undergo change registration within six months from the repurchase date. According to the Securities and Exchange Act, treasury stocks held by the Company cannot be pledged, and no shareholder rights are exercisable before transfer.

21. Revenue

	2023	2022
Income from customer contracts		
Merchandise sales revenue	$ 3,902,005	$ 4,646,381
Service revenue	205,724	277,245
Licensing revenue	90,214	152,451
Other income	28,964	18,698
	$ 4,226,907	$ 5,094,775

(1) Description of customer contracts

Refer to Note 4(13) for details.

(2) Contract balances

	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Accounts receivable (Note 9)	$ 567,535	$ 638,597	$ 854,080
Contract liabilities			
Merchandise sales	$ 68,828	$ 23,043	$ 173,602

The changes in contract liabilities primarily result from the difference between the timing of fulfilling performance obligations and the timing of receiving payments from customers.

The amount recognized as revenue in the current year from contract liabilities at the beginning of the year is as follows:

	2023	2022
From beginning contract liabilities		
Merchandise sales	$ 23,043	$ 173,602

22. Net income

(1) Depreciation and amortization

	2023	2022
Property, plant and equipment	$ 28,870	$ 25,720
Right-of-use assets	34,227	33,156
Other intangible assets	18,341	15,799
	$ 81,438	$ 74,675
Depreciation expense is summarized by function		
Cost of sales	$ 42,477	$ 40,654
Operating expenses	20,620	18,222
	$ 63,097	$ 58,876
Amortization expense is summarized by function		
Cost of sales	$ 105	$ 30
Operating expenses	18,236	15,769
	$ 18,341	$ 15,799

(2) Employee benefit expenses

	2023	2022
Benefits after retirement		
Defined contribution plan (Note 19)	$ 16,338	$ 14,074
Share-based payment		
Equity settlement	31,554	26,099
Other employee benefits		
Salary expense	466,533	386,598
Labor and health insurance premium expense	28,710	24,095
Other personnel expenses	25,598	22,148
	520,841	432,841
Total employee benefit expenses	$ 568,733	$ 473,014
Summarized by function		
Cost of sales	$ 49,116	$ 53,660
Operating expense	519,617	419,354
	$ 568,733	$ 473,014

(3) Compensation to employees and directors

The Company allocates employee compensation of not less than 1% and director compensation of not more than 3% of the annual pre-tax profit before deductions for compensation to employees and directors.

The estimated compensation to employees and directors for 2023 and 2022 were resolved by the board of directors on March 1, 2024, and February 24, 2023, respectively:

Estimated proportion

	2023	2022
Compensation to employees	2.17%	1.41%
Compensation to directors	0.29%	0.20%

Amount

	2023	2022
Compensation to employees	$ 36,057	$ 35,191
Compensation to directors	4,800	5,000

If the amounts change after the approval date of the annual consolidated financial statements, they will be treated as changes in accounting estimates and adjusted in the accounts in the following year.

The actual distribution amounts for compensation to employees and directors for 2022 and 2021 showed no difference from the amounts recognized in the 2022 and 2021 consolidated financial statements.

For information on the compensation to employees and directors resolved by the Company's board of directors, please refer to the Taiwan Stock Exchange's "Market Observation Post System".

(4) Foreign currency exchange gains (losses)

	2023	2022
Total gains on foreign exchange	$ 723,621	$ 1,342,335
Total losses on foreign exchange	(714,521)	(641,353)
Net income (losses)	$ 9,100	$ 700,982

23. Income tax

(1) The major components of income tax expense recognized in profit or losses:

	2023	2022
Current income tax expense		
Generated in the fiscal year	($ 273,606)	($ 465,660)
Additional tax on undistributed earnings	(30,447)	(42,732)
Investment tax credits	36,188	-
Adjustment from previous years	98,974	20,982
	(168,891)	(487,410)
Deferred income tax		
Generated in the fiscal year	(5,120)	(20,177)
Income tax expense recognized in profit or losses	($ 174,011)	($ 507,587)

The reconciliation of income before income tax and income tax expense recognized in profit or loss is as follows:

	2023	2022
Net income before tax	$ 1,618,981	$ 2,449,283
Income tax expenses for the tax on net income before tax at statutory rate	($ 323,485)	($ 490,246)
Unrecognizable income for tax purposes	54,800	4,409
Estimated investment tax credits	36,188	-
Adjustments from the income tax of previous years	98,974	20,982
Unrecognized temporary differences	(10,041)	-
Tax on undistributed Earnings	(30,447)	(42,732)
Income tax expense recognized in profit or losses	($ 174,011)	($ 507,587)

(2) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

Deferred income tax assets	Beginning balance	Recognized in profit or losses	Ending balance
Temporary differences			
Allowances for losses on market price decline and obsolete and slow-moving inventories	$ 28,725	$ 12,325	$ 41,050
Leaves payable	1,475	(225)	1,250
Foreign exchange losses	963	2,785	3,748
Losses on foreign investments accounted for using the equity method	-	11,943	11,943
Losses due to bad debts	-	498	498
	$ 31,163	$ 27,326	$ 58,489

