eMemory Technology Inc.

Parent Company Only Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors’ Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
eMemory Technology Inc.

Opinion

We have audited the accompanying parent company only financial statements of eMemory Technology Inc. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2022 and 2021, and the parent company only financial performance and the parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's parent company only financial statements for the year ended December 31, 2022 is stated as follows:

1. Royalty fees are the Company's major source of revenue; refer to Note 19 for the related information. When the customers of the Company, the IC design houses, uses the Company's intellectual property to kick off mass production, and the goods have been produced and shipped from the wafer foundries, the wafer foundries will pay royalty fees to the Company based on a certain percentage of the wafer price.

2. The Company recognizes royalty revenue based on the contract regulations, at the time the royalty reports are signed and returned. Hence, there is a risk that the royalty revenue from wafer foundries is not recognized at appropriate time.

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

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yu-Feng Huang and Su-Li Fang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 22, 2023

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, parent company only financial performance and parent company only cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

EMEMORY TECHNOLOGY INC.

PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Notes 4, 6 and 25)	$ 2,935,574	76	$ 2,402,303	77
Accounts receivable - net (Notes 4, 9, 19 and 25)	209,101	5	100,634	3
Accounts receivable - related parties (Notes 4, 19, 25 and 26)	3,071	-	-	-
Other receivables (Notes 4 and 25)	986	-	5,269	-
Other receivables - related parties (Notes 4, 25 and 26)	21,895	1	3,581	-
Prepayments (Note 14)	17,862	1	24,341	1
Other current assets (Notes 4, 14 and 25)	4,157	-	3,805	-
Total current assets	3,192,646	83	2,539,933	81
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 7 and 25)	4,914	-	16,130	1
Financial assets at amortized cost - noncurrent (Notes 4, 8, 25 and 27)	116	-	116	-
Investment accounted for using the equity method (Notes 4 and 10)	120,790	3	38,094	1
Property, plant and equipment (Notes 4 and 11)	458,760	12	458,656	15
Right-of-use assets (Notes 4 and 12)	5,438	-	8,686	-
Intangible assets (Notes 4 and 13)	66,254	2	67,213	2
Deferred tax assets (Notes 4 and 21)	2,743	-	4,257	-
Refundable deposits	399	-	396	-
Total non-current assets	659,414	17	593,548	19
TOTAL	$ 3,852,060	100	$ 3,133,481	100

	2022		2021	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Contract liabilities - current (Notes 19 and 26)	$ 67,777	2	$ 78,327	3
Other payables (Notes 15 and 25)	169,837	4	144,696	5
Other payables - related parties (Notes 15, 25 and 26)	10	-	-	-
Bonuses payable to employees and directors (Note 20)	384,981	10	254,989	8
Payables on equipment (Note 25)	6,735	-	9,647	-
Current tax liabilities (Notes 4 and 21)	139,676	4	140,661	4
Lease liabilities - current (Notes 4, 12 and 25)	3,299	-	3,230	-
Other current liabilities (Notes 15 and 26)	1,582	-	1,823	-
Total current liabilities	773,897	20	633,373	20
NON-CURRENT LIABILITIES				
Lease liabilities - noncurrent (Notes 4, 12 and 25)	2,237	-	5,532	-
Net defined benefit liabilities - noncurrent (Notes 4 and 16)	15,712	1	19,190	1
Guarantee deposits received	10	-	10	-
Total non-current liabilities	17,959	1	24,732	1
Total liabilities	791,856	21	658,105	21
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 4, 17 and 18)				
Ordinary shares	761,845	20	761,235	24
Capital surplus	210,522	5	303,181	10
Retained earnings				
Legal reserve	635,956	16	526,270	17
Special reserve	30,985	1	60,101	2
Unappropriated earnings	1,830,114	48	1,259,813	40
Total retained earnings	2,497,055	65	1,846,184	59
Other equity				
Exchange differences on the translation of the financial statements of foreign operations	706	-	(112)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(5,686)	-	(30,874)	(1)
Total other equity	(4,980)	-	(30,986)	(1)
Treasury shares	(404,238)	(11)	(404,238)	(13)
Total equity	3,060,204	79	2,475,376	79
TOTAL	$ 3,852,060	100	$ 3,133,481	100

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

EMEMORY TECHNOLOGY INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 19 and 26)	$ 3,109,833	100	$ 2,349,772	100
OPERATING COSTS	-	-	-	-
GROSS PROFIT	3,109,833	100	2,349,772	100
OPERATING EXPENSES (Notes 4, 20 and 26)				
Selling and marketing expenses	172,355	5	148,411	6
General and administrative expenses	285,249	9	242,184	10
Research and development expenses	769,700	25	635,942	27
Reversal of expected credit loss (Notes 4 and 9)	(1,338)	-	(10,526)	-
Total operating expenses	1,225,966	39	1,016,011	43
OPERATING INCOME	1,883,867	61	1,333,761	57
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 20)	14,664	-	6,812	-
Other income (Notes 4, 12, 20 and 26)	2,760	-	3,899	-
Other gains and losses (Notes 4, 20, 23 and 26)	59,308	2	10,358	1
Finance costs (Notes 4, 20 and 26)	(144)	-	(109)	-
Share of loss of subsidiaries and associates (Notes 4 and 10)	(44,077)	(1)	(64,321)	(3)
Total non-operating income and expenses	32,511	1	(43,361)	(2)
PROFIT BEFORE INCOME TAX	1,916,378	62	1,290,400	55
INCOME TAX EXPENSE (Notes 4 and 21)	304,469	10	189,243	8
NET PROFIT FOR THE YEAR	1,611,909	52	1,101,157	47
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 16)	2,702	-	1,253	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive (loss) income (Notes 4, 17 and 25)	(6,562)	-	23,656	1
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method (Notes 4, 10 and 17)	818	-	(86)	-
Other comprehensive (loss) income for the year	(3,042)	-	24,823	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,608,867	52	$ 1,125,980	48

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EMEMORY TECHNOLOGY INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (Note 22)				
Basic	$ 21.61		$ 14.78	
Diluted	$ 21.51		$ 14.73	

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

EMEMORY TECHNOLOGY INC.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Ordinary Shares			Retained Earnings				Other Equity			
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total Equity
BALANCE, JANUARY 1, 2021	76,060	$ 760,592	$ 391,907	$ 455,518	$ 65,586	$ 787,007	$ 1,308,111	$ (26)	$ (60,075)	$ (404,238)	$ 1,996,271
Appropriation of 2020 earnings											
Legal reserve	-	-	-	70,752	-	(70,752)	-	-	-	-	-
Special reserve	-	-	-	-	(5,485)	5,485	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(558,792)	(558,792)	-	-	-	(558,792)
Changes in percentage of ownership interests in subsidiaries	-	-	3,068	-	-	-	-	-	-	-	3,068
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	126	-	-	-	-	-	-	-	126
Issuance of cash dividends from capital surplus	-	-	(111,759)	-	-	-	-	-	-	-	(111,759)
Net profit for the year ended December 31, 2021	-	-	-	-	-	1,101,157	1,101,157	-	-	-	1,101,157
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	1,253	1,253	(86)	23,656	-	24,823
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	1,102,410	1,102,410	(86)	23,656	-	1,125,980
Issuance of ordinary shares under employee share options	64	643	19,839	-	-	-	-	-	-	-	20,482
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(5,545)	(5,545)	-	5,545	-	-
BALANCE, DECEMBER 31, 2021	76,124	761,235	303,181	526,270	60,101	1,259,813	1,846,184	(112)	(30,874)	(404,238)	2,475,376
Appropriation of 2021 earnings											
Legal reserve	-	-	-	109,686	-	(109,686)	-	-	-	-	-
Special reserve	-	-	-	-	(29,116)	29,116	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(931,990)	(931,990)	-	-	-	(931,990)
Changes in percentage of ownership interests in subsidiaries	-	-	(13,814)	-	-	-	-	-	-	-	(13,814)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	14,182	-	-	-	-	-	-	-	14,182
Issuance of cash dividends from capital surplus	-	-	(111,839)	-	-	-	-	-	-	-	(111,839)
Net profit for the year ended December 31, 2022	-	-	-	-	-	1,611,909	1,611,909	-	-	-	1,611,909
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	2,702	2,702	818	(6,562)	-	(3,042)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	1,614,611	1,614,611	818	(6,562)	-	1,608,867
Issuance of ordinary shares under employee share options	61	610	18,812	-	-	-	-	-	-	-	19,422
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(31,750)	(31,750)	-	31,750	-	-
BALANCE, DECEMBER 31, 2022	76,185	$ 761,845	$ 210,522	$ 635,956	$ 30,985	$ 1,830,114	$ 2,497,055	$ 706	$ (5,686)	$ (404,238)	$ 3,060,204

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

EMEMORY TECHNOLOGY INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 1,916,378	$ 1,290,400
Adjustments for:		
Depreciation expenses	38,436	39,991
Amortization expenses	30,379	18,801
Reversal of expected credit loss	(1,338)	(10,526)
Finance costs	144	109
Interest income	(14,664)	(6,812)
Dividend income	(932)	(315)
Share-based payments	176	47
Share of loss of subsidiaries and associates	44,077	64,321
Loss on disposal of property, plant and equipment	-	26
Gain on disposal of investments	(86)	(100)
Net (gain) loss on foreign currency exchange	(15,904)	4,347
Changes in operating assets and liabilities		
Accounts receivable	(109,077)	24,739
Accounts receivable - related parties	(3,084)	-
Other receivables	5,118	(5,118)
Other receivables - related parties	(18,314)	(2,663)
Prepayments	6,479	(3,069)
Other current assets	(352)	(543)
Contract liabilities	(10,550)	26,083
Other payables	21,146	12,897
Other payables - related parties	10	-
Other current liabilities	(241)	(231)
Net defined benefit liabilities	(776)	(790)
Bonuses payable to employees and directors	129,992	90,592
Cash generated from operations	2,017,017	1,542,186
Interest received	13,829	6,763
Income tax paid	(303,940)	(136,491)
Net cash generated from operating activities	1,726,906	1,412,458
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	4,654	28,563
Acquisition of financial assets at amortized cost	-	(2)
Acquisition of financial assets at fair value through profit or loss	(370,000)	(771,000)
Proceeds from disposal of financial assets at fair value through profit or loss	370,086	771,100
Acquisition of investments accounted for using the equity method	(121,763)	-
Acquisition of property, plant and equipment	(38,197)	(26,767)
Increase in refundable deposits	(3)	(81)

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EMEMORY TECHNOLOGY INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
Acquisition of intangible assets	$ (29,420)	$ (11,537)
Decrease in prepayments for equipment	-	50
Dividends received	932	315
Net cash used in investing activities	(183,711)	(9,359)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits received	-	(520)
Repayment of the principal portion of lease liabilities	(3,233)	(2,322)
Dividends paid	(1,043,820)	(670,536)
Exercise of employee share options	19,422	20,482
Interest paid	(144)	(109)
Net cash used in financing activities	(1,027,775)	(653,005)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	17,851	(1,757)
NET INCREASE IN CASH	533,271	748,337
CASH AT THE BEGINNING OF THE YEAR	2,402,303	1,653,966
CASH AT THE END OF THE YEAR	$ 2,935,574	$ 2,402,303

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

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

1. GENERAL INFORMATION

eMemory Technology Inc. (the "Company") was incorporated in Hsinchu City, Republic of China, and commenced business in September 2000. The Company's main business activities include researching, developing, manufacturing and selling embedded flash memory products, etc.

The Company's shares have been listed on the Taipei Exchange (TPEx) since January 2011.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors and authorized for issue on February 22, 2023.

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

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

   The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies.

b. The IFRSs endorsed by the FSC for application starting from 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

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

c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced 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 by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

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

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

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

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

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

e. Investments in subsidiaries

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

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

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

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

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

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

f. Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Company uses the equity method to account for its investments in associates.

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

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

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

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

g. Property, plant and equipment

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

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Internally-generated intangible assets - research and development expenditures

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

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

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

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

3) Derecognition of intangible assets

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

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

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

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Revenue recognition

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

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

1) Licensing revenue

a) Technical service revenue

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

b) Royalty revenue

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

l. Leases

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

1) The Company as lessor

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

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

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

2) The Company as lessee

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

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

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

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

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

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

m. Government grants

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

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

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Other long-term employee benefits

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

o. Share-based payment arrangements

1) Employee share options granted to employees

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

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

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

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

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

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

6. CASH

	December 31	
	2022	**2021**
Bank deposits	$ 2,935,549	$ 2,402,278
Cash on hand	25	25
	$ 2,935,574	$ 2,402,303

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

	December 31	
	2022	**2021**
Bank deposits	0.001%-4.27%	0.001%-2.35%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	**2021**
Non-current		
Investments in equity instruments at FVTOCI	$ 4,914	$ 16,130

(Continued)

	December 31	
	2022	2021
Domestic investments		
Unlisted shares		
Ordinary shares - Powerchip Technology Corporation	$ -	$ 10,233
Ordinary shares - Syntronix Corporation	4,914	5,897
	$ 4,914	$ 16,130

(Concluded)

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

The Company took the investment strategy into consideration to sell and derecognize investments in equity instruments at FVTOCI. The information related to derecognition in 2022 and 2021 is as follows:

	For the Year Ended December 31	
	2022	2021
Fair value at the date of derecognition	$ 4,654	$ 28,563
Accumulated loss on disposal of retained earnings transferred from other equity	(31,750)	(5,545)

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
Non-current		
Domestic investments		
Pledged time deposits	$ 116	$ 116

a. Refer to Note 25 for information relating to the credit risk management and impairment of financial assets at amortized cost.

b. Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as security.