Deferred income tax liabilities	Beginning balance	Recognized in profit or losses	Ending balance
Temporary differences			
Financial assets measured at FVTPL	$ 43,717	$ 24,930	$ 68,647
Profit on foreign exchange	1,415	223	1,638
Profit on foreign investments accounted for using the equity method	-	7,293	7,293
	$ 45,132	$ 32,446	$ 77,578

2022

Deferred income tax assets	Beginning balance	Recognized in profit or losses	Ending balance
Temporary differences			
Foreign exchange losses	$ 596	$ 367	$ 963
Leaves payable	1,286	189	1,475
Allowances for losses on market price decline and obsolete and slow-moving inventories	23,604	5,121	28,725
	$ 25,486	$ 5,677	$ 31,163

Deferred income tax liabilities	Beginning balance	Recognized in profit or losses	Ending balance
Temporary differences			
Financial assets measured at FVTPL	$ 18,721	$ 24,996	$ 43,717
Profit on foreign exchange	557	858	1,415
	$ 19,278	$ 25,854	$ 45,132

(3) Income tax assessments

The Company's profit-seeking enterprise income tax filings up to 2021 have been assessed by the tax collection authority. The subsidiary Powerchip Semiconductor has completed its liquidation, and its filings for previous years have also been assessed by the tax collection authority.

24. Earnings per share

(NT$ per share)

	2023	2022
Basic earnings per share	$ 8.93	$ 12.09
Diluted earnings per share	$ 8.85	$ 11.96

The earnings and weighted average number of common shares used to calculate earnings per share are as follows:

Net income (loss) for the year

	2023	2022
Net income used for calculating the basic and diluted earnings per share	$ 1,444,970	$ 1,941,696

Number of shares

(In thousand shares)

	2023	2022
Weighted-average number of common shares for basic and diluted earnings (loss) per share calculations	161,847	160,602
Effects of dilutive potential common shares		
Employee stock options	1,313	1,453
Compensation to employees	95	246
Weighted-average number of common shares for diluted earnings (loss) per share calculation	163,255	162,301

If the Company has the option to distribute employee compensation in stock or cash, when calculating diluted earnings per share, it is assumed that employee compensation are to be distributed in the form of stock. This potential common stock is included in the weighted average number of shares outstanding for the calculation of diluted earnings per share if it has a dilutive effect. This consideration of the dilutive effect of such potential common stock continues until the number of shares to be distributed for employee compensation is determined in the following year.

25. <u>Share-based payment agreement</u>

<u>Employee stock option plan</u>

Date of Payment	Dec. 22, 2023	Apr. 28, 2023	Dec. 23, 2022	Apr. 29, 2022	Mar. 12, 2021	Sep. 26, 2020	Dec. 20, 2019	Apr. 26, 2019	Nov. 9, 2018	Jan. 25, 2017
Date of approval by the board	Aug. 30, 2022	Aug. 30, 2022	Aug. 30, 2022	Jul. 30, 2021	Aug. 7, 2020	Aug. 7, 2020	Apr. 26, 2019	Aug. 8, 2018	Aug. 8, 2018	Nov. 3, 2016
Units given	398,400	173,670	426,330	267,000	69,430	319,000	750,000	8,000	692,000	680,000
Exercise price (TWD) (Notes 1 and 2)	457.5	279.5	170	251	781	333.5	83.7	43.85	44.8	81.70
Number of shares for a unit (Note 2)	1 common share	1 common share	1 common share	1 common share	1 common share	1 common share	1 common share	1 common share	1 common share	1 common share
Given to	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions	The employees of the Company and subsidiaries meeting particular conditions
Vesting condition (Note 3)	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 25% 3 years 25% 4 years 25% 5 years 25%	2 years 40% 3 years 30% 4 years 30%
Duration (year)	10	10	10	10	10	10	10	10	10	10

Note 1: After the issuance of employee stock options, if there is a change in the Company's common shares or the Company distributes cash dividends, the exercise price of the stock options will be adjusted according to a specified formula. If the adjustment formula necessitates a re-measurement of the exercise price and if the adjusted exercise price exceeds the pre-adjustment exercise price, the exercise price will not be adjusted.

Note 2: After the issuance of employee stock options, if the Company undergoes a change in stock par value, the exercise price of the stock options will first be adjusted according to a specified formula, followed by an adjustment to the subscription ratio. However, stock options that have already been exercised will not be retroactively adjusted. In August 2021, the Company amended its articles of incorporation as resolved in the regular meeting of shareholders, changing the par value per share from NT$10 to NT$5, and completed the related conversion in October 2021. This resulted in the exercise price per share of stock options granted before October 2021 being adjusted to 50% of the original exercise price, with the number of shares each option could purchase adjusted from 1 share to 2 shares.

Note 3: Calculated from the date the employee stock options were granted.

Information related to the issued employee stock options is as follows:

Employee stock options	2023 Units	2023 Weighted Average Exercise Price (TWD)	2022 Units	2022 Weighted Average Exercise Price (TWD)
Beginning outstanding	1,754,073	$ 188.65	1,391,430	$ 162.99
Given in the fiscal year	572,070	401.70	693,330	201.19
Expired in the fiscal year	(160,445)	175.12	(223,000)	71.75
Exercised in the fiscal year	(223,350)	114.06	(107,687)	116.77
Ending outstanding	1,942,348	257.72	1,754,073	188.65
Exercisable at the end of the fiscal year	422,863	146.68	348,250	122.12
Weighted-average fair value of the stock options given in the fiscal year (TWD)	$ 189.92		$ 93.76	

The weighted average share price at the date of exercise for employee stock options in 2023 and 2022 was NT$299.90 and NT$362.74, respectively.

As of the balance sheet date, information related to outstanding employee stock options is as follows:

Dec. 31, 2023 Date of Issue	Exercise Price (TWD)	Weighted-average Contract Duration Left (year)	Dec. 31, 2022 Date of Issue	Exercise Price (TWD)	Weighted-average Contract Duration Left (year)
Nov. 09, 2018	$ 42.40	4.86	Jan. 25, 2017	$ 71.40	4.07
Apr. 26, 2019	41.40	5.32	Nov. 9, 2018	43.20	5.86
Dec. 20, 2019	79.20	5.98	Apr. 26, 2019	42.20	6.32
Sep.26, 2020	316.00	6.74	Dec. 20, 2019	80.80	6.98
Mar. 12, 2021	739.60	7.20	Sep. 26, 2020	322.80	7.74
Apr. 29, 2022	240.90	8.33	Mar. 12, 2021	755.40	8.20
Dec. 23, 2022	166.50	8.99	Apr. 29, 2022	246.00	9.33
Apr. 28, 2023	273.70	9.33	Dec. 23, 2022	170.00	9.99
Dec. 22, 2023	457.50	9.98			

The employee stock options granted by the Company in December 2023, April 2023, December 2022, and April 2022 were valued using the binomial option pricing model, with the parameters used in the valuation model as follows:

Year of Giving	Dec. 2023	Apr. 2023	Dec. 2022	Apr. 2022
Fair value as of the giving date	NT$180.44~247.78	NT$105.05~151.06	NT$63.59~92.52	NT$92.47~137.32
Exercise price	NT$457.50	NT$279.50	NT$170.00	NT$251.00
Expected volatility	61.98%~66.32%	63.00%~65.36%	63.42%~64.94%	63.93%
Expected duration	6~7.5 years	6~7.5 years	6~7.5 years	6~7.5 years
Expected dividend yield	-	-	-	-
Risk-free interest rate	1.18%~1.20%	1.11%~1.14%	1.17%~1.22%	1.10%~1.17%

The expected volatility is calculated based on the historical stock price volatility of similar companies. The Company assumes that employees will exercise their stock options at the midpoint between the vesting period end and the expiration date of the options.

The compensation costs recognized for 2023 and 2022 were NT$31,554 thousand and NT$26,099 thousand, respectively.

26. Capital Risk Management

The Consolidated Company conducts capital management to ensure its ability to continue as a going concern while maximizing shareholder returns through optimizing the balance of debt and equity.

The capital structure of the Consolidated Company consists of equity of the Consolidated Company, which includes share capital, capital surplus, retained earnings, and other equity items.

The Consolidated Company is not subject to any external capital requirements.

The management of the Consolidated Company regularly reviews the capital structure, considering the costs and risks associated with various capital structures. Generally, the Consolidated Company employs a cautious risk management strategy.

27. Financial Instruments

(1) Fair value of financial instruments that are not measured at fair value

The main management of the Consolidated Company believes that the carrying amounts of financial assets and financial liabilities not measured at fair value in the consolidated financial statements approximate their fair values.

(2) Fair value of financial instruments that are measured at fair value on a recurring basis

1. Fair value hierarchy

Dec. 31, 2023

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Investments in equity instruments	$ 766,000	$ -	$ 373,267	$ 1,139,267

Dec. 31, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Investments in equity instruments	$ 5,368	$ -	$ 250,639	$ 256,007

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

2023

Financial Assets	Measured at Fair Value through Profit or Loss Equity Instruments
Beginning balance	$ 250,639
Recognized in profit or losses	122,628
Ending balance	$ 373,267
Unrealized gains related to the assets held at the end of year and recognized in profit or losses	$ 122,628

2022

Financial Assets	Measured at Fair Value through Profit or Loss Equity Instruments
Beginning balance	$ 129,988
Recognized in profit or losses	120,651
Ending balance	$ 250,639
Unrealized gains related to the assets held at the end of year and recognized in profit or losses	$ 120,651

3. Level 3 fair value measurement techniques and inputs

Financial instruments	Evaluation techniques and input values
Unlisted domestic and foreign stocks	1. The market approach is used, referring to the valuation of similar companies and recent fundraising activities of the investee company to measure its fair value. 2. The asset approach is used, referring to the total market value of the individual assets and individual liabilities of the investee company to measure its fair value.