9. ACCOUNTS RECEIVABLE, NET

	December 31	
	2022	2021
Accounts receivable	$ 209,198	$ 102,069
Less: Allowance for impairment loss	(97)	(1,435)
	$ 209,101	$ 100,634

The average credit term was 30 to 60 days, and no interest was charged on accounts receivable. The Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

Credit exposure is controlled by counterparty limits that are reviewed and approved.

The Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position and economic condition of the industry in which the customer operates. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off an account receivable when there is information indicating that the debtor is in severe financial difficulty, and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2022

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

December 31, 2021

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	$ 80,754	$ 6,218	$ 14,914	$ 183	$ -	$ 102,069
Loss allowance (lifetime ECLs)	-	(151)	(1,262)	(22)	-	(1,435)
Amortized cost	$ 80,754	$ 6,067	$ 13,652	$ 161	$ -	$ 100,634

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	$ 1,435	$ 11,961
Less: Net remeasurement of loss allowance	(1,338)	(10,526)
Balance at December 31	$ 97	$ 1,435

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Investments in subsidiaries	$ 105,605	$ 35,011
Investments in associates	15,185	3,083
	$ 120,790	$ 38,094

a. Investments in subsidiaries

	December 31	
	2022	2021
PUFsecurity Corporation	$ 104,543	$ 35,011
eMemory Japan Corporation	1,062	-
	$ 105,605	$ 35,011

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	2022	2021
PUFsecurity Corporation	76.17%	80.82%
eMemory Japan Corporation	100%	-

The employees of the Company and PUFsecurity Corporation exercised the employee share options issued by PUFsecurity Corporation in 2021. Therefore, the Company's shareholding percentage decreased from 90.91% to 80.82%.

PUFsecurity Corporation increased its capital by issuing 15,000 thousand shares with a par value of NT$10 in January 2022, and the paid in capital increased to NT$101,611 thousand, which was divided into 101,611 thousand shares with a par value of NT$1. The Company subscribed for 11,107 thousand shares in cash for NT$111,066 thousand, but did not subscribe for the shares in accordance with its original shareholding proportion, which caused it's the proportion of ownership to decrease from 80.82% to 79.82%.

The employees of the Company and PUFsecurity Corporation exercised the employee share options issued by PUFsecurity Corporation in 2022. On July 27, 2022, for the purpose of transferring shares to its employees, PUFsecurity Corporation's board of directors resolved to buy back 4,000 thousand shares of PUFsecurity Corporation's ordinary shares with the price of NT$7.5 per share. Therefore, eMemory Technology Inc.'s shareholding percentage decreased from 79.82% to 76.17%.

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

The investments in the subsidiary accounted for using the equity method and the share of profit or loss and other comprehensive income (loss) of those investments for the years ended December 31, 2022 and 2021 were based on the subsidiary's financial statements which have been audited for the same years.

b. Investments in associates

	December 31	
	2022	2021
Associates that is not individually material		
iMQ Technology Inc.	$ 15,185	$ 3,083

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2022	2021
iMQ Technology Inc.	2.34%	2.69%

The employees of iMQ Technology Inc. exercised the employee share option in 2021. Therefore, the Company's shareholding percentage decreased from 2.71% to 2.69%.

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

	For the Year Ended December 31	
	2022	2021
The Company's share of :		
Loss from continuing operations	$ (2,080)	$ (2,560)
Other comprehensive loss	1	-
Total comprehensive loss for the period	$ (2,079)	$ (2,560)

Although the shareholding ratio is less than 20%, the Company is able to exercise significant influence over iMQ Technology Inc. since the chairman of the Company is the same person as the chairman of iMQ Technology Inc.

For information about the nature of business, main operating location and country of incorporation of the associate, refer to Table 2.

The investments in the associates accounted for using the equity method, and the share of profit or loss and other comprehensive income (loss) of those investments for the years ended December 31, 2022 and 2021 was based on the associate's financial statements which have been audited for the same years.

11. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2022	2021
Assets used by the Company	$ 455,117	$ 458,329
Assets leased under operating leases	3,643	327
	$ 458,760	$ 458,656

a. Assets used by the Company

	Freehold Land	Buildings	Research and Development Equipment	Office Equipment	Total
Cost					
Balance at January 1, 2022	$ 123,905	$ 388,508	$ 97,908	$ 16,651	$ 626,972
Additions	-	6,801	20,907	7,577	35,285
Disposals	-	(989)	(32,264)	(3,065)	(36,318)
Transfers from assets leased under operating leases	(1,031)	(3,034)	-	-	(4,065)
Balance at December 31, 2022	$ 122,874	$ 391,286	$ 86,551	$ 21,163	$ 621,874
Accumulated depreciation					
Balance at January 1, 2022	$ -	$ 101,127	$ 60,798	$ 6,718	$ 168,643
Depreciation expense	-	11,769	19,514	3,838	35,121
Disposals	-	(989)	(32,264)	(3,065)	(36,318)
Transfers from assets leased under operating leases	-	(689)	-	-	(689)
Balance at December 31, 2022	$ -	$ 111,218	$ 48,048	$ 7,491	$ 166,757
Carrying amount at December 31, 2022	$ 122,874	$ 280,068	$ 38,503	$ 13,672	$ 455,117
Cost					
Balance at January 1, 2021	$ 113,730	$ 364,150	$ 114,777	$ 11,081	$ 603,738
Additions	-	8,229	16,400	6,651	31,280
Disposals	-	(7,533)	(33,269)	(1,081)	(41,883)
Transfers from assets leased under operating leases	10,175	23,662	-	-	33,837
Balance at December 31, 2021	$ 123,905	$ 388,508	$ 97,908	$ 16,651	$ 626,972
Accumulated depreciation					
Balance at January 1, 2021	$ -	$ 93,042	$ 70,663	$ 4,971	$ 168,676
Depreciation expense	-	11,068	23,404	2,828	37,300
Disposals	-	(7,507)	(33,269)	(1,081)	(41,857)
Transfers from assets leased under operating leases	-	4,524	-	-	4,524
Balance at December 31, 2021	$ -	$ 101,127	$ 60,798	$ 6,718	$ 168,643
Carrying amount at December 31, 2021	$ 123,905	$ 287,381	$ 37,110	$ 9,933	$ 458,329

b. Assets leased under operating leases

	Freehold Land	Buildings	Total
Cost			
Balance at January 1, 2022	$ 114	$ 265	$ 379
Transfers from assets used by the Company	1,031	3,034	4,065
Balance at December 31, 2022	$ 1,145	$ 3,299	$ 4,444

(Continued)

	Freehold Land	Buildings	Total
Accumulated depreciation			
Balance at January 1, 2022	$ -	$ 52	$ 52
Depreciation expense	-	689	689
Transfers from assets used by the Company	-	60	60
Balance at December 31, 2022	$ -	$ 801	$ 801
Carrying amount at December 31, 2022	$ 1,145	$ 2,498	$ 3,643
Cost			
Balance at January 1, 2021	$ 10,289	$ 23,927	$ 34,216
Transfers to assets used by the Company	(10,175)	(23,662)	(33,837)
Balance at December 31, 2021	$ 114	$ 265	$ 379
Accumulated depreciation			
Balance at January 1, 2021	$ -	$ 4,222	$ 4,222
Depreciation expense	-	354	354
Transfers to assets used by the Company	-	(4,524)	(4,524)
Balance at December 31, 2021	$ -	$ 52	$ 52
Carrying amount at December 31, 2021	$ 114	$ 213	$ 327

(Concluded)

Operating leases are related to leases of buildings with lease terms of 1 year. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31	
	2022	2021
Year 1	$ 61	$ 30

There was no indication of impairment for the years ended December 31, 2022 and 2021.

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

Buildings	
Office main buildings	35-50 years
Electrical power equipment	5-10 years
Air-conditioning equipment	5-8 years
Extinguishment equipment	5 years
Research and development equipment	3-8 years
Office equipment	3-5 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	**2021**
Carrying amount		
Buildings	$ 2,978	$ 4,885
Transportation equipment	2,460	3,801
	$ 5,438	$ 8,686

	For the Year Ended December 31	
	2022	**2021**
Additions to right-of-use assets	$ 7	$ 7,671
Depreciation charge for right-of-use assets		
Buildings	$ 1,914	$ 1,692
Transportation equipment	1,341	645
	$ 3,255	$ 2,337
Income from the subleasing of right-of-use assets (presented in other income)	$ (1,431)	$ (1,205)

Except for the aforementioned additions and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	**2021**
Carrying amount		
Current	$ 3,299	$ 3,230
Non-current	$ 2,237	$ 5,532

Discount rates for lease liabilities were as follows:

	December 31	
	2022	**2021**
Buildings	1.38%-1.68%	1.38%-1.68%
Transportation equipment	2.73%	2.73%

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	$ 2,243	$ 2,638
Total cash outflow for leases	$ (5,620)	$ (5,066)

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

13. INTANGIBLE ASSETS

	Patents	Software	Trademarks	Total
Cost				
Balance at January 1, 2022	$ 153,629	$ 7,870	$ 2,883	$ 164,382
Additions	7,342	22,078	-	29,420
Disposals	(51)	(1,980)	-	(2,031)
Balance at December 31, 2022	$ 160,920	$ 27,968	$ 2,883	$ 191,771
Accumulated amortization				
Balance at January 1, 2022	$ 89,700	$ 4,678	$ 2,791	$ 97,169
Amortization expense	16,717	13,581	81	30,379
Disposals	(51)	(1,980)	-	(2,031)
Balance at December 31, 2022	$ 106,366	$ 16,279	$ 2,872	$ 125,517
Carrying amount at December 31, 2022	$ 54,554	$ 11,689	$ 11	$ 66,254
Cost				
Balance at January 1, 2021	$ 143,615	$ 9,340	$ 2,883	$ 155,838
Additions	10,357	1,180	-	11,537
Disposals	(343)	(2,650)	-	(2,993)
Balance at December 31, 2021	$ 153,629	$ 7,870	$ 2,883	$ 164,382
Accumulated amortization				
Balance at January 1, 2021	$ 73,891	$ 4,847	$ 2,623	$ 81,361
Amortization expense	16,152	2,481	168	18,801
Disposals	(343)	(2,650)	-	(2,993)
Balance at December 31, 2021	$ 89,700	$ 4,678	$ 2,791	$ 97,169
Carrying amount at December 31, 2021	$ 63,929	$ 3,192	$ 92	$ 67,213

The Company's major products are NeoBit®, NeoFuse®, NeoPUF®, NeoEE®, and NeoMTP®, etc. There are 1,176 patents currently owned or pending approval for the products mentioned above. According to the requirements of IAS 38, the research and development costs were recognized as research and development expenses, instead of capitalized, in the periods when incurred. The costs of the patents and the trademarks mentioned above were the costs of the relevant fees and professional service expenses for legal right applications.

The above intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives as follows:

Patents	5 years
Software	1-3 years
Trademarks	5 years

14. OTHER ASSETS

	December 31	
	2022	2021
Current		
Prepayments		
Prepayments for software	$ 7,172	$ 15,620
Prepayments for annual fee on the patents	6,028	5,481
Prepayments for software maintenance	1,688	1,738
Prepayments for membership	1,150	454
Others	1,824	1,048
	$ 17,862	$ 24,341
Other assets		
Temporary payments	$ 4,157	$ 3,805

15. OTHER LIABILITIES

	December 31	
	2022	2021
Current		
Other payables		
Bonuses	$ 119,451	$ 95,134
Payable for annual leave	7,065	7,010
Payable for professional service fees	1,426	1,260
Others	41,895	41,292
	$ 169,837	$ 144,696
Other liabilities		
Receipt under custody	$ 1,555	$ 1,385
Temporary receipts	27	11
Receipts in advance	-	427
	$ 1,582	$ 1,823

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2022	**2021**
Present value of funded defined benefit obligation	$ 29,520	$ 31,147
Fair value of plan assets	(13,808)	(11,957)
Net defined benefit liabilities	$ 15,712	$ 19,190

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2021	$ 32,106	$ (10,873)	$ 21,233
Net interest expense (income)	160	(58)	102
Recognized in profit or loss	160	(58)	102
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(134)	(134)
Actuarial loss (gain)			
Changes in demographic assumptions	1,062	-	1,062
Experience adjustments	(2,181)	-	(2,181)
Recognized in other comprehensive income	(1,119)	(134)	(1,253)
Contributions from the employer	-	(892)	(892)
Balance at December 31, 2021	31,147	(11,957)	19,190
Net interest expense (income)	156	(62)	94
Recognized in profit or loss	156	(62)	94