(3) Categories of financial instruments

	Dec. 31, 2023	Dec. 31, 2022
Financial assets		
Investments in equity instruments measured at fair value through profit or loss	$ 1,139,267	$ 256,007
Measured at amortized cost (Note 1)	9,932,611	9,309,717
Financial liabilities		
Measured at amortized cost (Note 2)	760,952	310,525

Note 1: The balance includes financial assets measured at amortized cost such as cash and cash equivalents, debt instrument investments, accounts receivable, other receivables (excluding tax refunds), and refundable deposits.

Note 2: The balance includes financial liabilities measured at amortized cost such as short-term loans, accounts payable, other payables, and deposits received.

(4) Financial Risk Management Objectives and Policies

The primary financial instruments of the Consolidated Company include equity and debt instrument investments, accounts receivable, other receivables, refundable deposits, loans, accounts payable, other payables, lease liabilities, and deposits received. The financial management department of the Consolidated Company provides services to business units, overseeing and managing financial risks related to the operations of the Consolidated Company.

These risks include market risks (including exchange rate risk, interest rate risk, and other price risks), credit risks, and liquidity risks.

1. Market Risk

The main financial risks borne by the Consolidated Company due to its operating activities include foreign currency exchange rate risk (see below (1)), interest rate risk (see below (2)), and other price risks (see below (3)).

There has been no change in the consolidated company's exposure to market risks related to financial instruments and the ways in which it manages and measures such exposures.

(1) Exchange rate risk

Several subsidiaries of the Company are involved in transactions of sales and purchases denominated in foreign currencies, thereby exposing the Consolidated Company to exchange rate fluctuation risks.

Refer to Note 31 for the carrying amounts of monetary assets and liabilities denominated in non-functional currencies at the balance sheet date.

Sensitivity Analysis

The Consolidated Company is primarily affected by fluctuations in the USD exchange rate.

The table below details a sensitivity analysis for the Consolidated Company when the exchange rate of the functional currency against the USD increases or decreases by 5%. The sensitivity analysis only includes monetary items denominated in foreign currencies that are outstanding at year-end and adjusts their conversion at the end of the year by a 5% change in exchange rates. The positive figures in the table indicate the amount by which net income before tax would decrease when the functional currency appreciates by 5% against the USD; when the functional currency depreciates by 5% against the USD, the impact on net income before tax would be the same amount in negative.

	USD Impact	
	2023	2022
Gain or loss (i)	$ 384,498	$ 382,453

(i) Mainly arising from the Consolidated Company's USD-denominated current and fixed deposits, accounts receivable, other receivables, accounts payable, and other payables that are outstanding at the balance sheet date and not hedged for cash flow.

(2) Interest rate risk

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

	Dec. 31, 2023	Dec. 31, 2022
Fair value interest rate risk		
－Financial assets	$ 8,504,950	$ 7,079,231
－Financial liabilities	335,857	63,681
Cash flow interest rate risk		
－Financial assets	368,627	1,112,434
－Financial liabilities	-	-

Sensitivity Analysis

The sensitivity analysis for interest rate risk is determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate assets and liabilities, the analysis assumes that the amounts of assets and liabilities outstanding at the balance sheet date were outstanding for the entire reporting period. An increase of 50 basis points, with all other variables held constant, would increase the Consolidated Company's net income before tax by NT$1,843 thousand and NT$5,562 thousand for 2023 and 2022, respectively, mainly due to the Consolidated Company's floating rate deposits.

(3) Other price risk

The price risk of financial assets measured at fair value through profit or loss for the Consolidated Company in 2023 and 2022 primarily arises from equity instrument investments.

Sensitivity Analysis

The following sensitivity analysis is based on equity prices at the balance sheet date.

If equity prices were to increase/decrease by 5%, the net income before tax of the Consolidated Company for 2023 and 2022 would respectively increase/decrease by NT$56,963 thousand and NT$12,800 thousand, due to the change in fair value of financial assets measured at fair value through profit or loss.

2. Credit Risk

Credit risk refers to the risk of financial loss to the Consolidated Company if a counterparty to a financial instrument fails to meet its contractual obligations. As of the balance sheet date, the maximum exposure to credit risk that could cause financial loss to the Consolidated Company mainly arises from the carrying amounts of financial assets recognized on the consolidated balance sheet.

The policy adopted by the Consolidated Company involves transacting with creditworthy parties and obtaining adequate collateral, where necessary, to mitigate the financial loss from defaults. The Consolidated Company uses publicly available financial information and its transaction history to rate its major customers. The Consolidated Company continuously monitors credit exposure and the credit ratings of its counterparties, distributing the total transaction volume across customers with qualified credit ratings.