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (919)	$ (919)
Actuarial loss (gain)			
Changes in financial assumptions	(1,926)	-	(1,926)
Experience adjustments	143	-	143
Recognized in other comprehensive income	(1,783)	(919)	(2,702)
Contributions from the employer	-	(870)	(870)
Balance at December 31, 2022	$ 29,520	$ (13,808)	$ 15,712

(Concluded)

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2022	2021
Discount rate	1.50%	0.50%
Expected rate of salary increase	4.50%	4.00%

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

	December 31	
	2022	2021
Discount rate		
0.25% increase	$ (867)	$ (1,007)
0.25% decrease	$ 901	$ 1,049
Expected rate of salary increase		
0.25% increase	$ 861	$ 999
0.25% decrease	$ (833)	$ (964)

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

	December 31	
	2022	**2021**
Expected contributions to the plans for the next year	$ 912	$ 949
Average duration of the defined benefit obligation	12 years	13.1 years

17. EQUITY

a. Ordinary shares

	December 31	
	2022	**2021**
Numbers of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	76,185	76,124
Shares issued	$ 761,845	$ 761,235

For the year ended December 31, 2022, the shares increased due to the employees' exercise of their employee share options.

b. Capital surplus

	December 31	
	2022	**2021**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of ordinary shares	$ 60,421	$ 153,448
Arising from issuance of ordinary - exercised/invalid employee share options	62,636	53,423
May be used to offset a deficit only		
Arising from changes in percentage of ownership interests in subsidiaries (2)	13,883	27,697
Arising from share of changes in capital surplus of associates (2)	62,948	48,766
May not be used for any purpose		
Arising from employee share options	10,634	19,847
	$ 210,522	$ 303,181

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries and associates resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries and associates accounted for using the equity method.

c. Retained earnings and dividend policy

Based on the Company's Articles of Incorporation state that, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 20 (g).

The Company shall distribute dividend with considerations of the market situation and development stage, as well as future capital needs, long-term corporate development and the shareholders' cash flow needs. Based on the Company's dividend policy, in principle, the total dividends distributed shall not be less than 50% of distributable earnings, of which at least 10% will be paid as cash dividend and the remainder will be in the form of stock dividend. The board of directors shall map out the distribution proposal in consideration of future operation and capital expenditure, and present the proposal at the shareholders' meeting for approval.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2021 and 2020 which had been approved in the shareholders' meetings on June 15, 2022 and July 15, 2021, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2021	**2020**
Legal reserve	$ 109,686	$ 70,752
Special reserve	$ (29,116)	$ (5,485)
Cash dividends	$ 931,990	$ 558,792
Cash dividends per share (NT$)	$ 12.50	$ 7.50

The Company's shareholders also resolved to issue cash dividends from the capital surplus of $111,839 thousand and $111,759 thousand in the shareholders' meetings on June 15, 2022 and July 15, 2021, respectively.

The appropriations of earnings for 2022 had been proposed by the Company's board of directors on February 22, 2023. The appropriations and dividends per share were as follows:

	For the Year Ended December 31, 2022
Legal reserve	$ 125,888
Special reserve	$ (26,005)
Cash dividends	$ 1,417,769
Cash dividends per share (NT$)	$ 19.00

Issuance of cash dividends from capital surplus of $111,929 thousand had also been proposed by the Company's board of directors on February 22, 2023.

The appropriations of earnings for 2022 are subject to the resolution of the shareholders in their meeting to be held on June 9, 2023.

d. Other equity items

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

	For the Year Ended December 31	
	2022	**2021**
Balance at January 1	$ (112)	$ (26)
Recognized for the year		
Share from subsidiaries and associates accounted for using the equity method	818	(86)
Other comprehensive loss recognized for the year	818	(86)
Balance at December 31	$ 706	$ (112)

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

	For the Year Ended December 31	
	2022	**2021**
Balance at January 1	$ (30,874)	$ (60,075)
Recognized for the year		
Unrealized gain (loss) - equity instruments	(6,562)	23,656
Other comprehensive income (loss) recognized for the year	(6,562)	23,656
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	31,750	5,545
Balance at December 31	$ (5,686)	$ (30,874)

e. Treasury shares

Unit: In Thousands of Shares

Purpose of Buy-Back	Number of Shares at January 1	Increase During the Year	Decrease During the Year	Number of Shares at December 31
2022				
Shares transferred to employees	1,567	-	-	1,567
2021				
Shares transferred to employees	1,567	-	-	1,567

In September 2018, for the purpose of transferring shares to its employees, the Company's board of directors resolved to buy back 2,500 thousand shares of the Company's ordinary shares from the TPEx market from September 14, 2018 to November 13, 2018 with the price interval ranging from NT$177.80 to NT$400 per share. The Company has bought back 1,567 thousand shares with total cost of NT$404,238 thousand.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

18. SHARE-BASED PAYMENTS

Employee share option plan of the Company

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

The information of employee share options was as follows:

	For the Year Ended December 31			
	2022		2021	
	Number of Options	Weighted-average Exercise Price (NT$)	Number of Options	Weighted-average Exercise Price (NT$)
Balance at January 1	130	$ 318.4	194	$ 318.4
Options exercised	(61)	318.4	(64)	318.4
Balance at December 31	69	318.4	130	318.4
Options exercisable, end of period	69	318.4	130	318.4

The weighted-average share prices on the exercise date of the share options for the year ended December 31, 2022 and 2021 were $1,108 and $1,645, respectively.

Information on outstanding options is as follows:

	December 31	
	2022	2021
Range of exercise price (NT$)	$ 318.4	$ 318.4
Weighted-average remaining contractual life (in years)	3.15	4.15

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

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

Compensation cost recognized were both NT$0 thousand for the year ended December 31, 2022 and 2021.

19. REVENUE

	For the Year Ended December 31	
	2022	2021
Royalty revenue	$ 2,474,635	$ 1,660,973
Technical service revenue	635,198	688,799
	$ 3,109,833	$ 2,349,772

a. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivables (including related parties) (Note 9)	$ 212,172	$ 100,634	$ 117,449
Contract liabilities			
Technical service revenue	$ 67,777	$ 78,327	$ 52,244

The changes in the balance of contract liabilities primarily result from the timing difference between the Company’s performance and the respective customer’s payment.

Revenue of the reporting period recognized from the beginning contract liabilities in the previous periods is as follows:

	For the Year Ended December 31	
	2022	2021
From contract liabilities at the beginning of the year		
Technical service revenue	$ 53,879	$ 35,086

b. Partially completed contracts

	For the Year Ended December 31	
	2022	2021
Domestic	$ 1,951,189	$ 1,380,117
Asia	1,014,343	843,386
Others	144,301	126,269
	$ 3,109,833	$ 2,349,772

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	$ 14,664	$ 6,812

b. Other income

	For the Year Ended December 31	
	2022	2021
Rental income	$ 1,828	$ 3,584
Dividend income	932	315
	$ 2,760	$ 3,899

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange gain (loss)	$ 31,089	$ (8,754)
Commission income (Note 26)	27,910	4,204
Gain on disposal of investments	86	100
Government grant income (Note 23)	-	14,034
Others	223	774
	$ 59,308	$ 10,358

d. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on lease liabilities	$ 144	$ 106
Others	-	3
	$ 144	$ 109

e. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating expenses	$ 38,436	$ 39,991
An analysis of amortization by function		
Selling and marketing expenses	$ 33	$ 25
General and administrative expenses	1,743	1,943
Research and development expenses	28,603	16,833
	$ 30,379	$ 18,801

f. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits (Note 16)		
Defined contribution plans	$ 19,151	$ 17,475
Defined benefit plans	94	102
	19,245	17,577
Share-based payments		
Equity-settled	176	47
Other employee benefits	1,006,582	825,478
Total employee benefits expense	$ 1,026,003	$ 843,102
An analysis of employee benefits expense by function		
Operating expenses	$ 1,026,003	$ 843,102

g. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of 1-25% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on February 22, 2023 and February 23, 2022, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Employees' compensation	15%	15%
Remuneration of directors	1.5%	1.5%

Amount

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Employees' compensation	$ 344,259	$ 231,808
Remuneration of directors	$ 34,426	$ 23,181

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	$ 301,512	$ 187,283
Income tax on unappropriated earnings	1,443	2,568
Adjustments for prior years	-	(373)
	302,955	189,478
Deferred tax		
In respect of the current year	1,514	(235)
Income tax expense recognized in profit or loss	$ 304,469	$ 189,243

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

	For the Year Ended December 31	
	2022	2021
Profit before tax	$ 1,916,378	$ 1,290,400
Income tax expense calculated at the statutory rate	$ 383,276	$ 258,080
Nondeductible expenses in determining taxable income	8,612	12,781
Income tax on unappropriated earnings	1,443	2,568
Unrecognized deductible temporary differences and investment credits	(88,862)	(83,813)
Adjustments for prior years' tax	-	(373)
Income tax expense recognized in profit or loss	$ 304,469	$ 189,243

b. Current tax liabilities

	December 31	
	2022	2021
Current tax liabilities		
Income tax payable	$ 139,676	$ 140,661

c. Deferred tax assets

The movements of deferred tax assets was as follows:

For the Year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Temporary differences	$ 4,257	$ (1,514)	$ 2,743

For the Year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Temporary differences	$ 4,022	$ 235	$ 4,257

d. Unused investment credits for which no deferred tax assets have been recognized in the parent company only balance sheets

	December 31	
	2022	2021
Investment credits		
Research and development	$ -	$ 24,343

e. Income tax assessments

The tax returns through 2020 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2022	2021
Basic earnings per share	$ 21.61	$ 14.78
Diluted earnings per share	$ 21.51	$ 14.73

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

Net Profit for the Year

	For the Year Ended December 31	
	2022	2021
Earnings used in the computation of basic earnings per share	$ 1,611,909	$ 1,101,157
Effect of potentially dilutive ordinary shares:		
Employees’ compensation	-	-
Employee share options	-	-
Earnings used in the computation of diluted earnings per share	$ 1,611,909	$ 1,101,157

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

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	74,586	74,520
Effect of potentially dilutive ordinary shares:		
Employees' compensation	277	131
Employee share options	78	100
Weighted average number of ordinary shares used in the computation of diluted earnings per share	74,941	74,751

Since the Company can offer to settle bonus to employees in cash or shares, the Company assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. GOVERNMENT GRANTS

The Company applied for AI on chip R&D subsidy program "The Industrial Technology Foresight Research Program of Reconfigurable Analog Artificial Intelligence Chip", proposed by the Ministry of Economic Affairs, and the program was approved on December 18, 2019. The total funds approved amounted to NT$85,750 thousand, and the subsidies amounted to NT$34,300 thousand. The accumulated government grants income recognized was NT$33,074 thousand and was expired on November 30, 2021. The collateral provided by the Company included cashier checks whose drawees are banking industries and guarantee letters and the amounts were NT$34,300 thousand and NT$14,724 thousand, respectively, and the guarantee was released on July 11, 2022.

24. CAPITAL MANAGEMENT

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

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

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

25. FINANCIAL INSTRUMENTS

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

   The management believes the carrying amount of financial assets and financial liabilities not carried at fair value approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2022

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

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	$ -	$ -	$ 16,130	$ 16,130

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

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

	Financial Assets at FVTOCI	
	Equity Instruments	
Financial Assets	2022	2021
Balance at January 1	$ 16,130	$ 21,037
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	(6,562)	23,656
Disposal	(4,654)	(28,563)
Balance at December 31	$ 4,914	$ 16,130

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

Financial Instruments	Valuation Techniques and Inputs
Unlisted shares - ROC	The fair value of the shares is estimated based on the balance sheet accounts of the target company, or by comparing the balance sheet or income statement accounts of comparable listed companies and calculating the implied value multiplier in the stock price.

c. Categories of financial instruments

	December 31	
	2022	2021
Financial assets		
Financial asset at amortized cost (Note 1)	$ 3,174,892	$ 2,515,699
Investment in equity instrument at FVTOCI	4,914	16,130

(Continued)

	December 31	
	2022	2021
Financial liabilities		
Amortized cost (Note 2)	$ 30,241	$ 31,774

(Concluded)

Note 1: The balances include financial assets measured at amortized cost, which comprise cash, accounts receivable (including related parties), other receivables (including related parties) and other current assets.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise other payables (including related parties) and payables on equipment.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity investments, accounts receivable (including related parties), lease liabilities and other payables (including related parties). The Company's corporate financial management function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company's main financial plans are reviewed by the board of directors in accordance with relevant regulations and internal control system.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change in the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

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

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 28.

Sensitivity analysis

The Company is mainly exposed to the exchange rate fluctuations of the USD, CNY and JPY.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative. The sensitivity analysis included cash, accounts receivable (including related parties), other receivables (including related parties), payables on equipment and other payables (including related parties).

	USD Impact		CNY Impact		JPY Impact	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2022	2021	2022	2021	2022	2021
Profit or loss	$ 29,200	$ 9,351	$ 455	$ 439	$ 436	$ 32

b) Interest rate risk

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

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

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	$ 2,497,632	$ 1,855,404
Cash flow interest rate risk		
Financial assets	438,033	546,990

Sensitivity analysis

The sensitivity analyses below are determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the asset outstanding at the end of the reporting period was outstanding for the whole year.