The credit risk of the Consolidated Company is primarily concentrated on a few customers. As of December 31, 2023, and 2022, the accounts receivable balances exceeding 10% of the total are summarized as follows:

	Dec. 31, 2023
Customer D	$ 181,366
Customer A	160,633
	$ 341,999

	Dec. 31, 2022
Customer C	$ 178,267
Customer D	145,215
Customer A	66,709
	$ 390,191

To mitigate credit risk, the management of the Consolidated Company has assigned a dedicated team responsible for deciding on credit limits, approving credit, and other monitoring procedures to ensure that appropriate actions are taken for the recovery of overdue receivables. Moreover, at the balance sheet date, the Consolidated Company reviews the recoverability of receivables to ensure that appropriate impairment losses are recognized for irrecoverable amounts. Based on this, the management of the Consolidated Company believes that the credit risk has been significantly reduced.

3. Liquidity Risk

The objective of managing liquidity risk is to ensure that the Consolidated Company has sufficient liquidity to meet its operational needs over the next 12 months. The Consolidated Company achieves this by maintaining adequate levels of cash and cash equivalents to meet its contractual obligations, continuously controlling changes in cash flows, net cash positions, and significant capital expenditures, timely monitoring the usage of bank financing facilities, and ensuring compliance with loan agreement terms.

Bank borrowings are an important source of liquidity for the Consolidated Company. Refer to the explanation below for the unused borrowing facilities of the Consolidated Company.

(1) Liquidity and interest rate risk table

The table below details the remaining contractual maturity analysis of non-derivative financial liabilities of the Consolidated Company with agreed repayment periods, based on the earliest date the Consolidated Company could be required to pay. The table is prepared using the undiscounted cash flows of financial liabilities, including both interest and principal cash flows.

Dec. 31, 2023

	Weighted average effective interest rate (%)	Request pay-as-you-go or less than 3 months	3 months to 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities					
No interest-bearing liabilities	-	$ 416,151	$ 28,801	$ -	$ -
Lease liabilities	2.26	16,693	9,619	10,114	-
Fixed rate instruments	1.81	300,496	-	-	-
		$ 733,340	$ 38,420	$ 10,114	$ -

Dec. 31, 2022

	Weighted average effective interest rate (%)	Request pay-as-you-go or less than 3 months	3 months to 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities					
No interest-bearing liabilities	-	$ 208,457	$ 88,068	$ -	$ -
Lease liabilities	2.11	14,330	41,089	9,216	-
		$ 222,787	$ 129,157	$ 9,216	$ -

(2) Amount of financing

	Dec. 31, 2023	Dec. 31, 2022
Amount of bank loan		
Amount utilized	$ 300,000	$ -
Amount unutilized	610,575	600,000
	$ 910,575	$ 600,000

The operating capital and financing amount of the Consolidated Company are sufficient to support operational needs, thus there is no liquidity risk arising from the inability to raise funds to fulfill contractual obligations.

28. Related Party Transactions

The transactions, account balances, income, and expenses between the company and its subsidiaries (the related parties of the Company) have been fully eliminated during the consolidation process, and therefore, they are not disclosed in this note.

Other than the part disclosed in other notes, transactions between the consolidated company and other related parties are as follows:

(1) Related party names and categories

Name of related party	Relationship with the consolidated company
Lyontek	Associate
ONECENT TECHNOLOGY (SINGAPORE) PTE.	Associate

(2) Net revenue

Items	Related party category	2023	2022
Sales revenue	Associate	$ 7,377	$ 9,828
Service revenue	Associate	$ 1	$ 164

Transactions with related parties for sales are processed at prices agreed upon by both parties, with payment periods comparable to those of general customers.

(3) Key management personnel compensation

	2023	2022
Short-term employee benefits	$ 51,924	$ 54,620
Post-employment benefits	324	333
Share-based payment	8,626	4,025
	$ 60,874	$ 58,978

The compensation to directors and other key management personnel is determined by the Remuneration Committee based on individual performance and market trends.

29. Pledged Assets

The following assets have been provided as customs guarantee for the import of raw materials:

	Dec. 31, 2023	Dec. 31, 2022
Pledged time deposits (financial assets measured at amortized cost)	$ 2,819	$ 2,782

30. Significant Contingent Liabilities and Unrecognized Commitments

In addition to the other notes described, the consolidated company's significant commitments and contingencies as of the balance sheet date are as follows:

Significant Commitments

The Consolidated Company has entered into long-term contracts for the purchase of raw materials with suppliers, from October 2021 to December 2024, and provided NT$443,440 thousand as a capacity purchase deposit in October 2021. The contract also specifies monthly purchase quantities and compensation for shortfalls if purchases do not meet contractual amounts. Considering the current trading pattern and actual dealings with the suppliers, the Consolidated Company assesses that there is no significant likelihood of compensation being required, therefore these contracts do not have a significant impact on the financial and operational aspects.

31. Information on Foreign Currency Financial Assets and Liabilities with Significant Effects

The information below is expressed in a foreign currency other than the functional currency of the entities in the Consolidated Company and the disclosed exchange rate refers to the exchange rate at which the foreign currency is converted into the functional currency. Significant foreign currency assets and liabilities are as follows:

Unit: Except for the exchange rate, which is in dollars ($1),
all foreign currency/book amounts are in thousands ($1,000).

Dec. 31, 2023

	Foreign Currency	Exchange Rate	Book Amount
Financial Assets			
Monetary Items			
USD	$ 260,367	30.705 (USD:TWD)	$ 7,994,579
USD	765	7.0961 (USD:RMB)	23,490
			$ 8,018,069
Non-monetary Items			
Equity instruments measured at fair value through profit or loss			
RMB	86,265	4.327 (RMB:TWD)	$ 373,267
Financial Liabilities			
Monetary Items			
USD	9,510	30.705 (USD:TWD)	$ 291,987
USD	1,177	7.0961 (USD:RMB)	36,127
			$ 328,114

Dec. 31, 2022

	Foreign Currency	Exchange Rate	Book Amount
Financial Assets			
Monetary Items			
USD	$ 254,995	30.71 (USD:TWD)	$ 7,830,913
USD	223	6.9669 (USD:RMB)	6,853
			$ 7,837,766
Non-monetary Items			
Equity instruments measured at fair value through profit or loss			
RMB	56,402	4.408 (RMB:TWD)	$ 248,619
Financial Liabilities			
Monetary Items			
USD	5,390	30.71 (USD:TWD)	$ 165,532
USD	755	6.9669 (USD:RMB)	23,181
			$ 188,713

Significant foreign exchange gains or losses (including realized and unrealized) are as follows:

	2023		2022	
Foreign Currency	Exchange Rate	Net Exchange (Loss)/Gain	Exchange Rate	Net Exchange (Loss)/Gain
USD	31.155 (USD:TWD)	$ 12,776	29.805 (USD:TWD)	$ 700,036
USD	7.037 (USD:RMB)	(4,601)	6.7402 (USD:RMB)	12
Other		925		934
		$ 9,100		$ 700,982

32. Additional Disclosures

(1) Information on major transactions (2) Transfer of investment business

1. Financings provided: None.
2. Endorsements/guarantees provided: None.
3. Marketable securities held (excluding the part of investment subsidiaries): Table 1.
4. Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Table 2.
5. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4.
9. Information about the derivative financial instrument transaction: None.
10. Other: Business relationships and significant transaction details and amounts between the parent company and its subsidiaries, and among the subsidiaries themselves: Table 5.
11. Information on investees: Table 6.

(3) Information on investment in mainland China:

1. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Table 7.

2. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports:

   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.

   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 5.

   (3) The amount of property transactions and the amount of the resultant gains or losses: None.

   (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.

   (5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.

   (6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: Table 5.

(4) Information of major shareholders: List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 8.

33. Operating Segments Information

The information provided to the chief operating decision-maker for resource allocation and performance assessment focuses on the types of products or services delivered or provided. The reportable segments of the Consolidated Company are as follows:

IOT Business Unit - Design, sales, and licensing of customized memory solutions

AI Business Unit - Design, sales, and licensing of heterogeneous integrated chip solutions

(1) Segment revenue and operating results

The revenue and operating results of the Consolidated Company's continuing operations by reportable segment are as follows:

From Jan. 1, 2023 to Dec. 31, 2023

	IOT	AI	Total
Segment revenue	$ 3,968,536	$ 258,371	$ 4,226,907
Operating costs	(2,364,004)	(107,897)	(2,471,901)
Segment net profit	$ 1,604,532	$ 150,474	1,755,006
Operating expenses			(902,225)
Operating income			852,781
Non-operating income and expenses			766,200
Net income before tax			$ 1,618,981

From Jan. 1, 2022 to Dec. 31, 2022

	IOT	AI	Total
Segment revenue	$ 4,281,377	$ 813,398	$ 5,094,775
Operating costs	(2,601,692)	(271,689)	(2,873,381)
Segment net profit	$ 1,679,685	$ 541,709	2,221,394
Operating expenses			(720,874)
Operating income			1,500,520
Non-operating income and expenses			948,763
Net income before tax			$ 2,449,283

(2) Major products and services revenue

Please refer to Note 21.

(3) Geographical information

Revenue from external customers by the geographical location of the customers and non-current assets by the geographical area of the assets are presented as follows:

	Revenue from External Customers		Revenue from External Customers	
	2023	2022	Dec. 31, 2023	Dec. 31, 2022
China	$ 2,861,528	$ 2,603,812	$ 26,299	$ 24,642
Japan	5,750	901,998	-	-
Taiwan	456,773	542,142	772,005	792,984
Europe	71,347	46,688	-	-
America	72,968	45,004	14,251	18,384
Others	758,541	955,131	-	-
	$ 4,226,907	$ 5,094,775	$ 812,555	$ 836,010

Non-current assets exclude financial assets measured at FVTPL, financial assets measured at amortized cost, investments accounted for using the equity method and deferred income tax assets.