If the market interest rates had increased/decreased by 0.1% and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2022 and 2021 would increase/decrease by $438 thousand and $547 thousand, respectively, mainly due to the Company's exposure to floating interest rate assets.

2) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations and result in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation mainly arise from the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

In order to minimize credit risk, the Company has made credit and receivable management regulations to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

The credit risk on liquid funds was limited because the counterparties are banks with good credit.

Apart from the customers whose balances exceeded 5% of the accounts receivable, the Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The customers whose balances exceeded 5% of the accounts receivable are creditworthy counterparties. Therefore, the credit risk is limited.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

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

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows.

December 31, 2022

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1+ Years**	**Total**
Non-derivative financial liabilities					
Non-interest bearing	$ 10,652	$ 19,283	$ 316	$ -	$ 30,251
Lease liabilities	281	563	2,532	2,263	5,639
	$ 10,933	$ 19,846	$ 2,848	$ 2,263	$ 35,890

Additional information about the maturity analysis for financial liabilities

	Less than 1 Year	**1-5 Years**	**5+ Years**
Lease liabilities	$ 3,376	$ 2,263	$ -

December 31, 2021

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1+ Years**	**Total**
Non-derivative financial liabilities					
Non-interest bearing	$ 16,368	$ 15,100	$ 316	$ -	$ 31,784
Lease liabilities	281	562	2,530	5,636	9,009
	$ 16,649	$ 15,662	$ 2,846	$ 5,636	$ 40,793

Additional information about the maturity analysis for financial liabilities

	Less than 1 Year	1-5 Years	5+ Years
Lease liabilities	$ 3,373	$ 5,636	$ -

26. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Related Party Name	Related Party Category
PUFsecurity Corporation	Subsidiaries
eMemory Japan Corporation	Subsidiaries
HeFeChip Corporation Limited	Substantive related parties
T.C. Chen	Key management personnel
Li-Jeng Chen	Key management personnel

b. Operating revenue

Line Item	Related Party Category	For the Year Ended December 31 2022	2021
Sales	Subsidiaries	$ 2,869	$ 2,827
	Substantive related parties	3,084	73,043
		$ 5,953	$ 75,870

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

c. Other gains and losses

Line Item	Related Party Category	For the Year Ended December 31 2022	2021
Commission income	Subsidiaries		
	PUFsecurity Corporation	$ 27,910	$ 4,204
Other income	Key management personnel		
	Li-Jeng Chen	$ -	$ 772

d. Finance costs

Line Item	Related Party Category	For the Year Ended December 31 2022	2021
Finance costs	Substantive related parties	$ -	$ 3

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

Line Item	Related Party Category	December 31 2022	December 31 2021
Accounts receivable - related parties	Substantive related parties		
	HeFeChip Corporation Limited	$ 3,071	$ -
Other receivables - related parties	Subsidiaries		
	PUFsecurity Corporation	$ 13,666	$ 3,581
	eMemory Japan Corporation	8,229	-
		$ 21,895	$ 3,581

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment losses were recognized for trade receivables from related parties.

f. Payables to related parties

Line Item	Related Party Category	December 31 2022	December 31 2021
Other payables - related parties	Key management personnel		
	T.C. Chen	$ 10	$ -

g. Contract liabilities

Line Item	Related Party Category	December 31 2022	December 31 2021
Contract liabilities	Subsidiaries	$ 1,485	$ 1,384

h. Other current liabilities

Line Item	Related Party Category	December 31 2022	December 31 2021
Receipt in advance	Substantive related parties		
	HeFeChip Corporation Limited	$ -	$ 274

i. Lease arrangements

The Company is lessor under operating leases

The Company leases out offices and parking spaces to its substantive related parties, HeFeChip Corporation Limited, under operating leases with lease terms of 1 year and the lease expired on September 30, 2021. The Company leases out offices to its subsidiaries, PUFsecurity Corporation, under operating leases with lease terms of 1 year. As of December 31, 2022 and 2021, the balance of the operating lease receivable was $31 thousand and $0, respectively. Lease income recognized for the years ended December 31, 2022 and 2021 was as follows:

Related Party Category	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Subsidiaries		
PUFsecurity Corporation	$ 338	$ -
Substantive related parties		
HeFeChip Corporation Limited	$ -	$ 2,319

j. Compensation of key management personnel

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

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	$ 142,231	$ 120,695
Post-employment benefits	969	1,038
Share-based payment transactions	-	4
	$ 143,200	$ 121,737

The remuneration of directors and key management personnel, as determined by the remuneration committee, was based on the performance of individuals and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2022	2021
Pledged time deposits (classified as financial assets at amortized cost)	$ 116	$ 116

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2022

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

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 6,823	27.680	$ 188,864
CNY	2,020	4.344	8,774
JPY	2,676	0.2405	644
			$ 198,282
Financial liabilities			
Monetary items			
USD	67	27.680	$ 1,841

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

	For the Year Ended December 31			
	2022		2021	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.71 (USD:NTD)	$ (2,311)	27.680 (USD:NTD)	$ 1,119

29. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

1) Financing provided to others: None

2) Endorsements/guarantees provided: None

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 1

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

9) Trading in derivative instruments: None

b. Information on investees: Table 2

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 3

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 4

TABLE 1

EMEMORY TECHNOLOGY INC.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
The Company	Shares Syntronix Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	1,210	$ 4,914	2.81	$ 4,914	Note 2

Note 1: Marketable securities mentioned in the table include shares, bonds, beneficiary certificates and the derivative securities from aforementioned items, which is under the definition of IFRS 9.

Note 2: The market value was based on the fair value as of December 31, 2022.

Note 3: As of December 31, 2022, the above marketable securities had not been pledged or mortgaged.

EMEMORY TECHNOLOGY INC.

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
The Company.	PUFsecurity Corporation	Hsinchu County	Product designing, software services, data processing services, intellectual property, etc.	$261,066	$150,000	81,107	76.17	$104,543	$ (39,638)	$ (31,870)	Subsidiary
	eMemory Japan Corporation	Japan	Product designing, intellectual property management, technology serve	10,697	-	-	100.00	1,062	(10,127)	(10,127)	Subsidiary
	iMQ Technology Inc.	Hsinchu City	Electronic parts and components manufacturing	27,900	27,900	2,057	2.34	15,185	(83,038)	(2,080)	Investment accounted for using the equity method
PUFsecurity Corporation	PUFsecurity USA Corporation	USA	Sales promotion	7,777	7,777	-	100.00	4,188	254	254	Subsidiary

EMEMORY TECHNOLOGY INC.