(4) Major customer information

Revenue from a single customer that accounts for 10% or more of the total revenue of the Consolidated Company is as follows:

	2023
Customer A	$ 1,235,554
Customer D	691,676
	$ 1,927,230

	2022
Customer C	$ 853,139
Customer D	736,218
	$ 1,589,357

AP Memory Technology Corporation and Subsidiaries

Marketable Securities Held

Dec. 31, 2023

Table 1

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	At the End of Period				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value (Note)	
AP Memory Technology Corporation	Listed (OTC) shares							
	M3 Technology Inc.	—	Financial assets measured at FVTPL - non-current	4,000,000	$ 766,000	9.40%	$ 766,000	
	Unlisted (non-OTC) shares							
	Hai Ning Chang Meng Technology Partnership (limited partnership)	—	Financial assets measured at FVTPL - non-current	-	373,267	24.64%	373,267	
	GeneASIC Technologies Corporation	—	Financial assets measured at FVTPL - non-current	500,000	-	13.12%	-	

Note 1: Refer to Tables 6 and 7 for information about subsidiaries and associates.

AP Memory Technology Corporation and Subsidiaries

Marketable Securities Acquired and Disposed of at Costs or Prices of at Least NT$300 million or 20% of the Paid-in Capital

For the Year Ended December 31, 2023

Table 2

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Beginning Balance		Acquisition				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain/Loss on Disposal	Shares	Amount (Note 1)
	Stock													
AP Memory Technology Corporation	M3 Technology Inc.	Financial assets measured at FVTPL - non-current	-	-	-	$ -	4,000,000	$ 500,000	-	$ -	$ -	$ -	4,000,000	$ 766,000

Note 1: The ending balance includes the amount of gain or loss on valuation of financial assets.

Note 2: Paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value per share is not NT$10, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

AP Memory Technology Corporation and Subsidiaries

Total Purchases from or Sales to Related Parties of at Least NT$100 million or 20% of the Paid-in Capital

For the Year Ended December 31, 2023

Table 3

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

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	Sale	($ 826,378)	(19.46%)	Net 90 days after monthly closing	$ -	—	$ 162,836	27.31%	Note 2
AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	Subsidiary	Sale	(403,377)	(9.5%)	Net 30 days after monthly closing	-	—	36,127	6.06%	Note 2

Note 1: The transactions between the Company and AP Memory Technology (Hangzhou) Co. Limited and AP Memory Technology (Hong Kong) Co. Limited are based on the prices and conditions agreed by both parties.

Note 2: All amounts have been eliminated while preparing the consolidated financial statements.

Note 3: Paid-in capital refers to the parent company’s paid-in capital. If the issuer’s stock has no par value or the par value per share is not NT$10, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

AP Memory Technology Corporation and Subsidiaries

Total Purchases from or Sales to Related Parties of at Least NT$100 million or 20% of the Paid-in Capital

Dec. 31, 2023

Table 4 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Relationship	Ending Balance of Receivables	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	Sub-subsidiary	$ 162,836	6.35	$ -	-	$ 108,797	$ -

Note 1: All amounts have been eliminated while preparing the consolidated financial statements.

Note 2: Paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value per share is not NT$10, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

AP Memory Technology Corporation and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions

For the Year Ended December 31, 2023

Table 5

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

No. (Note 1)	Company Name	Counterparty	Nature of Relationships (Note 2)	Transaction Details			
				Item	Amount (Note 4)	Transaction Terms	Percentage of Transaction Amount to Consolidated Operating Revenue or Total Assets (Note 3)
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Commissioned research fees	$ 68,893	Note 5	1.63%
0	AP Memory Technology Corporation	AP Memory Corp, USA	(1)	Other payables	17,410	Note 5	0.14%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Operating income	403,377	Note 5	9.54%
0	AP Memory Technology Corporation	AP Memory Technology (Hangzhou) Limited Co.	(1)	Accounts receivable	36,127	Note 5	0.29%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Operating income	826,378	Note 5	19.55%
0	AP Memory Technology Corporation	AP Memory Technology (Hong Kong) Co. Limited	(1)	Accounts receivable	162,836	Note 5	1.30%
0	AP Memory Technology Corporation	VIVR Corporation	(1)	Commissioned research fees	22,600	Note 5	0.53%
0	AP Memory Technology Corporation	VIVR Corporation	(1)	Other payables	6,663	Note 5	0.05%
0	AP Memory Technology Corporation	CascadeTeq Inc.	(1)	Operating income	386	Note 5	0.01%
0	AP Memory Technology Corporation	CascadeTeq Inc.	(1)	Accounts receivable	393	Note 5	0.01%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	(3)	Service revenue	54,414	Note 5	1.29%
1	AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited.	(3)	Accounts receivable	4,164	Note 5	0.03%

Note 1: No. 0 represents the parent company; other numbers represent subsidiaries.

Note 2: The directional flow of the transactions are represented by the following numerals:

No. 1 - from parent company to subsidiary.

No. 2 - from subsidiary to parent company.

No. 3 - between subsidiaries.

Note 3: The accounts in the consolidated balance sheets and those in the consolidated statements of comprehensive income were based on the Company’s consolidated total assets and total gross sales, respectively.