INFORMATION ON INVESTMENTS IN MAINLAND AND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
PUFsecurity Technology (Shanghai) Corporation	Product designing, related service	$ -	Notes 1 and 2	$ -	$ -	$ -	$ -	$ -	100.00	$ -	$ -	$ -	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
$ -	$ -	$ 1,836,122

Note 1: Direct investment in mainland China.

Note 2: PUFsecurity Corporation invested and established PUFsecurity Technology (Shanghai) Corporation in July 2022, and PUFsecurity Corporation remitted investment fund of US$250 thousand on February 3, 2023.

EMEMORY TECHNOLOGY INC.

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022

No.	Name	Shares	
		Number of Shares Held	Ownership Percentage
1	SmallCap World Fund Inc.	6,440,334	8.45%
2	Government of Singapore	5,511,000	7.23%

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current year. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

STATEMENT 1

EMEMORY TECHNOLOGY INC.

STATEMENT OF CASH
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Annual Interest Rate (%)	Amount
Cash in banks			
Time deposits	Expired by the end of December, 2023.	0.16-1.50	$ 2,467,459
Current accounts			83,741
Foreign currency time deposit	Including US$10,000 thousand @30.71, RMB2,000 thousand @4.408 expired by the end of March, 2023.	1.65-4.27	315,916
Foreign currency accounts	Including US$2,203 thousand @30.71, RMB65 thousand @4.408 and JPY2,113 thousand @0.2324	0.001-0.20	68,433
Cash on hand			25
			$ 2,935,574

EMEMORY TECHNOLOGY INC.

STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Client A	$ 92,637
Client B	41,842
Others (Note)	74,719
	209,198
Less: Allowance for impairment loss	(97)
	$ 209,101

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

STATEMENT 3

EMEMORY TECHNOLOGY INC.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2022		Additions		Decrease (Note 2)			Balance, December 31, 2022	
Name of Financial Assets	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Changes in Fair Value	Number of Shares (In Thousands)	Amount
Unlisted Company									
Powerchip Technology Corporation	326	$ 10,233	-	$ -	(326)	$ (4,654)	$ (5,579)	-	$ -
Syntronix Corporation	1,210	5,897	-	-	-	-	(983)	1,210	4,914
		$ 16,130		$ -		$ (4,654)	$ (6,562)		$ 4,914

Note 1: The above financial assets were not pledged as security.

Note 2: The reduction this year is due to the disposal of the shares of Powerchip Technology Corporation

EMEMORY TECHNOLOGY INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2022			Additions		Investment Loss	Capital Surplus	Balance, December 31, 2022				
Investees	Number of Shares (In Thousands)	%	Amount	Number of Shares (In Thousands)	Amount	Recognized by Using the Equity Method	Recognized by Using the Equity Method	Number of Shares (In Thousands)	%	Amount	Net Assets Value	Remarks
PUFsecurity Corporation	70,000	80.82	$ 35,011	11,107	$ 111,066	$ (31,870)	$ (9,664)	81,107	76.17	$ 104,543	$ 104,858	Note 1
eMemory Japan Corporation	-	-	-	-	10,697	(10,127)	492	-	100.00	1,062	1,062	Note 1
iMQ Technology Inc.	2,057	2.69	3,083	-	-	(2,080)	14,182	2,057	2.34	15,185	15,185	Note 1
Total			$ 38,094		$ 121,763	$ (44,077)	$ 5,010			$ 120,790	$ 121,105	

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

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

EMEMORY TECHNOLOGY INC.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS AND ACCUMULATED DEPRECIATION OF RIGHT-OF-USE-ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

	Balance at January 1	Additions	Disposals	Balance at December 31
Cost				
Buildings	$ 8,587	$ 7	$ -	$ 8,594
Transportation equipment	4,024	-	-	4,024
	12,611	7	-	12,618
Accumulated depreciation				
Buildings	3,702	1,914	-	5,616
Transportation equipment	223	1,341	-	1,564
	3,925	3,255	-	7,180
	$ 8,686	$ (3,248)	$ -	$ 5,438

EMEMORY TECHNOLOGY INC.

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Rental Period	Discount Rate	Amount
Buildings	From January 2019 to December 2025	1.38%-1.68%	$ 3,038
Transportation equipment	From November 2021 to November 2024	2.73%	2,498
Total			5,536
Less: Lease liabilities - current			(3,299)
Lease liabilities -noncurrent			$ 2,237

EMEMORY TECHNOLOGY INC.

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expense	General and Administrative Expense	Research and Development Expense
Payroll and related expense	$ 145,563	$ 153,310	$ 582,621
Depreciation	1,411	15,187	21,838
Remuneration of directors and transportation allowance	-	62,899	-
Research and experiment expense	-	-	62,514
Others (Note)	25,381	53,863	102,727
	$ 172,355	$ 285,249	$ 769,700

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

EMEMORY TECHNOLOGY INC.

SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2022			For the Year Ended December 31, 2021		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Employee benefits expenses						
Payroll and related expense	$ -	$ 881,494	$ 881,494	$ -	$ 711,528	$ 711,528
Remuneration of directors	-	62,889	62,889	-	54,642	54,642
Insurance	-	41,322	41,322	-	36,398	36,398
Pension	-	19,245	19,245	-	17,577	17,577
Others	-	21,053	21,053	-	22,957	22,957
	$ -	$ 1,026,003	$ 1,026,003	$ -	$ 843,102	$ 843,102
Depreciation	$ -	$ 38,436	$ 38,436	$ -	$ 39,991	$ 39,991
Amortization	$ -	$ 30,379	$ 30,379	$ -	$ 18,801	$ 18,801

Note 1: For the years ended December 31, 2022 and 2021, the monthly numbers of employees when added up reached 3,408 and 3,262, respectively, and the numbers of directors who did not serve concurrently as employees were both 84. As of December 31, 2022 and 2021, the numbers of employees were 293 and 275, respectively, and the numbers of directors who did not serve concurrently as employees were both 7.

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

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

   The average employee benefits expense for the previous year is $2,975 thousand (“Total employee benefits expenses for the previous year-Total directors’ remuneration”/“Number of employees for the previous year-Number of directors who have not served concurrently as employees”).

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

   The average employee payroll and related expense for the previous year is $2,685 thousand (Total payroll and related expense of the previous year/“Number of employees for the previous year-Number of directors who have not served concurrently as employees”).

3) Changes in the average employee payroll and related expense adjustment 18.5% (“Average employee payroll and related expense for the current year-Average employee payroll and related expense for the previous year”/Average employee payroll and related expense for the previous year).

4) The supervisor’s remuneration for the current year is $0 thousand, the previous year is $0 thousand.

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

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

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

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