Note 4: Intercompany balances and transactions were eliminated upon consolidation.

Note 5: Prices and terms were based on mutual agreements.

AP Memory Technology Corporation and Subsidiaries

Information on Investees

For the Year Ended December 31, 2023

Table 6

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee (Note 2)	Share of Profits/Losses of Investee (Note 2)	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value (Note 1)			
AP Memory Technology Corporation	AP Memory Corp, USA	Suite 251,BG Plaza,3800 S.W. Cedar Hills Blvd, Beaverton OR. 97005, USA	Integrated Circuit Research and Development Services	$ 60,521 (USD 2,000,000)	$ 60,521 (USD 2,000,000)	2,000,000	100%	$ 31,603	($ 5,594) (USD -179,550)	($ 5,594)	Subsidiary
	Lyontek Inc.	No. 17, Industry East 2nd Road, East District, Hsinchu City	Design and Sale of Integrated Circuit	75,060	75,060	3,600,000	30%	91,867	47,789	14,337	Associate
	APware Technology Corp.	Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, Cayman Islands	Design, Development, and Sale of Integrated Circuits	-	-	-	100%	-	-	-	Subsidiary (Note 3)
	ONECENT TECHNOLOGY LTD.	4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands	Design, development and sales of radio frequency identification systems	33,771 (USD 1,128,000)	33,771 (USD 1,128,000)	3,600,000	47%	14,144	(28,669) (USD -920,219)	(14,880)	Associate
	VIVR Corporation	Suite W 100 North Howard Street, Spokane Washington, 99201, US	Design, Development, and Sale of Integrated Circuits	32,140 (USD 1,000,000)	32,140 (USD 1,000,000)	10,000,000	100%	29,602	(1,065) (USD -34,196)	(1,065)	Subsidiary
	CascadeTeq Inc.	8F.-5, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County	Sale of Integrated Circuits	5,000	5,000	500,000	100%	1,122	(3,879)	(3,879)	Subsidiary
AP Memory Technology (Hangzhou) Limited Co.	AP Memory Technology (Hong Kong) Co. Limited	Rm.19C,Lockhart Ctr.,301-307 Lockhart Rd.,Wan Chai, Hong Kong.	Sale of Integrated Circuits	275 (USD 10,000)	275 (USD 10,000)	10,000	100%	4,322	(12,481)	(12,481)	Subsidiary

Note 1: Translation was based on the exchange rate on December 31, 2023.

Note 2: Translation was based on the average exchange rate for the nine months ended December 31, 2023.

Note 3: In order to meet the future operational plan, the Consolidated Company established a subsidiary, APware Technology Corp. in the Cayman Islands in October 2021, but has not yet made any actual capital investment.

Note 4: Apart from ONECENT TECHNOLOGY LTD., the amounts were recognized based on the CPA-certified financial statements prepared for the same fiscal year.

AP Memory Technology Corporation and Subsidiaries

Information on Investment in Mainland China

For the Year Ended December 31, 2023

Table 7

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (Note 1)	Net Income (Losses) of the Investee Company (Note 3)	Percentage of Ownership	Share of Profits/Losses (Note 3 and 5)	Carrying Value as of December 31, 2023 (Note 4 and 5)	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
AP Memory Technology (Hangzhou) Limited Co.	Design, Development, and Sale of Integrated Circuits	$ 58,009 (USD 2,000,000)	Note 2	$ 58,009 (USD 2,000,000)	$ -	$ -	$ 58,009 (USD 2,000,000)	($ 51,917) (RMB 11,809,910)	100%	($ 51,917)	$ 101,369	$ -

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
$58,009 (USD2,000,000)	$58,009 (USD2,000,000)	$ 6,793,076 (Note 6)

Note 1: The calculation is based on the original investment costs.

Note 2: A direct investment to AP Memory Technology (Hangzhou) Limited Co. by AP Memory Technology Corporation.

Note 3: Translation was based on the average exchange rate of 2023.

Note 4: Translation was based on the exchange rate on December 31, 2023.

Note 5: The calculation is based on the parent company’s (Taiwan) CPA-certified financial statements prepared for the same fiscal year.

Note 6: The calculation is made based on 60% of the Company’s net value on December 31, 2023, in accordance with Letter No. 09704604680 issued by the Ministry of Economic Affairs.

Note 7: Related transactions were eliminated upon consolidation.

AP Memory Technology Corporation

Information on Major Shareholders

Dec. 31, 2023

Table 8

Shareholders	Shares	
	Total Shares Owned	Percentage of Ownership
Shanyi Investment Co., Ltd.	26,706,668	16.48%

Note 1: The major shareholder information in this table is calculated by the central securities depository based on the last business day of the quarter, taking into account the common shares and preferred shares held by the shareholders that have completed the dematerialized registration and delivery (including treasury shares), totaling 5% or more. The share capital recorded in the consolidated financial statements of the company and the actual number of shares that have completed the dematerialized registration and delivery may differ due to differences in calculation bases or other reasons.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the Market Observation Post System website of the TWSE.